

Translation

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Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Based on Japanese GAAP)

May 10, 2022

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <https://www.cresco.co.jp/>
 Representative: Chairman & CEO Hiroyuki Nemoto
 Director & Senior Managing Executive Kazuo Sugiyama TEL +81-3-5769-8011
 Inquiries: Officer
 Scheduled date of Ordinary General Meeting of Shareholders: June 17, 2022
 Scheduled date to commence dividend payments: June 20, 2022
 Scheduled date to file annual securities report: June 20, 2022
 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, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	44,450	11.9	4,457	27.9	4,782	16.6	3,236	22.9
March 31, 2021	39,706	0.9	3,484	(2.0)	4,101	10.5	2,634	8.8

Note: Comprehensive income
 Fiscal year ended March 31, 2022: ¥3,464 million [(13.9)%]
 Fiscal year ended March 31, 2021: ¥4,024 million [92.6%]

	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, 2022	153.92	–	15.6	15.1	10.0
March 31, 2021	125.43	–	14.8	14.4	8.8

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

Fiscal year ended March 31, 2022: ¥2 million Fiscal year ended March 31, 2021: ¥18 million

(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, 2022	33,136	22,134	66.8	1,051.97
March 31, 2021	30,342	19,485	64.2	926.96

Reference: Equity

As of March 31, 2022: ¥22,134 million As of March 31, 2021: ¥19,485 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	3,222	(1,155)	(1,352)	11,737
March 31, 2021	3,155	(47)	(1,479)	11,015

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, 2021	–	18.00	–	20.00	38.00	798	30.3	4.5
Fiscal year ended March 31, 2022	–	20.00	–	24.00	44.00	925	28.6	4.4
Fiscal year ending March 31, 2023 (Forecast)	–	23.00	–	23.00	46.00		28.9	

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2022	22,840	8.4	2,090	3.6	2,340	5.2	1,420	(11.6)	67.49
Full year	47,500	6.9	4,750	6.6	5,150	7.7	3,350	3.5	159.22

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: Yes

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, 2022	23,000,000 shares	As of March 31, 2021	23,000,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2022	1,959,443 shares	As of March 31, 2021	1,978,723 shares
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Average number of shares during the period

Fiscal year ended March 31, 2022	21,028,175 shares	Fiscal year ended March 31, 2021	21,002,402 shares
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(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2022	25,991	13.8	2,850	28.9	3,380	15.1	2,469	15.1
March 31, 2021	22,837	(0.9)	2,211	(11.2)	2,937	8.3	2,144	18.2

	Earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2022	117.42	–
March 31, 2021	102.12	–

(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, 2022	26,819		17,869		66.6	849.29
March 31, 2021	25,205		15,997		63.5	761.01

Reference: Equity

As of March 31, 2022 ¥17,869 million As of March 31, 2021 ¥15,997 million

2. Forecast of non-consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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, 2022	13,560	8.8	1,940	7.4	1,350	(6.9)	64.16
Full year	28,000	7.7	3,700	9.5	2,560	3.7	121.67

* **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**

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 7 of the attached materials for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of business results forecasts.

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1. Overview of operating results and others

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

As the Company started the ten-year long-term Group vision “CRESCO Group Ambition 2030” on April 1, 2021, FY2021 was the first fiscal year under the vision. As medium-term management plans for realizing the said vision, the Group established the three-step plans: Medium-Term Management Plan 2023 (2021-2023), Medium-Term Management Plan 2026 (2024-2026) and Medium-Term Management Plan 2030 (2027-2030). The Medium-Term Management Plan 2023, step 1 plan, targets “50 billion yen consolidated net sales,” “5 billion yen consolidated operating profit” and “15% or greater ROE.”

“CRESCO Group Ambition 2030”

Create the future, Beyond the horizon

We will realize a stimulating future through the best technology and partnerships

Medium-Term Management Plan 2023

Net sales of 100 billion yen is aimed at through realizing the “CRESCO Group Ambition 2030.” In order to realize this goal, the Medium-Term Management Plan 2023 prescribes following key strategies, basic strategies, and operational targets.

(Three Key Strategies for Creating New Business Pillars)

- Reinforcement of digital solutions (doubling digital solution sales and adding new digital solutions)
- Evolution of flexible management (being selected as a “DX stock” and expanding business by reinforcing group-wide coordination)
- Enhancement of people-centered management (Aiming to rank among the upper tier of “Certified Health & Productivity Management Outstanding Organizations” and improving development of next-generation human resources)

(Three basic strategies for fortifying core business areas)

- Expansion of IT services (business expansion in accordance with measures specified for each of enterprise, finance and manufacturing subsegments)
- Enhancement of quality (continual improvement and implementation of management processes in response to new technology and changes in demand)
- Enhancement of technologies (business expansion by new or key technologies (AI, cloud computing and agile methodology))

(Operational targets)

- Consolidated net sales: 50 billion yen
- Consolidated operating profit: 5 billion yen
- ROE: 15% or greater

When it comes to the business environment during the fiscal year ended March 31, 2022, while the scourge of COVID-19 lingered, business confidence improved in a wide range of industries compared to the previous fiscal year although the extent of improvement varied by industry categories. While the spread of infection by Omicron variant was concerned after the total removal of the state of emergency declaration and semi-state of emergency COVID-19 measures, its impact was limited: the situation continued where vigorous moves are found toward the normalization of economic activities.

While the trends in corporate activities improved, a progress in the execution of IT strategies also accelerated, led primarily by “digital transformation (DX).” The Group also has received many business inquiries. As those

industries and categories of industries heavily hit by the scourge of COVID-19 look to the future, a sign of recovery is seen in IT investment. Besides online business meetings, the Group's face-to-face sales activities recovered to the previous level, and there was no significant obstacle to developing new customers.

