

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Based on Japanese GAAP)

May 10, 2023

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <https://www.cresco.co.jp/>
 Representative: President, Executive Officer Hiroshi Tominaga
 Inquiries: Director & Senior Managing Executive Kazuo Sugiyama TEL +81-3-5769-8011
 Officer
 Scheduled date of Ordinary General Meeting of Shareholders: June 16, 2023
 Scheduled date to commence dividend payments: June 19, 2023
 Scheduled date to file annual securities report: June 19, 2023
 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, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2023	48,368	8.8	4,998	12.1	5,135	7.4	3,328	2.8
March 31, 2022	44,450	11.9	4,457	27.9	4,782	16.6	3,236	22.9

Note: Comprehensive income
 Fiscal year ended March 31, 2023: ¥3,249 million [(6.2)%]
 Fiscal year ended March 31, 2022: ¥3,464 million [(13.9)%]

	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, 2023	158.10	–	14.3	15.4	10.3
March 31, 2022	153.92	–	15.6	15.1	10.0

Reference: Share of profit (loss) of entities accounted for using equity method:
 Fiscal year ended March 31, 2023: ¥54 million Fiscal year ended March 31, 2022: ¥2 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, 2023	33,635	24,449	72.7	1,160.39
March 31, 2022	33,136	22,134	66.8	1,051.97

Reference: Equity
 As of March 31, 2023: ¥24,449 million As of March 31, 2022: ¥22,134 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, 2023	1,679	(874)	(1,631)	10,915
March 31, 2022	3,222	(1,155)	(1,352)	11,737

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, 2022	–	20.00	–	24.00	44.00	925	28.6	4.4
Fiscal year ended March 31, 2023	–	23.00	–	27.00	50.00	1,053	31.6	4.5
Fiscal year ending March 31, 2024 (Forecast)	–	25.00	–	25.00	50.00		29.4	

Note: Breakdown of the fiscal year-end dividend for the fiscal year ended March 31, 2023
 Commemorative dividend: ¥4.00 Regular dividend: ¥23.00

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	24,900	6.8	2,080	(7.4)	2,170	2.5	1,418	(3.4)	67.30
Full year	52,500	8.5	5,250	5.0	5,370	4.6	3,582	7.6	170.00

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, 2023	23,000,000 shares	As of March 31, 2022	23,000,000 shares
----------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of March 31, 2023	1,929,934 shares	As of March 31, 2022	1,959,443 shares
----------------------	------------------	----------------------	------------------

Average number of shares during the period

Fiscal year ended March 31, 2023	21,053,496 shares	Fiscal year ended March 31, 2022	21,028,175 shares
----------------------------------	-------------------	----------------------------------	-------------------

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	28,035	7.9	2,932	2.9	3,318	(1.8)	2,213	(10.4)
March 31, 2022	25,991	13.8	2,850	28.9	3,380	15.1	2,469	15.1

	Earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	105.12	–
March 31, 2022	117.42	–

(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, 2023	25,812		19,015		73.7	902.51
March 31, 2022	26,819		17,869		66.6	849.29

Reference: Equity

As of March 31, 2023 ¥19,015 million As of March 31, 2022 ¥17,869 million

2. Forecast of non-consolidated financial results for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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, 2023	14,100	3.2	1,850	19.5	1,429	26.8	67.82
Full year	29,850	6.5	3,620	9.1	2,657	20.1	126.10

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

Contents

1. Overview of operating results and others.....	2
(1) Overview of operating results for the fiscal year under review.....	2
(2) Overview of financial position for the fiscal year under review.....	4
(3) Overview of cash flows for the fiscal year under review	5
(4) Outlook for the coming year.....	5
2. Basic policy on the selection of accounting standards.....	6
3. Consolidated financial statements and significant notes thereto.....	7
(1) Consolidated balance sheets	7
(2) Consolidated statements of income and consolidated statements of comprehensive income.....	9
(3) Consolidated statements of changes in equity	12
(4) Consolidated statements of cash flows	14
(5) Notes on consolidated financial statements	16
(Notes on the premise of going concern).....	16
(Significant matters forming the basis of preparing the consolidated financial statements).....	16
(Changes in accounting policies)	16
(Additional information).....	16
(Segment information, etc.).....	16
(Per share information)	21
(Material subsequent events).....	22

