

Translation

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**Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020
(Based on Japanese GAAP)**

May 8, 2020

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <https://www.cresco.co.jp/>
 Representative: President, Executive Officer Hiroyuki Nemoto
 Director, Managing Executive Officer, Kazuo Sugiyama TEL +81-3-5769-8011
 General Manager, Accounting & Finance Unit
 Scheduled date of Ordinary General Meeting of Shareholders: June 19, 2020
 Scheduled date to commence dividend payments: June 22, 2020
 Scheduled date to file annual securities report: June 22, 2020
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: Yes for analysts

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2020	39,337	11.7	3,556	10.9	3,712	1.5	2,421	5.9
March 31, 2019	35,230	5.7	3,207	3.7	3,658	4.8	2,285	3.8

Note: Comprehensive income
 Fiscal year ended March 31, 2020: ¥2,088 million [11.8%]
 Fiscal year ended March 31, 2019: ¥1,867 million [(36.2)%]

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2020	114.30	114.24	15.0	14.2	9.0
March 31, 2019	104.46	-	14.6	14.8	9.1

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

Fiscal year ended March 31, 2020: ¥41 million Fiscal year ended March 31, 2019: ¥23 million

Note: The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020. Earnings per share have been calculated under the assumption that the share split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2020	26,770	16,185	60.4	770.72
March 31, 2019	25,372	16,137	63.6	737.53

Reference: Equity

As of March 31, 2020: ¥16,177 million As of March 31, 2019: ¥16,137 million

Note: The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020. Net assets per share have been calculated under the assumption that the share 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, 2020	3,693	2	(511)	9,384
March 31, 2019	1,824	(1,238)	(1,278)	6,201

2. Cash dividends

	Annual dividends per share					Total dividend payments	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2019	–	32.00	–	34.00	66.00	722	31.6	4.6
Fiscal year ended March 31, 2020	–	36.00	–	18.00	–	750	31.5	4.8
Fiscal year ending March 31, 2021 (Forecast)	–	18.00	–	18.00	36.00		30.8	

Note: The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020. For the fiscal year ended March 31, 2019 and the 2nd quarter-end of the fiscal year ended March 31, 2020, actual dividend values before the share split are stated. For the fiscal year ended March 31, 2020, total dividends per share is not stated because the implementation of the share split makes it impossible to perform a simple calculation.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2020	19,000	(1.1)	1,450	(16.0)	1,550	(18.3)	1,040	(8.7)	49.55
Full year	40,000	1.7	3,400	(4.4)	3,600	(3.0)	2,450	1.2	116.72

4. Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No

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

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of March 31, 2020	24,000,000 shares	As of March 31, 2019	24,000,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	3,009,560 shares	As of March 31, 2019	2,119,824 shares
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Average number of shares during the period

Fiscal year ended March 31, 2020	21,181,025 shares	Fiscal year ended March 31, 2019	21,880,338 shares
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Note: The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020. "Total number of issued shares at the end of the period (including treasury shares)," "number of treasury shares at the end of the period," and "average number of shares during the period" have been calculated under the assumption that the share split was conducted at the beginning of the previous fiscal year.

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2020	23,034	10.1	2,491	12.9	2,712	(1.7)	1,815	(2.1)
March 31, 2019	20,925	(1.3)	2,206	2.4	2,759	4.3	1,854	5.1

	Earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2020	85.69	85.65
March 31, 2019	84.74	–

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio	Net assets per share
As of	Millions of yen		Millions of yen		%	Yen
March 31, 2020	22,203		13,205		59.4	628.72
March 31, 2019	21,015		13,787		65.6	630.12

Reference: Equity

As of March 31, 2020 ¥13,197 million As of March 31, 2019 ¥13,787 million

2. Forecast of non-consolidated financial results for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2020	11,200	(0.6)	1,320	(11.4)	965	3.8	45.97
Full year	23,000	(0.1)	2,638	(2.7)	1,856	2.3	88.42

* **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**

(Warning on forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company makes no promise regarding achievement of any content in the forward-looking statements. Actual business and other results may differ substantially due to various factors. Please refer to “(4) Outlook for the coming year, 1. Overview of operating results and others” on page 6 of the attached materials for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of business results forecasts.

(Cash dividends after share split)

The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020. Dividends for the fiscal year ended March 31, 2020 and the forecast of dividends for the fiscal year ending March 31, 2021 that were converted prior to this share split are as follows.

- Cash dividends for the fiscal year ended March 31, 2020
Dividends per share
2nd quarter-end: ¥36.00 Fiscal year-end: ¥36.00 Total: ¥72.00
- Cash dividends for the fiscal year ending March 31, 2021 (Forecast)
Dividends per share
2nd quarter-end: ¥36.00 Fiscal year-end: ¥36.00 Total: ¥72.00

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1. Overview of operating results and others

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

In order to achieve sustainable growth and greater corporate value by capitalizing on business opportunities, the Group started to uphold a new five-year vision, “CRESCO Ambition 2020,” adopting “Lead the Digital Transformation (DX)” as the corporate slogan, in April 2016. The fiscal year under review is its fourth year.

<< Corporate Slogan >>

Lead the Digital Transformation

Management Policy for FY2019

- Management in accordance with “CRESCO Ambition 2020”
- Qualitative growth through reinforcement of service quality
- Quantitative growth through reinforcement of resources and technological strategies
- Increase in growth speed through M&As

The business environment during the fiscal year under review (from April 1, 2019 to March 31, 2020), backed by “digital transformation,” provided opportunities for the Group to demonstrate its superiority, as it operates in wide areas of business fields encompassing advanced technologies (AI, cloud computing, etc.) in addition to the three core technologies which the Group has developed since its foundation (application development technology, IT infrastructure construction technology, and embedding technology). Its full year net sales and operating profit thus remained robust.