In accordance with the Medium-Term Management Plan 2023, the Group devoted its efforts to reviewing the customer portfolio and business structure in response to changes in the environment, maintaining the amount of orders primarily from existing customers, and developing new businesses and services incorporating advanced technology (AI, cloud computing, etc.); and, at the same time, the Group consistently implemented aggressive measures including the promotion of internal digital transformation (reinforcing a teleworking system, making effective use of online communication tools, and reinforcing digital marketing) and the optimization of office spaces. In addition, as a part of evangelist activities, the Group implemented various promotional activities including open seminars related to AI, cloud computing, and RPA and lectures given at various events.

Topics for the fiscal year under review are as follows.

April 2021:

- Started the Group Vision, "CRESCO Group Ambition 2030."
- An employee of the Company gave a talk at "UiPath Today" held by UiPath.

May 2021:

- Changed reportable segments.
- Certified as a "Digital Transformation Certified Company" by the Ministry of Economy, Trade and Industry.
- Attained a "gold competency" as a Microsoft partner.

June 2021:

- Introduced a system of special leave for COVID-19 vaccination and any side effects experienced following vaccination.
- Received a Gold Merit Award from the Japanese Red Cross Society for support provided by the Company regarding COVID-19.
- Announced the acquisition of shares of OEC Ltd (as a subsidiary).
- Established the Remuneration Committee.

July 2021:

- Announced the Microsoft Azure® support by the cloud management service "Creage."
- An employee of the Company gave a talk at "PMI Japan Forum 2021," held by PMI Japan Chapter.
- Changes in officers made (effective October 1, 2021).

August 2021:

- Established a multipurpose studio to serve as a "place for new normal social interaction" that blends real and online worlds.
- Participated in an initiative to support the use of digital technology in public elementary and secondary schools in Tokyo.
- Completed the disposal of treasury shares as restricted shares remuneration for directors of the Company and its subsidiaries.

September 2021:

- Opened a new website introducing the Company's solutions, customer use cases, etc.
- Organizational and personnel changes made (effective October 1, 2021).

- Creative Japan, Ltd., a subsidiary of the Company, announced the “Add-on IoT Development Kit for ELTRES.” (Product Name: ELTRESアドオンIoT開発キット)

October 2021:

- Held the online event “Cresco Fair 2021.”
- Concluded a distributorship agreement for an IaaS-based cloud service “SOROBAN.”
- Creative Japan, Ltd. held the “IoT and Edge AI Ideas Contest 2021”
- An employee of the Company was certified as a “UiPath Japan MVP 2021” for two years in a row.

November 2021:

- An employee of the Company gave a talk at “ET & IoT 2021” held by the Japan Embedded Systems Technology Association.
- Earned a three-star rating in the Fifth Nikkei Smart Work Management Survey.
- Selected the Prime Market in the new market segments of the Tokyo Stock Exchange.

December 2021:

- An employee of the Company won a prize in the “AI Contest on Ophthalmology at the 2nd Annual Meeting of the Japanese Society of Artificial Intelligence in Ophthalmology.”
- Started a joint research project with Nagoya University on embedded security.
- Completed the disposal of treasury shares as restricted shares remuneration for employees of the Company.
- Sold a part of shares of Wain Co., Ltd., an affiliate of the Company, and excluded it from the scope of application of the equity method.
- President changed (effective April 1, 2022).

January 2022:

- The Company’s IR website was awarded by IR website ranking surveys by major three companies.
- Listed on the Prime Market in the new market segment of the Tokyo Stock Exchange.
- Started granting a leave for third COVID-19 vaccination.
- Started an initiative to support the use of digital technology in public elementary and secondary schools in Tokyo.
- Announced the agreement on planned merger among the three consolidated subsidiaries of the Company.

February 2022:

- Extended the club sponsorship agreement with FC Tokyo of the Japan Professional Football League (J.League).
- Announced a change in the corporate brand logo of the Company and the change of the trade name of Creative Japan, Ltd.
- Changes in officers made (effective June 17, 2022).
- Organizational and personnel changes made (effective April 1, 2022).
- The forecasts of (consolidated and non-consolidated) financial results and cash dividends revised.

March 2022:

- An employee of the Company gave a talk at “IT Trend EXPO 2022 Spring.”
- Certified as a “2022 recognized organization” under the Certified Health & Productivity Management Outstanding Organizations Recognition Program.
- An employee of the Company selected as a “2022 IBM Champion.”

- Announced the restructuring of three consolidated subsidiaries (merger of wholly owned subsidiaries) of the Company.
- Hiroshi Tominaga, the new President of the Company, appeared in the “この企業に注目！相場の福の神 (Kono-kigyo-ni chumoku! soba-no fuku-no-kami)” on Radio NIKKEI.

As a result of the above, both sales and profit increased, and for the fiscal year ended March 31, 2022, the Company recorded 44,450 million yen in net sales (11.9% increase from 39,706 million yen for the previous fiscal year), 4,457 million yen in operating profit (27.9% increase from 3,484 million yen for the previous fiscal year), 4,782 million yen in ordinary profit (16.6% increase from 4,101 million yen for the previous fiscal year), and 3,236 million yen in profit attributable to owners of parent (22.9% increase from 2,634 million yen for the previous fiscal year).

Operating results for each segment are as follows.

As business segments to be indicated as reportable segments were changed from the current fiscal year, comparison and analysis regarding the current fiscal year are based on the classification after the change.