1. Overview of operating results and others

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

In the fiscal year ended March 31, 2023, while there has been a progress in normalization from restrictions under the scourge of COVID-19, the price hikes arising from the Russian-Ukrainian conflict and the resulting monetary and fiscal policies of various countries in response have increased uncertainty in the financial markets and had an extremely significant impact has been made on household consumption and corporate investment.

Although actions such as scrutinizing, postponing, or downscaling IT investment are observed with some of the Group's client companies, demand remains robust for IT investment for the renovation of existing systems and productivity improvement through DX promotion, allowing the Group to achieve steady order increase.

Under this business environment, the Group has implemented the following initiatives during the fiscal year under review.

Organization and structure

As of April 1, 2022, the Company made a shift to a two-representative system with Chairman & CEO and President and Executive Officer, as well as implemented a design change in our corporate logo for the first time since our founding, along with the formulation of "CRESCO Group Ambition 2030." In addition, we have established the Promotion of Management Strategy Unit to realize CRESCO Group Ambition 2030, and we have set up the Group Supervisory Unit and promoted the sharing of business projects among group companies to further demonstrate group synergy. Moreover, in order to speed up management decision making and implementation of measures through appropriate delegation of authority, we have carried out an organizational reform to appoint executive officers as general managers.

The Group has increased the frequency of the meetings of officers of the Group companies to enhance collaboration among the Group's officers for the purpose of strengthening agile management and improving group governance. In addition, as of July 1, 2022, three consolidated subsidiaries (ARS Corporation Ltd., N-System Corporation, and Nexus Corporation) were merged and reorganized as CRESCO J CUBE CO., LTD., for the purpose of producing further synergistic effects through the effective utilization of the Group's human and management resources. In February 2023, we acquired all issued shares of Japan Software Design Co., Ltd., a software development company with offices in the three major metropolitan areas (Osaka, Tokyo, and Nagoya), and made it our consolidated subsidiary (the deemed acquisition date: the end of March 2023).

Business

The Company was certified as a UiPath's gold partner, an accredited reseller of UiPath, in April 2022, and began to offer e-learning for companies that have purchased UiPath licenses, in May. In March 2023, the Company was certified as UiPath's diamond partner. In October 2022, the Company was certified as an AWS Public Sector Partner Program and recognized as an AWS Public Sector Solution Provider by Amazon Web Services (AWS). We also launched our DX Training Service to develop DX human resources among corporates, and released an iOS app for Intelligent Folder, a large-capacity file sharing service we offer. We will continue to strengthen the digital solutions business by expanding the business lineup in the areas of RPA, the cloud, and DX.

As enhancement of countermeasures against cyberattacks has become a priority issue among companies in recent years, in August 2022, we started selling managed security services for SIEM, a service to detect and analyze signs of a cyberattack as well as provide expert countermeasure support on the basis of obtained information, which have already received a lot of positive feedback. Furthermore, in March 2023, we began offering managed security service for EDR, a solution that monitors devices to minimize damage from cyberattacks.

In the fields of image recognition AI and machine learning, which are our specialties, we obtained a patent in September 2022 for an information processing device, method, and program to visualize the basis of image classification results using image recognition AI. In December, we announced a collaboration project with Japan Airlines Co., Ltd. to develop an Aircraft Engine Internal Inspection Tool utilizing the image recognition technology empowered by medical AI. In February 2023, in collaboration with JR KYUSHU HOTELS Inc., we conducted a demonstration experiment on the optimization of hotel room allocation using a mathematical optimization method, and developed a prototype for a room allocation optimization tool. We will continue to

work on DX promotion for our customers based on the knowledge and technology we have acquired, contributing to the development of society.