In the 4th quarter, however, an uncertainty grew pronounced due to impacts of the scourge of novel coronavirus (COVID-19), and a global increase in the number of infected people (pandemic) resulted in such states of affairs as the postponement of Tokyo Olympic Games scheduled to be held in 2020 and voluntary restraints from traveling and going out. As infrastructure improvement and an expansion in inbound demand related to Tokyo Olympic Games supported IT investment to a certain extent, orders received by the Group has begun to be partially impacted. At the same time, a global decline in stock prices caused by the scourge of COVID-19 also impacted fund management by the Group, resulting in a decrease in ordinary profit and profit.

As main efforts undertaken during the fiscal year under review, the Group, in accordance with the management policy, tried to review its customer portfolio and business structure in response to changes in markets, including reinforcement of the quality management system and project audits, and, at the same time, devoted its efforts to cultivating new customers and developing new business and service incorporating advanced technology (AI, cloud computing, etc.). The Group has also striven to ensure the appropriate amount of orders commensurate with resources and to further improve customer satisfaction by expanding development systems (near-shoring and offshoring), selectively taking orders, and reviewing its operating policies. Besides, as a part of evangelist activities, the Group implemented promotional activities for various services and solutions through publishing the result of technological research and holding open seminars. On the other hand, regardless of the supply-demand environment, it is undeniable that there is a shortage of human resources as the “digital transformation” progresses. The Group thus devoted its efforts to hiring activities (of new graduates and experienced workers) and productivity improvement activities (internal innovation activities).

With regard to capital policy, the Group implemented the “issuance through third party allotment of 7th series share acquisition rights using treasury shares” designed to raise fund for positive business investment such as M&A and capital and business alliance, and the “2-for-1 share split (effective February 1, 2020)” designed to expand the range of investors and improve market liquidity.

Major topics for the fiscal year under review are as follows.

April 2019:

- Announced initiatives for “work style reform” were announced.
- Completed the absorption-type merger with Cresco KYUSHU Co. Ltd., a consolidated subsidiary of the Company.
- NIDEK CO., LTD. adopted the result of the Company’s R&D on medical image analysis for its image filing software NAVIS(R)-EX.
- A paper by the Company’s employee on the “Automated Detection of Macular Diseases by Optical Coherence Tomography and Artificial Intelligence Machine Learning of Optical Coherence Tomography Images” appeared in the “Journal of Ophthalmology” (Hindwai), an academic journal.
- Announced the adoption of electronic means allowing shareholders to exercise the voting rights for votes at an Ordinary General Meeting of Shareholders and its participation in “Electronic Voting Platform for Institutional Investors.”

May 2019:

- CRESCO HOKURIKU. LTD. ran a booth at “e-messe kanazawa 2019” hosted by the Ishikawa Information System Association.
- Announced the introduction of restricted shares remuneration system.
- Announced changes in dividend policy.
- Chosen as the “Best Partner of the Year” award by the “AI Ecosystem Program” run by SoftBank Corp.

June 2019:

- Announced the acquisition of treasury shares and tender offer of treasury shares.

July 2019:

- Announced the integration of IOS Co., Ltd. with its subsidiary e-techno. Co., Ltd.
- Obtained a United States patent on “a method for improving the precision of disease classification using machine learning.”
- Terminated own-share repurchase by means of a tender offer.

August 2019:

- CRESCO HOKURIKU. LTD. ran a booth at “The 21st Japan International Seafood & Technology Expo” hosted by Japan Fisheries Association.
- Announced the establishment of a local subsidiary in Vietnam (CRESCO VIETNAM CO., LTD.).

September 2019:

- The Company’s employee gave a talk at a meeting of the Special Interest Group on Computer Vision and Image Media of the IEICE (Institute of Electronics, Information and Communication Engineers).
- Kurumin-certified (for four consecutive years) and Platinum-Kurumin-certified by the Ministry of Health, Labour and Welfare as a company supporting childcare.
- Announced the “Endeavors for Health and Productivity Management”

October 2019:

- CRESCO VIETNAM CO., LTD. started operation.
- Started providing “Security Vulnerability Diagnosis Service.”
- A paper on the “Keratoconus detection using deep learning of colour-coded maps with anterior segment optical coherence tomography: a diagnostic accuracy study” by Kitasato University, Miyata Eye Hospital, and CRESCO Technology Laboratory appeared in the “BMJ Open” (BMJ), an academic journal.
- Started providing the “Creage Account Plus” service.

November 2019:

- Certified under the “AWS Well-Architected Partner Program”

- Announced a decision regarding an interim dividends and revisions to forecasts of annual and fiscal year-end dividends
- Expressed a support for the “ifLink Open Community,” which aims at the open co-creation of user-first IoT services, with Toshiba Corporation and Toshiba Digital Solutions Corporation as core members.
- The Company’s employees gave talks at “ET & IoT Technology 2019” held by the Society of Project Management.

December 2019:

- The Company’s IR website was awarded the Commendation Award in the “2019 Internet IR Awards” by Daiwa Investor Relations Co. Ltd.
- The Company’s IR website was awarded the Gold Prize for Companies with an Excellent IR Website in the “Gomez IR Site Ranking 2019” by Morningstar Japan K.K.
- The Company’s IR website was ranked as an AAA Website in the overall ranking in the “2019 Survey of All Japanese Listed Companies’ Website Ranking” by Nikko Investor Relations Co., Ltd.

January 2020:

- Issued 7th series share acquisition rights through third party allotment (with exercise price amendment options and subject to exercise restrictions) using treasury shares.
- Announced a share split, partial amendments to the Articles of Incorporation in relation to the share split, and revisions to the forecast of dividends.