Segment	Net sales (thousand yen)			Segment profit and loss (thousand yen)		
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Year on year	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Year on year
Enterprise	17,075,810	18,219,847	106.7%	1,676,054	2,255,224	134.6%
Finance	12,360,724	13,689,402	110.7%	1,534,308	1,719,695	112.1%
Manufacturing	8,809,725	10,433,216	118.4%	1,425,119	1,744,049	122.4%
Total IT services business	38,246,259	42,342,466	110.7%	4,635,482	5,718,970	123.4%
Digital solutions business	1,459,884	2,107,907	144.4%	126,175	145,193	115.1%
Total	39,706,144	44,450,374	111.9%	4,761,657	5,864,164	123.2%

(i) IT services business

For the IT services business, net sales were 42,342 million yen (10.7% increase year on year), and segment profit (operating profit) was 5,718 million yen (23.4% increase year on year). Business results for each subsegment are as follows.

(Enterprise)

Net sales of the enterprise subsegment were 18,219 million yen (6.7% increase year on year). This owes primarily to the recovery of orders received in areas of recruitment and dispatching, transport, construction and real estate and travel and hotels, which were affected by the scourge of COVID-19 in the previous fiscal year and to an increase in net sales in the area of medical and health care as a result of the consolidation of OEC Ltd. from the second quarter.

The segment profit (operating profit) of the enterprise subsegment was 2,255 million yen (34.6% increase year on year). This owes primarily to the said increase in net sales, the elimination of a decline in productivity during the transition to the teleworking system as a result of the scourge of COVID-19 in the first half of the previous fiscal year, and, in addition, the disappearance of unprofitable projects that had occurred at consolidated subsidiaries in the first half of the previous fiscal year.

(Finance)

Net sales of the finance subsegment were 13,689 million yen (10.7% increase year on year). This owes to the reception of an order for a large project in the insurance area, an expansion in IT investment in other areas including securities and credit cards, and, in addition, an increase in revenue in other areas owing to the effect of consolidating OEC Ltd.

The segment profit (operating profit) of the finance subsegment was 1,719 million yen (12.1% increase year on year). This owes mainly to the said increase in net sales.

(Manufacturing)

Net sales of the manufacturing subsegment were 10,433 million yen (18.4% increase year on year). This owes to an increase in projects intended as anticipatory investment in the area of machinery and electronics and the consolidation of OEC Ltd. despite the fact that net sales ended up at almost the same level in the area of automotive and transport equipment due to semiconductor shortage resulting from COVID-19 calamity.

The segment profit (operating profit) of the manufacturing subsegment was 1,744 million yen (22.4% increase year on year). This owes to the elimination of a decline in productivity due to COVID-19 in the first half of the previous fiscal year and, in addition, the said increase in net sales in the area of machinery and electronics in spite of the occurrence of an unprofitable project at a consolidated subsidiary in the area of automotive and transport equipment.

(ii) Digital solutions business

Net sales of the digital solution business was 2,107 million yen (44.4% increase year on year). This owes to an increase in sales of Creage, the Company's main cloud service, and RPA license and the acquisition of large solution projects by certain consolidated subsidiaries.

The segment profit (operating profit) was 145 million yen (15.1% increase year on year). This owes to a significant increase in net sales in the current fiscal year, as stated above, despite the sale of highly profitable license in the fourth quarter of the previous fiscal year.

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

Total assets at the end of the fiscal year under review were 33,136 million yen, a year-on-year increase of 2,794 million yen.

Current assets rose by 2,107 million yen year on year to 22,186 million yen. This is mainly because cash and deposits, notes and accounts receivable - trade, and contract assets, securities, prepaid cost and work in progress increased by 806 million yen, 683 million yen, 497 million yen, 60 million yen and 45 million yen, respectively. Non-current assets rose by 687 million yen year on year to 10,949 million yen. This is mainly because, although investment securities, software and deferred tax assets decreased by 237 million yen, 73 million yen and 37 million yen, respectively, goodwill increased by 1,034 million yen. Total liabilities at the end of the fiscal year under review were 11,002 million yen, a year-on-year increase of 146 million yen.

Current liabilities increased by 281 million yen year on year to 7,434 million yen. This is mainly because, although income taxes payable decreased by 120 million yen, accounts payable - trade and provision for bonuses increased by 255 million yen and 142 million yen, respectively.

Non-current liabilities decreased by 135 million yen year on year to 3,568 million yen. This is mainly because, although retirement benefit liability increased by 203 million yen, long-term borrowings and asset retirement obligations decreased by 322 million yen and 17 million yen, respectively.

Total net assets at the end of the fiscal year under review were 22,134 million yen, a year-on-year increase of 2,648 million yen. This is mainly because retained earnings and valuation difference on available-for-sale securities increased by 2,377 million yen and 197 million yen, respectively and because treasury shares decreased by 23 million yen.

(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 11,737 million yen, a year-on-year increase of 722 million yen.

Cash flows from operating activities

There was a net cash inflow of 3,222 million yen from operating activities, compared to a net cash inflow of 3,155 million yen for the previous fiscal year.

This is primarily because of profit before income taxes of 4,879 million yen despite income taxes paid of 1,742 million yen.

Cash flows from investing activities

There was a net cash outflow of 1,155 million yen from investing activities, compared to a net cash outflow of 47 million yen for the previous fiscal year.

This is primarily because of the expenditure of 4,994 million yen for purchase of investment securities, 1,168 million yen for purchase of shares of subsidiaries resulting in change in scope of consolidation and 553 million yen for purchase of securities despite the revenue of 4,373 million yen from redemption of investment securities, 948 million yen from sales of investment securities and 385 million yen from sale of securities.