In the field of capital and business alliances, in November 2022, we entered a basic agreement on capital investment in an Indian subsidiary of Forum Engineering Inc. for the purpose of global expansion of cognavi, a human resource service specializing in engineers.

With the aim of further raising the performance level of the aforementioned business and creating business opportunities, we have been encouraging our employees to do self-study about technology, quality, and business transformation starting the fiscal year under review. We have also continued to engage in evangelist activities, being blessed with opportunities for several employees of the Company to teach at universities.

In May 2022, CRESCO Digital Technologies, Ltd., one of our consolidated subsidiaries, started selling Social Toilet System empowered by the company's IoT functions that had been developed jointly with Hikari Gokin Co., LTD. In July, CRESCO e-Solution Co., Ltd., renewed the content of MOA, a service for transitioning to SAP S/4HANA. In October, CRESCO VIETNAM CO., LTD. began selling the latest POS system for the Vietnamese food delivery market.

In the wake of the COVID-19 crisis, the Group has been reviewing office space, including the relocation of offices and development sites for further improvement of business efficiency.

In terms of fund management, however, the increase in the U.S. policy interest rates to control inflation and growing concerns of a recession in the United States led to a decline in stock prices in the United States, resulting in our recording a loss on valuation of derivatives (non-operating expenses) of 226 million yen for financial instruments (yen-denominated bonds linked to shares of other companies with an early redemption clause) held by the Company.

As a result of the above, both sales and profit increased, and for the fiscal year ended March 31, 2023, the Company recorded 48,368 million yen in net sales (8.8% increase from 44,450 million yen for the previous fiscal year), 4,998 million yen in operating profit (12.1% increase from 4,457 million yen for the previous fiscal year), 5,135 million yen in ordinary profit (7.4% increase from 4,782 million yen for the previous fiscal year), and 3,328 million yen in profit attributable to owners of parent (2.8% increase from 3,236 million yen for the previous fiscal year).

Operating results for each segment are as follows.

Segment	Net sales (thousand yen)			Segment profit and loss (thousand yen)		
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Year on year	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Year on year
Enterprise	18,219,847	18,839,593	103.4%	2,255,224	2,374,134	105.3%
Finance	13,689,402	14,115,577	103.1%	1,719,695	1,820,790	105.9%
Manufacturing	10,433,216	12,657,507	121.3%	1,744,049	2,159,885	123.8%
Total IT services business	42,342,466	45,612,678	107.7%	5,718,970	6,354,810	111.1%
Digital solutions business	2,107,907	2,755,646	130.7%	145,193	165,998	114.3%
Total	44,450,374	48,368,324	108.8%	5,864,164	6,520,809	111.2%

(i) IT services business

For the IT services business, net sales were 45,612 million yen (7.7% increase year on year), and segment profit (operating profit) was 6,354 million yen (11.1% increase year on year). Business results for each subsegment are as follows.

(Enterprise)

Net sales of the enterprise subsegment were 18,839 million yen (3.4% increase year on year). This is because despite the conclusion of large-scale projects in areas of transport, recruitment and dispatching, sales increased in distribution services, construction and real estate, information and communications, advertising, and public services.

The segment profit (operating profit) of the enterprise subsegment was 2,374 million yen (5.3% increase year on year). This is for the same reason as that for the said increase in net sales.

(Finance)

Net sales of the finance subsegment were 14,115 million yen (3.1% increase year on year). This owes mainly to an increase in individual projects such as the construction and migration of infrastructures in banking area.

The segment profit (operating profit) of the finance subsegment was 1,820 million yen (5.9% increase year on year). This is for the same reason as that for the said increase in net sales.