February 2020:

- Announced the joint development of an automated room assignment system with XYMAX Corporation and KARAKSA HOTELS Corporation.
- Announced capital and business alliance with CHOWA GIKEN Corporation.
- Announced the acquisition of shares of Enisias Co., Ltd. for the purpose of making it a subsidiary (as of April 1, 2020).
- Announced the Company’s responses to COVID-19.

March 2020:

- Certified as a “2020 recognized organization” under the Certified Health & Productivity Management Outstanding Organizations Recognition Program.
- Awarded the “PM Application Encouragement Prize” by the Society of Project Management.
- Announced the conversion of ZXY MEQQE Corporation into a joint venture company by the Company and XYMAX Corporation (as of April 1, 2020).
- Announced the change of Chief Executive Officer and changes of Officers as of June 2020.

As a result of the above, both sales and profit increased, and for the fiscal year ended March 31, 2020, the Company recorded 39,337 million yen in net sales (11.7% increase from 35,230 million yen for the previous fiscal year), 3,556 million yen in operating profit (10.9% increase from 3,207 million yen for the previous fiscal year), 3,712 million yen in ordinary profit (1.5% increase from 3,658 million yen for the previous fiscal year), and 2,421 million yen in profit attributable to owners of parent (5.9% increase from 2,285 million yen for the previous fiscal year).

Business results for each segment are as follows.

(i) Software development business

For the software development business, net sales rose 11.3% year on year to 32,158 million yen and segment profit (operating profit) increased 7.6% year on year to 3,502 million yen. A breakdown of net sales by industry reveals that net sales for the finance sector rose 140 million yen year on year. In the public service sector, net sales rose 1,134 million yen year on year owing to expanded IT investment by major existing customers of the

Company. In the distribution and other sector, net sales rose 1,986 million yen year on year mainly owing to an increase in orders received by consolidated subsidiaries.

(ii) Embedded software development business

For the embedded software development business, net sales rose 13.5% year on year to 7,132 million yen and segment profit (operating profit) increased 16.9% year on year to 1,339 million yen. In terms of products, net sales of telecom system products rose 31 million yen year on year. Net sales of car electronics rose 587 million yen year on year. As for information appliances, etc. and other embedded products, net sales increased 228 million yen year on year.

(iii) Other

For other businesses such as the product sale business, although net sales decreased 0.6% year on year to 46 million yen, segment profit (operating profit) increased 13.1% year on year to 5 million yen.

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

Total assets at the end of the fiscal year under review were 26,770 million yen, a year-on-year increase of 1,397 million yen.

Current assets rose 1,863 million yen year on year to 18,144 million yen. This was mainly because, although securities, accounts receivable included in “other”, and notes and accounts receivable - trade decreased by 629 million yen, 410 million yen and 348 million yen, respectively, cash and deposits and work in progress increased by 3,184 million yen and 49 million yen, respectively.

Non-current assets decreased 465 million yen year on year to 8,626 million yen. This was mainly because, although deferred tax assets increased by 164 million yen, investment securities, goodwill, and insurance funds decreased by 441 million yen, 120 million yen and 41 million yen, respectively.

Total liabilities at the end of the fiscal year under review were 10,584 million yen, a year-on-year increase of 1,349 million yen.

Current liabilities increased 211 million yen year on year to 6,070 million yen. This was mainly because, although income taxes payable, intangible assets - payable included in “other”, and accounts payable - other decreased by 367 million yen, 236 million yen and 210 million yen, respectively, current portion of long-term loans payable, accrued consumption taxes, account payable - trade, and short-term loans payable increased by 373 million yen, 292 million yen, 275 million yen and 60 million yen, respectively.

Non-current liabilities increased 1,138 million yen year on year to 4,514 million yen. This was mainly because long-term loans payable increased by 1,136 million yen.

Total net assets at the end of the fiscal year under review were 16,185 million yen, a year-on-year increase of 48 million yen. This was mainly because, although treasury shares increased 1,485 million yen and valuation difference on available-for-sale securities decreased by 366 million yen, retained earnings, capital surplus, and remeasurements of defined benefit plans grew 1,676 million yen, 181 million yen and 33 million yen, respectively.

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

The balance of cash and cash equivalents at the end of the fiscal year under review was 9,384 million yen, a year-on-year increase of 3,183 million yen.

Cash flows from operating activities

There was a net cash inflow of 3,693 million yen from operating activities, compared to a net cash inflow of 1,824 million yen for the previous fiscal year.

This was primarily for the following reasons. While the Company recorded income taxes paid of 1,373 million yen and a decrease in accounts payable - other of 210 million yen, the Company also recorded profit before income taxes of 3,413 million yen, interest and dividend income received of 478 million yen, a decrease in notes and accounts receivable - trade of 331 million yen, a loss on valuation of derivatives of 306 million yen, an increase in notes and accounts payable - trade of 275 million yen, and an increase in accrued consumption taxes of 273 million yen.

Cash flows from investing activities

There was a net cash inflow of 2 million yen from investing activities, compared to a net cash outflow of 1,238 million yen for the previous fiscal year.

This was primarily for the following reasons. While the Company recorded purchase of investment securities of 3,714 million yen, purchase of intangible assets of 343 million yen, and purchase of securities of 223 million yen, the Company used 2,389 million yen for proceeds from redemption of investment securities, 1,295 million yen for proceeds from sales of investment securities, and 625 million yen for proceeds from sales of securities.

Cash flows from financing activities

There was a net cash outflow of 511 million yen from financing activities, compared to a net cash outflow of 1,278 million yen for the previous fiscal year.

This was primarily for the following reasons. The Company recorded 1,854 million yen in purchase of treasury shares, 743 million yen in cash dividends paid, and 489 million yen in repayments of long-term loans payable, while the Company recorded 2,000 million yen in proceeds from long-term loans payable, 514 million yen in proceeds from disposal of treasury shares from exercise of share acquisition rights, and 60 million yen in net increase in short-term loans payable.