Cash flows from financing activities

There was a net cash outflow of 1,352 million yen from financing activities, compared to a net cash outflow of 1,479 million yen for the previous fiscal year.

This was primarily because of dividends paid of 840 million yen and the expenditure of 809 million yen for repayment of long-term borrowings despite the revenue of 360 million yen from long-term loans payable.

(4) Outlook for the coming year

The consolidated earnings forecasts for the fiscal year ending March 31, 2023 herein found was created on the basis of judgment in light of presently available and reasonable information and following assumptions; they can differ significantly the actual results due to factors including various risks, uncertain elements, etc.

- While the timing of the abatement of COVID-19 calamity is uncertain, its impact is limited, posing no obstacle to the Group's business.

The fact remains, however, that the abatement of COVID-19 calamity is difficult for the time being and that a downward risk for the economy caused by the occurrence and prevalence of a new variant can still not be eliminated. If requests for business suspension and shorter business hours in specific industries and other infection preventive measures due to COVID-19 are taken again or if a governmental action, etc. is taken in response to the global spread of infection resulting from the occurrence of a new variant, they will have unavoidable impacts on customers and the Group: the current situation still does not allow optimism. Recently, however, in addition to the fact that efforts are prevailing for reverting back to daily life and economic activities with as less restriction as possible by placing greater weight on infection prevention measures including the third vaccination, online and face-to-face sales activities, remote development and working from home have become normal: the scourge of COVID-19 is judged to have had a limited impact on the Group's business during the fiscal year ended March 31, 2022.

- Depending on its situation, the Russo-Ukrainian conflict may have a great impact on customers' businesses and also affect IT investment.

The Russo-Ukrainian conflict has developed into a war and became an international issue involving not only those two countries but also Europe, the U.S. and China. The aggravation of supply-chains and price hikes caused by economic sanctions and import and export restriction by countries concerned have manifested themselves to result in the situation that precludes prediction. It is predicted that, depending on changes in the situation of the Russo-Ukrainian conflict, the economy may deteriorate to give a great impact on customers' businesses, resulting in a downturn in IT investment. By closely monitoring the economic trend and the conflict situation and conducting flexible sales activities in advance, it is intended to cope with the said crisis always in a flexible and responsive manner.

- Regarding business confidence, despite opacity about the future, basically, an improving trend in IT investment will continue, and orders received will increase.

The economic outlook for FY2022 deteriorated for both manufacturing and non-manufacturing enterprises in the BOJ Tankan survey in March 2022 for the first time in seven quarters since June, 2020. The actual result diffusion index (DI) for large manufacturing enterprises, a major indicator of the Tankan survey, was 14, deteriorating by 1 point from the value in the previous survey in December, and the forecast DI for them was 9, which factors in the deterioration of 5 points from the actual result DI of 14. The actual result DI for large nonmanufacturing enterprises also deteriorated by 1 point from the value in the previous survey in December to 9, and the forecast DI for them was 7, which factors in the deterioration of 2 points from the actual result DI of 9: opacity about the future is undeniable when it comes to business confidence. On the other hand, software

investment (forecast) for FY2022 continues to remain greater than in FY2021 for all enterprises in all industries: a reaction to a delay in IT investment in FY2021 and a further progress in digital transformation are expected to occur. Needs to respond to new normalcy will be tailwind for digital transformation (DX), which realizes business reform and competitiveness reinforcement, and orders received are expected to increase in the future also. It is intended to strive for acquiring orders steadily by satisfying diversifying and complicating needs.

If any event that should be disclosed occurs due to any error in these assumptions, etc., 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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	11,039,932	11,846,082
Notes and accounts receivable - trade	7,855,304	-
Notes receivable - trade	-	434,665
Accounts receivable - trade	-	7,905,749
Contract assets	-	198,834
Electronically recorded monetary claims - operating	15,608	31,361
Securities	459,292	957,044
Money held in trust	64,146	73,436
Merchandise and finished goods	37,315	41,477
Work in process	156,750	202,280
Supplies	1,655	32,870
Prepaid expenses	343,748	404,271
Other	106,008	58,922
Total current assets	20,079,762	22,186,996
Non-current assets		
Property, plant and equipment		
Buildings	733,255	774,542
Accumulated depreciation	(415,947)	(446,788)
Buildings, net	317,308	327,754
Tools, furniture and fixtures	589,040	558,987
Accumulated depreciation	(464,390)	(452,038)
Tools, furniture and fixtures, net	124,650	106,948
Land	19,990	19,990
Leased assets	18,408	21,888
Accumulated depreciation	(12,290)	(14,824)
Leased assets, net	6,117	7,063
Total property, plant and equipment	468,066	461,756
Intangible assets		
Goodwill	494,413	1,528,539
Software	556,142	482,691
Other	12,950	14,163
Total intangible assets	1,063,506	2,025,393
Investments and other assets		
Investment securities	6,704,112	6,466,936
Leasehold and guarantee deposits	896,299	896,403
Insurance funds	124,480	121,835
Deferred tax assets	906,330	868,409
Other	207,127	216,363
Allowance for doubtful accounts	(107,209)	(107,209)
Total investments and other assets	8,731,141	8,462,740
Total non-current assets	10,262,714	10,949,890
Total assets	30,342,477	33,136,886

(Thousands of yen)