(Manufacturing)

Net sales of the manufacturing subsegment were 12,657 million yen (21.3% increase year on year). This owes to an increase in the number of cloud security projects and anticipatory investment projects in both areas of machinery and electronics, and automotive and transport equipment, as well as the acquisition of new customers, in particular, in the area of automotive and transport equipment.

The segment profit (operating profit) of the manufacturing subsegment was 2,159 million yen (23.8% increase year on year). This is for the same reason as that for the said increase in net sales.

(ii) Digital solutions business

Net sales of the digital solution business was 2,755 million yen (30.7% increase year on year). This owes mainly to the increase in sales of Creage, our main cloud service, and RPA licenses.

The segment profit (operating profit) was 165 million yen (14.3% increase year on year). This owes to a significant increase in license sales as a result of implementing planning, research and verification activities for new services and solutions in the Company's digital solutions division, despite an increase in overhead costs.

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

Total assets at the end of the fiscal year under review were 33,635 million yen, a year-on-year increase of 498 million yen.

Current assets rose by 300 million yen year on year to 22,487 million yen. This is mainly because, while cash and deposits, notes receivable - trade and securities decreased by 819 million yen, 434 million yen and 196 million yen, respectively, there was increase electronically recorded monetary claims - operating, accounts receivable - trade, accounts receivable included in "others" and contract assets by 719 million yen, 512 million yen, 394 million yen and 116 million yen, respectively.

Non-current assets rose by 198 million yen year on year to 11,147 million yen. This is mainly because, while investment securities, software and insurance fund decreased by 256 million yen, 94 million yen and 67 million yen, respectively, increase in deferred tax assets, buildings, and leasehold and guarantee deposits by 240 million yen, 215 million yen and 64 million yen, respectively.

Total liabilities at the end of the fiscal year under review were 9,185 million yen, a year-on-year decrease of 1,817 million yen.

Current liabilities decreased by 183 million yen year on year to 7,250 million yen. This is mainly because, while accounts payable - trade and provision for loss on orders received increased by 88 million yen and 45 million yen, respectively, decrease in current portion of long-term borrowing, accounts payable - other, asset retirement obligations included in "others" by 154 million yen and 88 million yen and 50 million yen, respectively.

Non-current liabilities decreased by 1,633 million yen year on year to 1,935 million yen. This is mainly because, while asset retirement obligations and bonds payable increased by 58 million yen and 50 million yen, respectively, there was decrease in retirement benefit liability and long-term borrowings by 1,257 million yen and 483 million yen, respectively.

Total net assets at the end of the current consolidated fiscal year under review were 24,449 million yen, a year-on-year increase of 2,315 million yen. This is mainly because retained earnings and retirement benefit liability increased by 2,339 million yen and 50 million yen, respectively, and because valuation difference on available-for-sale securities decreased by 136 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 10,915 million yen, a year-on-year decrease of 822 million yen.

Cash flows from operating activities

There was a net cash inflow of 1,679 million yen from operating activities, compared to a net cash inflow of 3,222 million yen for the previous fiscal year.

This was primarily due to profit before income taxes of 4,944 million yen despite income taxes paid of 1,693 million yen and decrease in retirement benefit liability of 1,324 million yen.

Cash flows from investing activities

There was a net cash outflow of 874 million yen from investing activities, compared to a net cash outflow of 1,155 million yen for the previous fiscal year.

This was primarily due to the expenditures of 2,043 million yen for purchase of investment securities, 294 million yen for purchase of property, plant and equipment, and 103 million yen for purchase of intangible assets, despite proceeds of 1,705 million yen from redemption of investment securities.

Cash flows from financing activities

There was a net cash outflow of 1,631 million yen from financing activities, compared to a net cash outflow of 1,352 million yen for the previous fiscal year.

This was primarily because dividends paid of 988 million yen and the expenditure of 639 million yen for repayment of long-term borrowings.