(4) Outlook for the coming year

Regarding the economic outlook for FY2020, future uncertainty has increased further as, for instance, the diffusion index (DI) was shown to have deteriorated for both large manufacturing and non-manufacturing companies in BOJ Tankan published in March 2020 due to the influence of the scourge of COVID-19. In light of the situation where the spread of infection in Europe, the U.S., and Japan is getting more serious every day, stagnation of economic activities in industries, and confusion in financial markets, the immediate economic outlook is now more likely to become more severe.

While the present situation is such that a sentiment of deceleration will inevitably arise in the motivation for IT investment in a short-term, we think that there will be no structural change in efforts to address the “digital transformation” such as the “fourth industrial revolution (further automation in manufacturing industries resulting from the use of AI and IoT),” “work style reform (improving operational efficiency, introducing teleworking, etc.),” and “responses to labor shortage by manpower saving and automation” to strengthen the competitiveness and the growth potential of enterprises. We thus believe that IT investment will continue to expand in medium- and long-terms.

Impacts on the Group of IT investment inhibition (a decrease in orders received, the cancellation, suspension or postponement of projects, etc.) and changes in working environment (transition to teleworking, staggered commuting, etc.) caused by the scourge of COVID-19 as well as responses to the infection of parties concerned are considered in the earning forecast (business plan) for the fiscal year ending March 31, 2021 on the basis of judgment in light of currently available and reasonable information and the following assumptions since such impacts are difficult to grasp precisely.

- The scourge of COVID-19 will start to cease in the 2nd quarter, and orders received will gradually increase toward the latter half of the fiscal year.
- In the first half of the fiscal year, a significantly adverse impact on major customers occurs, and orders received will decrease due to revisions of their plans.

- The Company made Enisias Co., Ltd. a consolidated subsidiary as of April 1, 2020, which is expected to contribute to improving the baseline performance of the Group.
- The recovery trend in the latter half of the fiscal year will not be sufficient to compensate for a slump in the first half, and the full year result will end up on a par with the result for the fiscal year ended March 31, 2020.

If any event that should be disclosed occurs due to any error in these assumptions, the Company will promptly announce it.

2. Basic policy on the selection of accounting standards

Taking into consideration the ability to compare not only consolidated financial statements for different accounting periods but also the Company to other companies, the Group has adopted, for the time being, a policy of creating consolidated financial statements based on Japanese generally accepted accounting principles.

As for the application of International Financial Reporting Standards (IFRS), the Company plans on appropriately responding after considering conditions both in Japan and overseas.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	6,223,102	9,407,848
Notes and accounts receivable - trade	7,718,113	7,369,657
Electronically recorded monetary claims - operating	3,823	20,902
Securities	1,193,665	564,629
Money held in trust	55,409	50,946
Merchandise and finished goods	24,083	26,879
Work in process	208,774	258,504
Supplies	1,898	1,582
Prepaid expenses	365,969	374,519
Other	488,192	70,835
Allowance for doubtful accounts	(1,995)	(1,995)
Total current assets	16,281,037	18,144,311
Non-current assets		
Property, plant and equipment		
Buildings	685,492	700,994
Accumulated depreciation	(341,063)	(375,788)
Buildings, net	344,429	325,206
Tools, furniture and fixtures	556,933	577,631
Accumulated depreciation	(370,502)	(418,620)
Tools, furniture and fixtures, net	186,431	159,010
Vehicles	3,091	–
Accumulated depreciation	(3,091)	–
Vehicles, net	0	–
Land	19,990	19,990
Leased assets	18,624	18,624
Accumulated depreciation	(9,926)	(12,127)
Leased assets, net	8,697	6,496
Total property, plant and equipment	559,548	510,703
Intangible assets		
Goodwill	700,796	580,360
Software	641,435	623,079
Other	13,028	12,795
Total intangible assets	1,355,261	1,216,235
Investments and other assets		
Investment securities	4,974,300	4,533,224
Leasehold and guarantee deposits	732,368	770,662
Insurance funds	147,619	106,373
Deferred tax assets	1,237,108	1,402,040
Other	192,497	194,151
Allowance for doubtful accounts	(107,319)	(107,319)
Total investments and other assets	7,176,574	6,899,132
Total non-current assets	9,091,384	8,626,072
Total assets	25,372,421	26,770,383

(Thousands of yen)

As of March 31, 2019

As of March 31, 2020

Liabilities	As of March 31, 2019	As of March 31, 2020
Current liabilities		
Accounts payable - trade	1,540,203	1,815,951
Short-term borrowings	40,000	100,000
Current portion of long-term borrowings	289,586	663,336
Lease obligations	2,375	2,118
Accounts payable - other	679,285	469,093
Income taxes payable	785,167	418,051
Accrued business office tax	30,567	32,149
Accrued consumption taxes	315,199	607,202
Provision for bonuses	1,287,797	1,302,151
Provision for bonuses for directors (and other officers)	70,600	68,230
Provision for loss on order received	9,387	29,157
Other	808,623	562,720
Total current liabilities	5,858,792	6,070,161
Non-current liabilities		
Long-term borrowings	655,274	1,791,938
Long-term accounts payable - other	429,788	382,691
Lease obligations	7,057	4,934
Provision for retirement benefits for directors (and other officers)	14,800	–
Retirement benefit liability	2,189,290	2,253,345
Asset retirement obligations	80,033	81,384
Total non-current liabilities	3,376,244	4,514,294
Total liabilities	9,235,037	10,584,455
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	4,292,000	4,473,108
Retained earnings	10,832,849	12,509,598
Treasury shares	(1,871,643)	(3,357,059)
Total shareholders' equity	15,768,082	16,140,523
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	411,863	45,838
Foreign currency translation adjustment	–	0
Remeasurements of defined benefit plans	(42,561)	(8,579)
Total accumulated other comprehensive income	369,302	37,259
Share acquisition rights	–	8,144
Total net assets	16,137,384	16,185,927
Total liabilities and net assets	25,372,421	26,770,383