As of March 31, 2021

As of March 31, 2022

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	1,856,920	2,112,464
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	671,934	639,175
Lease liabilities	2,336	3,101
Accounts payable - other	681,171	595,295
Income taxes payable	1,056,596	936,448
Accrued business office tax	33,827	34,776
Accrued consumption taxes	551,465	570,223
Contract liabilities	–	109,001
Provision for bonuses	1,457,806	1,600,244
Provision for bonuses for directors (and other officers)	72,370	96,520
Provision for loss on orders received	7,861	6,377
Other	660,073	630,625
Total current liabilities	7,152,363	7,434,253
Non-current liabilities		
Long-term borrowings	1,142,515	820,322
Long-term accounts payable - other	52,746	52,697
Lease liabilities	4,341	4,621
Retirement benefit liability	2,432,926	2,636,766
Asset retirement obligations	71,696	54,102
Deferred tax liabilities	24	–
Total non-current liabilities	3,704,250	3,568,510
Total liabilities	10,856,613	11,002,763
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	3,363,262	3,382,707
Retained earnings	14,388,180	16,765,589
Treasury shares	(2,207,691)	(2,184,556)
Total shareholders' equity	18,058,626	20,478,616
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,427,859	1,624,957
Foreign currency translation adjustment	2,547	11,511
Remeasurements of defined benefit plans	(3,169)	19,037
Total accumulated other comprehensive income	1,427,236	1,655,506
Total net assets	19,485,863	22,134,123
Total liabilities and net assets	30,342,477	33,136,886

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

Consolidated statements of income

	(Thousands of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	39,706,144	44,450,374
Cost of sales	32,506,537	35,751,636
Gross profit	7,199,607	8,698,737
Selling, general and administrative expenses		
Advertising expenses	38,922	61,355
Remuneration, salaries and allowances for directors (and other officers)	1,579,614	1,755,013
Bonuses	84,749	130,307
Provision for bonuses	163,719	227,885
Provision for bonuses for directors (and other officers)	72,370	95,520
Retirement benefit expenses	32,879	54,613
Legal welfare expenses	241,243	289,039
Hiring expenses	158,845	161,051
Entertainment expenses	18,447	31,851
Rent expenses on land and buildings	160,881	159,155
Supplies expenses	59,271	93,170
Amortization of goodwill	132,414	180,893
Enterprise tax	192,874	204,075
Other	778,917	797,067
Total selling, general and administrative expenses	3,715,150	4,241,000
Operating profit	3,484,456	4,457,736
Non-operating income		
Interest income	331,272	388,988
Dividend income	73,779	49,782
Gain on sale of securities	57,849	29,783
Gain on valuation of derivatives	338,955	-
Subsidy income	49,497	34,185
Share of profit of entities accounted for using equity method	18,437	2,228
Other	34,672	41,703
Total non-operating income	904,463	546,670
Non-operating expenses		
Interest expenses	6,351	6,160
Loss on valuation of securities	-	15,035
Loss on valuation of derivatives	-	90,464
Investment advisory fees	65,409	96,348
Donations	200,000	3,000
Other	16,104	10,764
Total non-operating expenses	287,865	221,772
Ordinary profit	4,101,054	4,782,634

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Extraordinary income		
Gain on sale of investment securities	258,256	220,636
Gain on redemption of investment securities	896	–
Surrender value of insurance policies	28,710	23,860
Other	–	6,104
Total extraordinary income	287,863	250,601
Extraordinary losses		
Loss on retirement of non-current assets	3,789	1,272
Loss on sale of investment securities	95,575	6,164
Loss on valuation of investment securities	15,308	–
Loss on redemption of investment securities	62,542	4,216
Impairment losses	175,188	72,779
Corporate Logo Change Costs	–	28,995
Other	22,841	40,331
Total extraordinary losses	375,245	153,758
Profit before income taxes	4,013,673	4,879,477
Income taxes - current	1,492,406	1,647,767
Income taxes - deferred	(113,136)	(4,929)
Total income taxes	1,379,270	1,642,837
Profit	2,634,403	3,236,640
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	2,634,403	3,236,640

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	2,634,403	3,236,640
Other comprehensive income		
Valuation difference on available-for-sale securities	1,382,020	197,098
Foreign currency translation adjustment	2,547	8,964
Remeasurements of defined benefit plans, net of tax	5,409	22,207
Total other comprehensive income	1,389,977	228,269
Comprehensive income	4,024,380	3,464,909
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,024,380	3,464,909
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,514,875	4,473,108	12,509,598	(3,357,059)	16,140,523
Changes during period					
Dividends of surplus			(755,822)		(755,822)
Profit attributable to owners of parent			2,634,403		2,634,403
Purchase of treasury shares				(95)	(95)
Disposal of treasury shares		5,153		34,463	39,617
Cancellation of treasury shares		(1,115,000)		1,115,000	-
Change in scope of equity method					-
Net changes in items other than shareholders' equity					
Total changes during period	-	(1,109,846)	1,878,581	1,149,368	1,918,102
Balance at end of period	2,514,875	3,363,262	14,388,180	(2,207,691)	18,058,626

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	45,838	0	(8,579)	37,259	8,144	16,185,927
Changes during period						
Dividends of surplus						(755,822)
Profit attributable to owners of parent						2,634,403
Purchase of treasury shares						(95)
Disposal of treasury shares						39,617
Cancellation of treasury shares						-
Change in scope of equity method						-
Net changes in items other than shareholders' equity	1,382,020	2,547	5,409	1,389,977	(8,144)	1,381,832
Total changes during period	1,382,020	2,547	5,409	1,389,977	(8,144)	3,299,935
Balance at end of period	1,427,859	2,547	(3,169)	1,427,236	-	19,485,863