(4) Outlook for the coming year

Although there are concerns about a downward risk in economy due to the prolonged conflict between Russia and Ukraine, as to the fiscal 2023 outlook, DX promotion among companies is likely to be showing further progress with the impact of the COVID-19 infection being on the decline, leading to the growth in IT investments and an increase in the number of orders the Group will receive.

For the purpose of improving corporate value over the medium- to long-term, the Group is planning to invest in various education and training programs such as DX Human Resources Development Program and Next Generation Human Resources Development Program. In addition, with the aim of securing employees, we are raising salary level and hiring new graduates on a record scale, which is supposed to lead to an increase in the burden of personnel and education expenses particularly in the first half of the fiscal year. Based on the prerequisites above, the forecast of consolidated financial results for the first six months ending September 30, 2023 and the forecast for the full-year ending March 31, 2024, has been made as follows.

(“%” indicates year-on-year increase-decrease rate)

	First six months ending September 30, 2023		Full year ending March 31, 2024	
Net sales	24,900 million yen	6.8%	52,500 million yen	8.5%
Operating profit	2,080 million yen	(7.4)%	5,250 million yen	5.0%
Ordinary profit	2,170 million yen	2.5%	5,370 million yen	4.6%
Profit attributable to owners of parent	1,418 million yen	(3.4)%	3,582 million yen	7.6%

If any event that should be disclosed occurs due to any error in these prerequisites, 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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	11,846,082	11,027,078
Notes receivable - trade	434,665	-
Accounts receivable - trade	7,905,749	8,418,043
Contract assets	198,834	315,541
Electronically recorded monetary claims - operating	31,361	750,833
Securities	957,044	760,817
Money held in trust	73,436	76,173
Merchandise and finished goods	41,477	30,346
Work in process	202,280	197,589
Supplies	32,870	28,420
Prepaid expenses	404,271	410,977
Other	58,922	471,205
Total current assets	22,186,996	22,487,028
Non-current assets		
Property, plant and equipment		
Buildings	774,542	945,826
Accumulated depreciation	(446,788)	(402,165)
Buildings, net	327,754	543,661
Tools, furniture and fixtures	558,987	544,989
Accumulated depreciation	(452,038)	(403,525)
Tools, furniture and fixtures, net	106,948	141,463
Land	19,990	19,990
Leased assets	21,888	17,394
Accumulated depreciation	(14,824)	(11,458)
Leased assets, net	7,063	5,936
Total property, plant and equipment	461,756	711,051
Intangible assets		
Goodwill	1,528,539	1,565,504
Software	482,691	388,216
Other	14,163	14,629
Total intangible assets	2,025,393	1,968,351
Investments and other assets		
Investment securities	6,466,936	6,210,056
Leasehold and guarantee deposits	896,403	960,959
Insurance funds	121,835	54,190
Deferred tax assets	868,409	1,108,491
Other	216,363	242,094
Allowance for doubtful accounts	(107,209)	(107,209)
Total investments and other assets	8,462,740	8,468,582
Total non-current assets	10,949,890	11,147,985
Total assets	33,136,886	33,635,013

(Thousands of yen)

As of March 31, 2022

As of March 31, 2023

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	2,112,464	2,201,342
Short-term borrowings	100,000	130,000
Current portion of bonds payable	—	25,000
Current portion of long-term borrowings	639,175	484,237
Lease liabilities	3,101	2,502
Accounts payable - other	595,295	507,284
Income taxes payable	936,448	964,725
Accrued business office tax	34,776	36,951
Accrued consumption taxes	570,223	493,423
Contract liabilities	109,001	117,419
Provision for bonuses	1,600,244	1,573,923
Provision for bonuses for directors (and other officers)	96,520	82,283
Provision for loss on orders received	6,377	51,415
Other	630,625	579,778
Total current liabilities	7,434,253	7,250,286
Non-current liabilities		
Long-term borrowings	820,322	336,938
Bonds payable	—	50,000
Long-term accounts payable - other	52,697	52,918
Lease liabilities	4,621	3,319
Retirement benefit liability	2,636,766	1,379,644
Asset retirement obligations	54,102	112,454
Total non-current liabilities	3,568,510	1,935,274
Total liabilities	11,002,763	9,185,560
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	3,382,707	3,403,940
Retained earnings	16,765,589	19,105,001
Treasury shares	(2,184,556)	(2,150,640)
Total shareholders' equity	20,478,616	22,873,176
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,624,957	1,488,949
Foreign currency translation adjustment	11,511	18,076
Remeasurements of defined benefit plans	19,037	69,250
Total accumulated other comprehensive income	1,655,506	1,576,276
Total net assets	22,134,123	24,449,452
Total liabilities and net assets	33,136,886	33,635,013