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

Consolidated statements of income

	(Thousands of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	35,230,083	39,337,600
Cost of sales	28,556,133	32,090,714
Gross profit	6,673,950	7,246,885
Selling, general and administrative expenses		
Advertising expenses	32,567	38,745
Remuneration, salaries and allowances for directors (and other officers)	1,405,360	1,487,637
Bonuses	72,490	114,659
Provision for bonuses	128,701	120,292
Provision for bonuses for directors (and other officers)	70,600	68,230
Retirement benefit expenses	41,476	43,156
Provision for retirement benefits for directors (and other officers)	5,178	–
Legal welfare expenses	211,773	224,139
Recruiting expenses	162,872	171,635
Entertainment expenses	59,056	54,998
Rent expenses on land and buildings	171,286	173,895
Supplies expenses	68,192	84,921
Amortization of goodwill	102,938	120,435
Enterprise tax	167,576	158,555
Provision of allowance for doubtful accounts	3,384	289
Other	763,488	828,810
Total selling, general and administrative expenses	3,466,945	3,690,404
Operating profit	3,207,005	3,556,481
Non-operating income		
Interest income	230,672	373,006
Dividend income	114,118	105,623
Gain on sales of securities	79,285	54,359
Gain on investments in money held in trust	2,764	–
Gain on valuation of derivatives	30,608	–
Subsidy income	21,484	21,721
Share of profit of entities accounted for using equity method	23,232	41,757
Other	23,489	29,405
Total non-operating income	525,656	625,873
Non-operating expenses		
Interest expenses	4,460	5,576
Loss on valuation of securities	21,240	45,859
Investment advisory fee	46,167	56,325
Loss on valuation of derivatives	–	306,131
Commission for purchase of treasury shares	–	23,232
Issuance cost of share acquisition rights	–	8,036
Other	2,185	24,309
Total non-operating expenses	74,053	469,471
Ordinary profit	3,658,607	3,712,883

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Extraordinary income		
Gain on sales of non-current assets	–	46
Gain on sales of investment securities	21,191	119,712
Gain on redemption of investment securities	32,363	–
Surrender value of insurance policies	20,556	33,647
Compensation income	11,800	3,000
Total extraordinary income	85,912	156,406
Extraordinary losses		
Loss on retirement of non-current assets	34,125	3,684
Loss on sales of investment securities	28	5,444
Loss on valuation of investment securities	111,225	230,952
Loss on redemption of investment securities	1,450	194,447
Cost related to the anniversary of the establishment	113,576	–
Impairment loss	16,840	–
Other	81,075	20,835
Total extraordinary losses	358,321	455,365
Profit before income taxes	3,386,198	3,413,924
Income taxes - current	1,208,835	1,011,275
Income taxes - deferred	(108,218)	(18,388)
Total income taxes	1,100,616	992,886
Profit	2,285,581	2,421,037
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	2,285,581	2,421,037

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	2,285,581	2,421,037
Other comprehensive income		
Valuation difference on available-for-sale securities	(419,243)	(366,024)
Foreign currency translation adjustment	–	0
Remeasurements of defined benefit plans, net of tax	1,536	33,982
Total other comprehensive income	(417,707)	(332,042)
Comprehensive income	1,867,874	2,088,994
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,867,874	2,088,994
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,514,875	4,292,277	9,367,782	(1,871,132)	14,303,803
Changes of items during period					
Dividends of surplus			(820,514)		(820,514)
Profit attributable to owners of parent			2,285,581		2,285,581
Purchase of treasury shares				(510)	(510)
Disposal of treasury shares					-
Purchase of shares of consolidated subsidiaries		(277)			(277)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(277)	1,465,066	(510)	1,464,278
Balance at end of current period	2,514,875	4,292,000	10,832,849	(1,871,643)	15,768,082

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	831,107	-	(44,097)	787,009	16,784	1,822	15,109,419
Changes of items during period							
Dividends of surplus							(820,514)
Profit attributable to owners of parent							2,285,581
Purchase of treasury shares							(510)
Disposal of treasury shares							-
Purchase of shares of consolidated subsidiaries							(277)
Net changes of items other than shareholders' equity	(419,243)	-	1,536	(417,707)	(16,784)	(1,822)	(436,314)
Total changes of items during period	(419,243)	-	1,536	(417,707)	(16,784)	(1,822)	1,027,964
Balance at end of current period	411,863	-	(42,561)	369,302	-	-	16,137,384

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,514,875	4,292,000	10,832,849	(1,871,643)	15,768,082
Changes of items during period					
Dividends of surplus			(744,287)		(744,287)
Profit attributable to owners of parent			2,421,037		2,421,037
Purchase of treasury shares				(1,830,985)	(1,830,985)
Disposal of treasury shares		181,108		345,569	526,677
Purchase of shares of consolidated subsidiaries					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	181,108	1,676,749	(1,485,416)	372,441
Balance at end of current period	2,514,875	4,473,108	12,509,598	(3,357,059)	16,140,523

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	411,863	-	(42,561)	369,302	-	-	16,137,384
Changes of items during period							
Dividends of surplus							(744,287)
Profit attributable to owners of parent							2,421,037
Purchase of treasury shares							(1,830,985)
Disposal of treasury shares							526,677
Purchase of shares of consolidated subsidiaries							-
Net changes of items other than shareholders' equity	(366,024)	0	33,982	(332,042)	8,144	-	(323,898)
Total changes of items during period	(366,024)	0	33,982	(332,042)	8,144	-	48,543
Balance at end of current period	45,838	0	(8,579)	37,259	8,144	-	16,185,927