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,514,875	3,363,262	14,388,180	(2,207,691)	18,058,626
Changes during period					
Dividends of surplus			(840,963)		(840,963)
Profit attributable to owners of parent			3,236,640		3,236,640
Purchase of treasury shares				(360)	(360)
Disposal of treasury shares		19,445		23,496	42,941
Cancellation of treasury shares					–
Change in scope of equity method			(18,268)		(18,268)
Net changes in items other than shareholders' equity					
Total changes during period	–	19,445	2,377,409	23,135	2,419,990
Balance at end of period	2,514,875	3,382,707	16,765,589	(2,184,556)	20,478,616

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,427,859	2,547	(3,169)	1,427,236	–	19,485,863
Changes during period						
Dividends of surplus						(840,963)
Profit attributable to owners of parent						3,236,640
Purchase of treasury shares						(360)
Disposal of treasury shares						42,941
Cancellation of treasury shares						–
Change in scope of equity method						(18,268)
Net changes in items other than shareholders' equity	197,098	8,964	22,207	228,269	–	228,269
Total changes during period	197,098	8,964	22,207	228,269	–	2,648,259
Balance at end of period	1,624,957	11,511	19,037	1,655,506	–	22,134,123

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	4,013,673	4,879,477
Depreciation	265,274	260,580
Amortization of goodwill	132,414	180,893
Impairment losses	175,188	72,779
Increase (decrease) in allowance for doubtful accounts	(2,105)	–
Increase (decrease) in provision for bonuses	155,655	113,369
Increase (decrease) in provision for bonuses for directors (and other officers)	4,140	24,150
Increase (decrease) in provision for loss on orders received	(21,295)	(1,483)
Increase (decrease) in retirement benefit liability	171,351	113,877
Interest and dividend income	(405,051)	(438,770)
Interest expenses	6,351	6,160
Loss (gain) on sale of securities	(57,849)	(29,783)
Loss (gain) on valuation of derivatives	(338,955)	90,464
Share of loss (profit) of entities accounted for using equity method	(18,437)	(2,228)
Loss on retirement of non-current assets	3,789	1,272
Loss (gain) on valuation of investment securities	15,308	–
Loss (gain) on sale of investment securities	(162,681)	(214,472)
Loss (gain) on redemption of investment securities	61,645	4,216
Decrease (increase) in trade receivables	(332,636)	(288,983)
Decrease (increase) in inventories	91,335	(76,111)
Decrease (increase) in contract assets	–	(198,834)
Increase (decrease) in trade payables	(49,758)	170,277
Increase (decrease) in accounts payable - other	201,311	(89,412)
Increase (decrease) in long-term accounts payable - other	(329,945)	(49)
Increase (decrease) in accrued consumption taxes	(69,995)	(26,632)
Other, net	114,030	(16,966)
Subtotal	3,622,757	4,533,790
Interest and dividends received	407,315	437,881
Interest paid	(7,204)	(6,028)
Income taxes paid	(867,435)	(1,742,941)
Net cash provided by (used in) operating activities	3,155,433	3,222,701

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Payments into time deposits	(1,201)	(3,001)
Purchase of securities	(112,545)	(553,469)
Proceeds from sale of securities	190,939	385,171
Purchase of property, plant and equipment	(74,255)	(99,921)
Purchase of intangible assets	(109,441)	(110,322)
Purchase of investment securities	(5,807,359)	(4,994,729)
Proceeds from sale of investment securities	888,196	948,790
Proceeds from redemption of investment securities	5,317,304	4,373,026
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(147,915)	(1,168,714)
Purchase of shares of subsidiaries and associates	(102,000)	–
Proceeds from cancellation of insurance funds	40,116	65,106
Other, net	(129,242)	2,195
Net cash provided by (used in) investing activities	(47,405)	(1,155,867)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	(60,000)
Proceeds from long-term borrowings	–	360,000
Repayments of long-term borrowings	(713,284)	(809,153)
Repayments of lease liabilities	(2,169)	(2,434)
Dividends paid	(755,592)	(840,405)
Purchase of treasury shares	(95)	(360)
Other, net	(8,144)	–
Net cash provided by (used in) financing activities	(1,479,286)	(1,352,353)
Effect of exchange rate change on cash and cash equivalents	2,140	7,804
Net increase (decrease) in cash and cash equivalents	1,630,882	722,284
Cash and cash equivalents at beginning of period	9,384,749	11,015,631
Cash and cash equivalents at end of period	11,015,631	11,737,916

(5) Notes on consolidated financial statements

(Notes on the premise of going concern)

There is nothing to report.

(Changes in accounting policies)

1. Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. Major changes resulting from this are as follows.

Quasi-mandate and dispatch agreements and contractor agreements for software

For quasi-mandate and dispatch agreements and contractor agreements for software, whereas, previously, the percentage of completion method was applied to cases where the reliable estimate of outcome is available with regard to the progress toward completion by the end of each reporting period (the percentage of completion estimated by the cost to cost method) and the inspection basis method was applied to other cases; this was changed to the method where, if the control of goods or services is transferred to a customer over time, revenue is recognized as performance obligations for transferring goods or services are satisfied. A progress towards satisfaction of performance obligations is measured on the basis of indicators such as man-hours and work hours for service provided, in accordance with the content of an agreement, for quasi-mandate and dispatch agreements, or the percentage of the cost of a project incurred by the end of each reporting period in the total expected cost of the project, for contractor agreements. Furthermore, revenue is recognized on a cost recovery basis when it is not possible to reasonably estimate progress towards satisfaction of performance obligations, but it is probable that the costs incurred will be recovered, in the early stages of a contract. For contractor agreements, if the period from the transaction start date under a contract to the point in time when performance obligations are expected to be satisfied completely is extremely short, an alternative method will be applied, and revenue is recognized not over time but at the point in time when performance obligations are satisfied completely.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, but there is no effect on the opening balance of retained earnings of the fiscal year under review.