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

Consolidated statements of income

	(Thousands of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	44,450,374	48,368,324
Cost of sales	35,751,636	38,726,327
Gross profit	8,698,737	9,641,996
Selling, general and administrative expenses		
Advertising expenses	61,355	98,315
Remuneration, salaries and allowances for directors (and other officers)	1,755,013	1,900,533
Bonuses	130,307	124,626
Provision for bonuses	227,885	169,646
Provision for bonuses for directors (and other officers)	95,520	74,033
Retirement benefit expenses	54,613	61,487
Legal welfare expenses	289,039	299,162
Hiring expenses	161,051	173,336
Entertainment expenses	31,851	66,750
Rent expenses on land and buildings	159,155	182,793
Supplies expenses	93,170	62,342
Amortization of goodwill	180,893	209,580
Enterprise tax	204,075	206,398
Other	797,067	1,014,132
Total selling, general and administrative expenses	4,241,000	4,643,139
Operating profit	4,457,736	4,998,857
Non-operating income		
Interest income	388,988	264,387
Dividend income	49,782	51,375
Gain on sale of securities	29,783	15,965
Gain on investments in money held in trust	–	2,737
Subsidy income	34,185	30,277
Share of profit of entities accounted for using equity method	2,228	54,058
Other	41,703	63,723
Total non-operating income	546,670	482,526
Non-operating expenses		
Interest expenses	6,160	3,722
Loss on valuation of securities	15,035	–
Loss on valuation of derivatives	90,464	226,523
Investment advisory fees	96,348	63,439
Donations	3,000	5,000
Other	10,764	47,070
Total non-operating expenses	221,772	345,755
Ordinary profit	4,782,634	5,135,627

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Extraordinary income		
Gain on sale of investment securities	220,636	3,126
Gain on redemption of investment securities	–	142,187
Surrender value of insurance policies	23,860	11,054
Other	6,104	8,240
Total extraordinary income	250,601	164,609
Extraordinary losses		
Loss on retirement of non-current assets	1,272	21,354
Loss on sale of investment securities	6,164	337
Loss on valuation of investment securities	–	170,368
Loss on redemption of investment securities	4,216	–
Impairment losses	72,779	–
Corporate logo change costs	28,995	113,803
Other	40,331	49,879
Total extraordinary losses	153,758	355,743
Profit before income taxes	4,879,477	4,944,493
Income taxes - current	1,647,767	1,721,159
Income taxes - deferred	(4,929)	(105,263)
Total income taxes	1,642,837	1,615,895
Profit	3,236,640	3,328,597
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	3,236,640	3,328,597

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	3,236,640	3,328,597
Other comprehensive income		
Valuation difference on available-for-sale securities	197,098	(136,007)
Foreign currency translation adjustment	8,964	6,564
Remeasurements of defined benefit plans, net of tax	22,207	50,213
Total other comprehensive income	228,269	(79,229)
Comprehensive income	3,464,909	3,249,367
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,464,909	3,249,367
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2022

(Thousands of yen)

	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
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				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
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