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	3,386,198	3,413,924
Depreciation	194,093	245,733
Amortization of goodwill	102,938	120,435
Increase (decrease) in allowance for doubtful accounts	3,384	–
Increase (decrease) in provision for bonuses	108,380	14,353
Increase (decrease) in provision for bonuses for directors (and other officers)	6,405	(2,370)
Increase (decrease) in provision for loss on order received	(13,884)	19,769
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(108,702)	(14,800)
Increase (decrease) in retirement benefit liability	153,410	85,945
Interest and dividend income	(344,791)	(478,629)
Interest expenses	4,460	5,576
Loss (gain) on sales of securities	(79,285)	(54,359)
Loss (gain) on valuation of derivatives	(30,608)	306,131
Share of loss (profit) of entities accounted for using equity method	(23,232)	(41,757)
Loss on retirement of non-current assets	34,125	3,684
Loss (gain) on valuation of investment securities	111,225	230,952
Loss (gain) on sales of investment securities	(21,163)	(114,267)
Loss (gain) on redemption of investment securities	(30,913)	194,447
Decrease (increase) in trade receivables	(949,218)	331,376
Decrease (increase) in inventories	(45,144)	(52,209)
Increase (decrease) in trade payables	90,211	275,747
Increase (decrease) in accounts payable - other	101,074	(210,493)
Increase (decrease) in long-term accounts payable - other	(30,222)	(47,097)
Increase (decrease) in accrued consumption taxes	(56,006)	273,700
Other, net	15,212	83,819
Subtotal	2,577,949	4,589,613
Interest and dividends received	351,976	478,698
Proceeds from compensation	11,800	3,000
Interest paid	(4,298)	(5,053)
Income taxes paid	(1,112,718)	(1,373,188)
Net cash provided by (used in) operating activities	1,824,708	3,693,070

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from investing activities		
Payments into time deposits	(5,601)	(1,201)
Proceeds from withdrawal of time deposits	7,500	–
Purchase of securities	(1,858,607)	(223,720)
Proceeds from sales of securities	1,007,732	625,349
Proceeds from redemption of securities	380,000	–
Purchase of property, plant and equipment	(188,267)	(59,601)
Purchase of intangible assets	(301,179)	(343,816)
Purchase of investment securities	(1,815,457)	(3,714,063)
Proceeds from sales of investment securities	574,461	1,295,067
Proceeds from redemption of investment securities	1,191,202	2,389,143
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(354,838)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	20,822	–
Proceeds from cancellation of insurance funds	120,009	107,367
Other, net	(15,945)	(72,117)
Net cash provided by (used in) investing activities	(1,238,169)	2,407
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(91,000)	60,000
Proceeds from long-term borrowings	10,000	2,000,000
Repayments of long-term borrowings	(356,310)	(489,586)
Repayments of lease obligations	(1,504)	(2,378)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,100)	–
Dividends paid	(819,998)	(743,985)
Purchase of treasury shares	(510)	(1,854,218)
Proceeds from disposal of treasury shares from exercise of share acquisition rights	–	514,829
Other, net	(16,784)	3,405
Net cash provided by (used in) financing activities	(1,278,208)	(511,933)
Net increase (decrease) in cash and cash equivalents	(691,669)	3,183,544
Cash and cash equivalents at beginning of period	6,892,874	6,201,204
Cash and cash equivalents at end of period	6,201,204	9,384,749

(5) Notes on consolidated financial statements

(Notes on the premise of going concern)

There is nothing to report.

(Changes in the presentation method)

(Matters related to consolidated statements of income)

As “loss on redemption of investment securities” included in “other” under “extraordinary losses” in the previous fiscal year exceeded one tenth of extraordinary losses, it has started to be presented as a separate line item since the fiscal year under review. In order to reflect this change in the presentation method, items appearing in the consolidated financial statements for the previous fiscal year were reclassified.

As a result, 82,525 thousand yen presented in “other” under “extraordinary losses” in the consolidated statement of income for the previous fiscal year has been restated as to 1,450 thousand yen as “loss on redemption of investment securities” and 81,075 thousand yen as “other.”

(Matters related to consolidated statements of cash flows)

As “loss (gain) on valuation of derivatives” and “loss (gain) on redemption of investment securities” included in “other” under “cash flows from operating activities” in the previous fiscal year increased its importance, it has started to be presented as a separate line item since the fiscal year under review. In order to reflect this change in the presentation method, items appearing in the consolidated financial statements for the previous fiscal year were reclassified.

As a result, (46,309) thousand yen presented in “other” under “cash flows from operating activities” in the consolidated statements of cash flows for the previous fiscal year has been restated to (30,608) thousand yen as “loss (gain) on valuation of derivatives,” (30,913) thousand yen as “loss (gain) on redemption of investment securities,” and 15,212 thousand yen as “other.”

(Segment information, etc.)

[Segment information]

1. Summary of reportable segments

The Company’s reportable segments are based on those units within the Company where separate financial information is available and where the Board of Directors periodically reviews matters such as the distribution of management resources and financial performance.

The Company has established divisions for product and service type, and each division creates a comprehensive strategy for the products and services it handles and conducts related business activities.

Therefore, the Company’s product and service segments are based on its divisions. There are two reportable segments—software development segment and embedded software development segment.

Details of each segment’s business are provided below.

Business segment	Main products and role
Software development business	Application development, IT infrastructure system development, solutions and services
Embedded software development business	Telecom system, embedded software development for telecom systems, car electronics, and digital home appliances

2. Method for calculating net sales, profit (loss), assets, liabilities, and other items for each segment

The accounting treatment for business segments reported is generally the same as those given in “Significant Matters Forming the Basis of Preparing the Consolidated Financial Statements.”