Notes and accounts receivable - trade, represented under Current assets in the consolidated balance sheet for the previous fiscal year, have begun to be included in Notes, Accounts receivable -trade and Contract assets in the current fiscal year; and Other, represented under Current liabilities, has begun to be included in Contract liabilities and Other in the current fiscal year. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

As a result, compared with numbers before the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, in the consolidated balance sheet for the current fiscal year, Contract assets increased by 198,834 thousand yen, and Accounts receivable - trade decreased by the same amount. At the same time, Contract liabilities increased by 109,001 thousand yen, and Other decreased by the same amount. In the consolidated statements of cash flows, an increase (decrease) in notes and accounts receivable - trade decreased by 198,834 thousand yen, and an increase (decrease) in contract assets increased by the same amount. There is no impact that these changes have on the consolidated statements of income, consolidated statements of changes in equity and per share information for the fiscal year under review.

2. Application of the Accounting Standard for Fair Value Measurement, Etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has

applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on consolidated financial statements.

(Additional information)

(Accounting estimates pertaining to the impact of the spread of COVID-19 infection)

The Group makes accounting estimates of impairment of non-current assets, collectability of deferred tax assets, etc. on the basis of information available at the time of creating the consolidated financial statements.

Assumptions in making such accounting estimates including how COVID-19 will spread in the future and when it will abate are indicated in “1. Overview of operating results and others, (4) Outlook for the coming year.” As there are many uncertain elements regarding the impact of COVID-19, a change in the situation occurring in the future can affect the financial condition and operating results of the Group in the future.

(Segment information, etc.)

[Segment information]

1. Summary of reportable segments

(1) Method for determining 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 are composed of segments by products and services based on divisions, and its reportable segments consist of “IT services business” and “Digital solution business.”

In addition, the segment of IT services business is subdivided into three subsegments based on types of business of end users per contract: “Enterprise,” “Finance” and “Manufacturing.”

Subsegment	Types of end users’ business
Enterprise	Information and communication, advertising, distribution services, transport, placement and dispatching, public services, resources and energy, construction and real estate, travel and hotels, medical and healthcare, etc.
Finance	Banking, insurance, etc.
Manufacturing	Automotive, transport equipment, machinery, electronics, etc.

(2) Types of products and services belonging to each reportable segment

The IT service business segment is mainly engaged in the comprehensive service for consulting as well as IT planning, development and maintenance, covering enterprise systems, financial systems, embedded systems, AI systems, mobile systems, platform, agile, near-shore and off-shore development, RPA introduction support, data analytics, UX design, etc.

The digital solution business segment mainly provides groups of solutions consisting of products and services supporting the realization of digital transformation by customers, which cover cloud computing, robotics, AI & data, security, UX/UI, etc.

(3) Matters regarding changes, etc. in reportable segments

In starting to execute the Medium-Term Management Plan 2023, whose first year is the fiscal year ended March 31, 2022, aiming at the full-scale growth of digital solution business, the method for business segmentation was revised in the current fiscal year, and reportable segments were changed from “Software development business” and “Embedded software development business” to “IT service business” and “Digital solution business.”

Segment information for the previous fiscal year was compiled in accordance with the changed segmentation and indicated under the previous fiscal year in “3. Information regarding amounts of net sales, profit (loss), assets, liabilities, and other items by reportable segment.”

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.

As the accounting method for revenue recognition was changed as a result of the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations starting with consolidated financial statements for the current fiscal year, as indicated in “Changes in Accounting Policies,” the method for computing profit or loss for business segments was likewise changed. There is no impact of the said changes on the net sales and segment profit of IT services business and digital solution business segments.

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

Fiscal year ended March 31, 2021

(Thousands of yen)

	Reportable segments						Adjustment	Amounts on consolidated financial statements
	IT services business				Digital solutions business	Total		
	Enterprise	Finance	Manufacturing	Total				
Net sales								
Sales to external customers	17,075,810	12,360,724	8,809,725	38,246,259	1,459,884	39,706,144	–	39,706,144
Inter-segment sales or transactions	1,058	–	–	1,058	492	1,551	(1,551)	–
Total sales	17,076,869	12,360,724	8,809,725	38,247,318	1,460,377	39,707,696	(1,551)	39,706,144
Segment profit	1,676,054	1,534,308	1,425,119	4,635,482	126,175	4,761,657	(1,277,200)	3,484,456
Segment assets	6,940,402	4,778,196	3,037,090	14,755,689	639,719	15,395,409	14,947,068	30,342,477
Other items								
Depreciation	100,643	71,362	59,613	231,620	10,692	242,312	22,961	265,274
Increase in property, plant and equipment and intangible assets	71,449	67,226	37,948	176,623	6,381	183,005	5,079	188,085

Notes: 1. The following adjustments have been made.

- (1) The negative 1,277,200 thousand yen adjustment to segment profit includes negative 1,277,200 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 14,947,068 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 5,079 thousand yen adjustment to increase in property, plant and equipment and intangible assets is for capital expenditures by the headquarters' administrative divisions.
2. Segment profit is calculated by making adjustments to the operating profit appearing in the consolidated statement of income.