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,514,875	3,382,707	16,765,589	(2,184,556)	20,478,616
Changes during period					
Dividends of surplus			(989,185)		(989,185)
Profit attributable to owners of parent			3,328,597		3,328,597
Purchase of treasury shares				(204)	(204)
Disposal of treasury shares		21,232		34,119	55,351
Change in scope of equity method					–
Net changes in items other than shareholders' equity					
Total changes during period	–	21,232	2,339,412	33,915	2,394,559
Balance at end of period	2,514,875	3,403,940	19,105,001	(2,150,640)	22,873,176

	Accumulated other comprehensive income				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	1,624,957	11,511	19,037	1,655,506	22,134,123
Changes during period					
Dividends of surplus					(989,185)
Profit attributable to owners of parent					3,328,597
Purchase of treasury shares					(204)
Disposal of treasury shares					55,351
Change in scope of equity method					–
Net changes in items other than shareholders' equity	(136,007)	6,564	50,213	(79,229)	(79,229)
Total changes during period	(136,007)	6,564	50,213	(79,229)	2,315,329
Balance at end of period	1,488,949	18,076	69,250	1,576,276	24,449,452

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	4,879,477	4,944,493
Depreciation	260,580	278,742
Amortization of goodwill	180,893	209,580
Impairment losses	72,779	–
Increase (decrease) in provision for bonuses	113,369	(68,632)
Increase (decrease) in provision for bonuses for directors (and other officers)	24,150	(14,236)
Increase (decrease) in provision for loss on orders received	(1,483)	45,037
Increase (decrease) in retirement benefit liability	113,877	(1,324,682)
Interest and dividend income	(438,770)	(315,763)
Interest expenses	6,160	3,722
Loss (gain) on sale of securities	(29,783)	(15,965)
Loss (gain) on valuation of derivatives	90,464	226,523
Share of loss (profit) of entities accounted for using equity method	(2,228)	(54,058)
Loss on retirement of non-current assets	1,272	21,354
Loss (gain) on valuation of investment securities	–	170,368
Loss (gain) on sale of investment securities	(214,472)	(2,788)
Loss (gain) on redemption of investment securities	4,216	(142,187)
Decrease (increase) in trade receivables	(288,983)	(685,729)
Decrease (increase) in inventories	(76,111)	20,271
Decrease (increase) in contract assets	(198,834)	(116,706)
Increase (decrease) in trade payables	170,277	86,257
Increase (decrease) in accounts payable - other	(89,412)	(98,082)
Increase (decrease) in long-term accounts payable - other	(49)	220
Increase (decrease) in accrued consumption taxes	(26,632)	(89,784)
Other, net	(16,966)	(14,175)
Subtotal	4,533,790	3,063,779
Interest and dividends received	437,881	312,741
Interest paid	(6,028)	(3,391)
Income taxes paid	(1,742,941)	(1,693,540)
Net cash provided by (used in) operating activities	3,222,701	1,679,590

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Payments into time deposits	(3,001)	(3,601)
Purchase of securities	(553,469)	(37,998)
Proceeds from sale of securities	385,171	55,622
Purchase of property, plant and equipment	(99,921)	(294,574)
Purchase of intangible assets	(110,322)	(103,133)
Purchase of investment securities	(4,994,729)	(2,043,962)
Proceeds from sale of investment securities	948,790	12,828
Proceeds from redemption of investment securities	4,373,026	1,705,179
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,168,714)	(126,187)
Proceeds from cancellation of insurance funds	65,106	124,730
Other, net	2,195	(163,780)
Net cash provided by (used in) investing activities	(1,155,867)	(874,877)
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	(809,153)	(639,175)
Repayments of lease liabilities	(2,434)	(3,884)
Dividends paid	(840,405)	(988,563)
Purchase of treasury shares	(360)	(204)
Net cash provided by (used in) financing activities	(1,352,353)	(1,631,826)
Effect of exchange rate change on cash and cash equivalents	7,804	4,508
Net increase (decrease) in cash and cash equivalents	722,284	(822,605)
Cash and cash equivalents at beginning of period	11,015,631	11,737,916
Cash and cash equivalents at end of period	11,737,916	10,915,310

(5) Notes on consolidated financial statements

(Notes on the premise of going concern)

There is nothing to report.