Segment profit is based on operating profit.

Internal earnings and transfers between segments are based on actual market prices.

3. Information regarding amounts of net sales, profit (loss), assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2019

(Thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on consolidated financial statements (Note 3)
	Software development business	Embedded software development business	Total				
Net sales							
Sales to external customers	28,898,044	6,285,257	35,183,302	46,781	35,230,083	–	35,230,083
Inter-segment sales or transactions	10,905	–	10,905	8,091	18,996	(18,996)	–
Total sales	28,908,950	6,285,257	35,194,207	54,872	35,249,080	(18,996)	35,230,083
Segment profit	3,254,310	1,146,571	4,400,882	4,480	4,405,362	(1,198,357)	3,207,005
Segment assets	11,983,180	3,110,607	15,093,788	60,879	15,154,668	10,217,753	25,372,421
Other items							
Depreciation	140,392	22,613	163,005	569	163,575	30,518	194,093
Increase in property, plant and equipment and intangible assets	538,441	106,084	644,525	3,750	648,276	64,311	712,587

Notes: 1. The “Other” segment refers to business segments not included in reportable segments and includes product sales business.

2. The following adjustments have been made.

- (1) The negative 1,198,357 thousand yen adjustment to segment profit includes 7,573 thousand yen in eliminations for inter-segment business and negative 1,205,930 thousand yen in all corporate expenses not allocated to reportable segments. All corporate expenses are mainly general and administrative expenses not attributed to reportable segments.
- (2) The 10,217,753 thousand yen adjustment to segment assets is all corporate assets not allocated to reportable segments. All corporate assets are primarily unused operating funds not attributed to reportable segments (cash and deposits and securities), long-term investments funds (investment securities), and assets, etc. related to administrative divisions.
- (3) The 64,311 thousand yen adjustment to increase in property, plant and equipment and intangible assets is for capital expenditures by the headquarters’ administrative divisions.

3. Segment profit is calculated by making adjustments to the operating profit appearing in the consolidated statement of income.

Fiscal year ended March 31, 2020

(Thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on consolidated financial statements (Note 3)
	Software development business	Embedded software development business	Total				
Net sales							
Sales to external customers	32,158,461	7,132,652	39,291,114	46,486	39,337,600	–	39,337,600
Inter-segment sales or transactions	9,050	–	9,050	9,035	18,085	(18,085)	–
Total sales	32,167,512	7,132,652	39,300,164	55,522	39,355,686	(18,085)	39,337,600
Segment profit	3,502,391	1,339,907	4,842,298	5,065	4,847,363	(1,290,882)	3,556,481
Segment assets	13,498,808	3,391,340	16,890,149	77,997	16,968,147	9,802,236	26,770,383
Other items							
Depreciation	176,219	37,956	214,175	1,135	215,311	30,421	245,733
Increase in property, plant and equipment and intangible assets	167,467	13,079	180,546	–	180,546	1,487	182,034

Notes: 1. The “Other” segment refers to business segments not included in reportable segments and includes product sales business.

2. The following adjustments have been made.
- (1) The negative 1,290,882 thousand yen adjustment to segment profit includes 6,173 thousand yen in eliminations for inter-segment business and negative 1,297,055 thousand yen in all corporate expenses not allocated to reportable segments. All corporate expenses are mainly general and administrative expenses not attributed to reportable segments.
 - (2) The 9,802,236 thousand yen adjustment to segment assets is all corporate assets not allocated to reportable segments. All corporate assets are primarily unused operating funds not attributed to reportable segments (cash and deposits and securities), long-term investments funds (investment securities), and assets, etc. related to administrative divisions.
 - (3) The 1,487 thousand yen adjustment to increase in property, plant and equipment and intangible assets is for capital expenditures by the headquarters' administrative divisions.
3. Segment profit is calculated by making adjustments to the operating profit appearing in the consolidated statement of income.

(Related information)

Fiscal year ended March 31, 2019

1. Information by product and service

This has been omitted since the same information is provided in segment information.

2. Information by geographical area

(1) Net sales

This has been omitted because net sales to external Japanese customers account for more than 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

This has been omitted because the value of property, plant and equipment in Japan accounts for more than 90% of the value of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

(Thousands of yen)

Name of customer or individual	Net sales	Related segment name
IBM Japan, Ltd.	4,714,620	Software development business

Fiscal year ended March 31, 2020

1. Information by product and service

This has been omitted since the same information is provided in segment information.

2. Information by geographical area

(1) Net sales

This has been omitted because net sales to external Japanese customers account for more than 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

This has been omitted because the value of property, plant and equipment in Japan accounts for more than 90% of the value of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

(Thousands of yen)

Name of customer or individual	Net sales	Related segment name
IBM Japan, Ltd.	5,168,020	Software development business

(Information on impairment loss of non-current assets by reportable segment)

Fiscal year ended March 31, 2019

(Thousands of yen)

	Reportable segments			Other	Unallocation or elimination	Total
	Software development business	Embedded software development business	Total			
Impairment loss	16,840	–	16,840	–	–	16,840

Fiscal year ended March 31, 2020

(Thousands of yen)

	Reportable segments			Other	Unallocation or elimination	Total
	Software development business	Embedded software development business	Total			
Impairment loss	–	–	–	–	–	–

(Information on amortization and unamortized balance of goodwill by reportable segment)

Fiscal year ended March 31, 2019

(Thousands of yen)

	Reportable segments			Other	Unallocation or elimination	Total
	Software development business	Embedded software development business	Total			
Amortization of goodwill	102,938	–	102,938	–	–	102,938
Unamortized balance at the fiscal year-end	700,796	–	700,796	–	–	700,796

Fiscal year ended March 31, 2020

(Thousands of yen)

	Reportable segments			Other	Unallocation or elimination	Total
	Software development business	Embedded software development business	Total			
Amortization of goodwill	120,435	–	120,435	–	–	120,435
Unamortized balance at the fiscal year-end	580,360	–	580,360	–	–	580,360

(Information on gain on bargain purchase by reporting segment)

There is nothing to report.