Fiscal year ended March 31, 2022

(Thousands of yen)

	Reportable segments						Adjustment	Amounts on consolidated financial statements
	IT services business				Digital solutions business	Total		
	Enterprise	Finance	Manufacturing	Total				
Net sales								
Sales to external customers	18,219,847	13,689,402	10,433,216	42,342,466	2,107,907	44,450,374	–	44,450,374
Inter-segment sales or transactions	–	–	–	–	–	–	–	–
Total sales	18,219,847	13,689,402	10,433,216	42,342,466	2,107,907	44,450,374	–	44,450,374
Segment profit	2,255,224	1,719,695	1,744,049	5,718,970	145,193	5,864,164	(1,406,427)	4,457,736
Segment assets	7,710,336	5,712,510	4,441,175	17,864,022	846,913	18,710,935	14,425,950	33,136,886
Other items								
Depreciation	100,971	71,758	56,678	229,409	13,601	243,010	17,570	260,580
Increase in property, plant and equipment and intangible assets	92,373	58,266	43,668	194,309	11,145	205,454	14,321	219,775

Notes: 1. The following adjustments have been made.

- (1) The negative 1,406,427 thousand yen adjustment to segment profit includes negative 1,406,427 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 14,425,950 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 14,321 thousand yen adjustment to increase in property, plant and equipment and intangible assets is for capital expenditures by the headquarters' administrative divisions.
2. 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, 2021

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.	5,032,470	IT services business

Fiscal year ended March 31, 2022

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

This information is omitted since there is no external customer net sales to whom represents 10% or greater of the net sales reported in the consolidated statement of income.

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

Fiscal year ended March 31, 2021

(Thousands of yen)

	Reportable segments						Unallocation or elimination	Total
	IT services business				Digital solutions business	Total		
	Enterprise	Finance	Manufacturing	Subtotal				
Impairment losses	145,151	8,221	13,633	167,006	8,181	175,188	–	175,188

Fiscal year ended March 31, 2022

(Thousands of yen)

	Reportable segments						Unallocation or elimination	Total
	IT services business				Digital solutions business	Total		
	Enterprise	Finance	Manufacturing	Subtotal				
Impairment losses	40,038	22,969	7,736	70,744	2,035	72,779	–	72,779

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

Fiscal year ended March 31, 2021

(Thousands of yen)

	Reportable segments						Unallocation or elimination	Total
	IT services business				Digital solutions business	Total		
	Enterprise	Finance	Manufacturing	Subtotal				
Amortization of goodwill	80,995	29,052	16,416	126,465	5,949	132,414	–	132,414
Unamortized balance at the fiscal year-end	308,170	95,295	68,083	471,549	22,863	494,413	–	494,413

Fiscal year ended March 31, 2022

(Thousands of yen)

	Reportable segments						Unallocation or elimination	Total
	IT services business				Digital solutions business	Total		
	Enterprise	Finance	Manufacturing	Subtotal				
Amortization of goodwill	67,570	42,940	65,631	176,141	4,751	180,893	–	180,893
Unamortized balance at the fiscal year-end	460,782	363,091	686,553	1,510,427	18,111	1,528,539	–	1,528,539

(Information on gain on bargain purchase by reporting segment)

There is nothing to report.

(Per share information)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net assets per share	926.96 yen	1,051.97 yen
Earnings per share	125.43 yen	153.92 yen
Diluted earnings per share	–yen	–yen

Notes: 1. Diluted earnings per share is not presented for the previous fiscal year because no potentially dilutive shares exist, and it is not presented for the current fiscal year because no potential shares exist.

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

Item	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	2,634,403	3,236,640
Amounts not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent related to common shares (Thousands of yen)	2,634,403	3,236,640
Average number of common shares during the period (Shares)	21,002,402	21,028,175
Diluted earnings per share		
Overview of potential shares not included in the calculation of the diluted earnings per share because of the lack of dilution effects	7th Series Share Acquisition Rights 4,470 units (Common share 894,000 shares) All these share acquisition rights were acquired and cancelled as of February 24, 2021.	–

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

Item	As of March 31, 2021	As of March 31, 2022
Total net assets (Thousands of yen)	19,485,863	22,134,123
Amount deducted from total net assets (Thousands of yen)	–	–
Net assets related to common shares at the fiscal year-end (Thousands of yen)	19,485,863	22,134,123
Number of common shares at the fiscal year-end used for the calculation of net assets per share (Shares)	21,021,277	21,040,557

(Material subsequent events)

(Merger among consolidated subsidiaries)

ARS Corporation Ltd., N-System Corporation and Nexus Corporation, three consolidated subsidiaries of the Company, entered into a merger contract on March 28, 2022, which was approved by the extraordinary meeting of shareholders of each company held on April 13, 2022.

The outline of the merger is as follows.

1. Outline of the Transaction

(1) Name of parties to combination and their line of business

(Surviving company)

Name ARS Corporation Ltd.

Line of business Human resources, payroll and workflow management; and consulting, proposals, system development, implementation and operation support for facility maintenance

(Absorbed company)

Name N-System Corporation

Line of business System development, operation maintenance and product development

Name Nexus Corporation

Line of business Solution service, system development, server infrastructure construction

(2) Date of business combination

Scheduled on July 1, 2022

(3) Legal form of business combination

An absorption-type merger in which ARS Corporation Ltd. is the surviving company and N-System Corporation and Nexus Corporation are the absorbed companies

(4) Name of the company after combination

ARS Corporation Ltd.

ARS Corporation Ltd. plans to change its trade name to CRESCO J CUBE CO., LTD after July 1, 2022, the effective date of the merger.

(5) Other matters pertaining to the outline of the transaction

The purpose of this merger is to respond to the expected changes in the business environment and intensifying competition in the future and consolidate the know-how and resources of the three companies, and also to promote business expansion by effectively utilizing personnel and management resources, taking on large-scale projects and providing new services and to maintain and improve the Group's competitive advantages in the industry.

2. Outline of the accounting method

In accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No.21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019), the merger is planned to be accounted for as a transaction under common control.