(Per share information)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net assets per share	737.53 yen	770.72 yen
Earnings per share	104.46 yen	114.30 yen
Diluted earnings per share	– yen	114.24 yen

Notes: 1. Diluted earnings per share for the previous fiscal year are not indicated because there is no potential share that has diluting effects.

2. The Company conducted a 2-for-1 share split as of February 1, 2020. Net assets per share, earnings per share, and diluted earnings per share were calculated on the assumption that the said share split had been conducted at the beginning of the previous fiscal year.

3. The basis of calculating earnings per share and diluted earnings per share is as follows:

Item	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	2,285,581	2,421,037
Amounts not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent related to common shares (Thousands of yen)	2,285,581	2,421,037
Average number of common shares during the period (Shares)	21,880,338	21,181,025
Diluted earnings per share		
Increase in common shares (Shares)	–	10,639
[Of the above, share acquisition rights (Shares)]	[–]	[10,639]
Overview of potential shares not included in the calculation of the diluted earnings per share because of the lack of dilution effects	5th Series Share Acquisition Rights 2,000 units (Common share 400,000 shares) Issue date: December 28, 2017 6th Series Share Acquisition Rights 2,000 units (Common share 400,000 shares) Issue date: December 28, 2017 All those share acquisition rights were acquired and cancelled as of October 10, 2018.	–

4. The basis of calculating net assets per share is as follows:

Item	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Total net assets (Thousands of yen)	16,137,384	16,185,927
Amount deducted from total net assets (Thousands of yen)	–	8,144
[Of the above, share acquisition rights (Thousands of yen)]	[–]	[8,144]
[Non-controlling interests (Thousands of yen)]	[–]	[–]
Net assets related to common shares at the fiscal year-end (Thousands of yen)	16,137,384	16,177,783
Number of common shares at the fiscal year-end used for the calculation of net assets per share (Shares)	21,880,176	20,990,440

(Material subsequent events)

1. Business combinations by share acquisition

Pursuant to a Board of Directors resolution adopted on February 25, 2020, the Company acquired all of the outstanding shares of Enisias Co., Ltd. to make it a subsidiary as of April 1, 2020.

(1) Purpose of share acquisition

The Group has grown into an IT conglomerate currently with 11 subsidiaries and three entities accounted for using equity method under their parent company, CRESCO LTD. Leveraging the organic interconnections linking those companies together, the Group develops and provides services that meet a broad range of needs including consultation for corporate IT strategy planning, development, and operation and maintenance.

Enisias Co., Ltd. is a system integrator specializing in application development, as well as cloud systems, servers, and networks, including construction of and development support for Google Cloud, development support for Salesforce, and construction of virtualized environments.

We believe this share acquisition will contribute to further increase in the Group's corporate value by incorporating cloud-related business, where further demand is anticipated in the future.

(2) Main counterparty for the share acquisition

BRYCEN Co., Ltd.

(3) Overview of shares acquired (as of April 1, 2020)

Trade name	Enisias Co., Ltd.
Representative	Keisuke Tamaki, Chief Executive Officer and President
Location	1-20-7 Higashigotanda, Shinagawa-ku, Tokyo
Date established	May 1, 2014
Capital	20,000 thousand yen
Line of business	· System engineering service · System integration

(4) Date of share acquisition

April 1, 2020

(5) Number of shares acquired and ownership ratio after acquisition

Number of shares acquired	20,000
Ownership ratio after acquisition	100.0%
Aggregate purchase amount	280,000 thousand yen

(6) Method of financing

Company funds

2. Conversion into a joint venture company by share acquisition

On April 1, 2020, pursuant to a Board of Directors resolution adopted on March 30, 2020, the Company entered into a shareholders' agreement with XYMAX Corporation on the Company's investment in ZXY MEQQE Corporation, a subsidiary of XYMAX Corporation, and the conversion of ZXY MEQQE Corporation into a joint venture company effective April 1, 2020.

(1) Purpose of conversion into a joint venture company

Through ZXY MEQQE Corporation, XYMAX Corporation aims to plan and develop a new information service that appropriately connects diversifying needs of consumers and services and spaces provided by store operators to "make life free" for consumers and "make business

development free” for store operators. Through engaging in the joint venture with XYMAX Corporation by taking advantage of abundant track record in IT solutions and knowhow in advanced technology (such as AI and cloud computing) that the Company has, it is intended to expand this service further and accelerate the speed of its business.

- (2) Profile of a company to be converted into a joint venture company (as of April 1, 2020, the start date of the joint venture)

Trade name	ZXY MEQQE Corporation
Representative	Hideyuki Arichi, President
Location	1-18-14 Shinbashi, Minato-ku, Tokyo
Date established	March 4, 2020
Capital	300,000 thousand yen (including capital reserves)
Investment ratio	XYMAX Corporation (66%) and CRESCO LTD. (34%)
Line of business	Information processing service and information provision service

- (3) Date of share acquisition

April 1, 2020

- (4) Profile of the Joint Investor

Trade name	XYMAX Corporation
Representative	Kenji Yoshimoto, President and Representative Director
Location	1-1-1 Akasaka, Minato-ku, Tokyo
Date established	March 1, 1990
Capital	2,612,865 thousand yen
Line of business	Building maintenance for real estate business and real estate management and administration

- (5) Method of financing

Company funds