(Significant matters forming the basis of preparing the consolidated financial statements)

Matters pertaining to the scope of consolidation

N-System Corporation and Nexus Corporation, which used to be consolidated subsidiaries of the Company, were dissolved through an absorption-type merger with ARS Corporation Ltd. (current CRESCO J CUBE CO., LTD), a consolidated subsidiary of the Company on July 1, 2022; therefore, they have been excluded from the scope of consolidation.

In addition, the Company acquired all of the outstanding shares of Japan Software Design Co., Ltd. as of February 1, 2023, making the said company its consolidated subsidiary. Regarding this company, only the balance sheet is consolidated for the fiscal year under review because the deemed acquisition date is given at the end of the fiscal year under review.

(Changes in accounting policies)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan (“ASBJ”) Guidance No. 31, June 17, 2021) from the beginning of the fiscal year ended March 31, 2023, and in accordance with the transitional measures provided for in Paragraph 27-2 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement,” the Company decided to apply the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement in the future.

(Additional information)

In the fiscal year under review, the Company established a retirement benefit trust with the aim of preparing for future retirement benefits, and contributed 1,500,000 thousand yen in cash and deposits. As a result, the retirement benefit liability on the consolidated balance sheet and the increase (decrease) in retirement benefit liability on the consolidated cash flow statement have decreased by the same amount.

(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, communication and advertising, distribution services, transport, recruitment 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.

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, 2022

(Thousands of yen)

	Reportable segments						Adjustment Note: 1	Amounts on consolidated financial statements Note: 2
	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	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.

Fiscal year ended March 31, 2023

(Thousands of yen)

	Reportable segments						Adjustment Note: 1	Amounts on consolidated financial statements Note: 2
	IT services business				Digital solutions business	Total		
	Enterprise	Finance	Manufac- turing	Total				
Net sales								
Sales to external customers	18,839,593	14,115,577	12,657,507	45,612,678	2,755,646	48,368,324	–	48,368,324
Inter-segment sales or transactions	–	–	–	–	–	–	–	–
Total	18,839,593	14,115,577	12,657,507	45,612,678	2,755,646	48,368,324		48,368,324
Segment profit	2,374,134	1,820,790	2,159,885	6,354,810	165,998	6,520,809	(1,521,952)	4,998,857
Segment assets	8,650,726	5,791,275	5,408,779	19,850,781	991,195	20,841,977	12,793,035	33,635,013
Other items								
Depreciation	95,314	73,717	68,337	237,369	17,369	254,738	24,003	278,742
Increase in property, plant and equipment and intangible assets	190,691	166,368	79,211	436,271	20,054	456,325	5,405	461,731

Notes: 1. The following adjustments have been made.

- (1) The negative 1,521,952 thousand yen adjustment to segment profit includes negative 1,521,952 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 12,793,035 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 5,405 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, 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.

Fiscal year ended March 31, 2023

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, 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

Fiscal year ended March 31, 2023

(Thousands of yen)

	Reportable segments						Unallocation or elimination	Total
	IT services business				Digital solutions business	Total		
	Enterprise	Finance	Manufacturing	Subtotal				
Impairment losses	–	–	–	–	–	–	–	–

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

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

Fiscal year ended March 31, 2023

(Thousands of yen)

	Reportable segments						Unallocation or elimination	Total
	IT services business				Digital solutions business	Total		
	Enterprise	Finance	Manufacturing	Subtotal				
Amortization of goodwill	71,686	55,651	77,538	204,876	4,704	209,580	–	209,580
Unamortized balance at the fiscal year-end	495,707	378,993	677,396	1,552,097	13,407	1,565,504	–	1,565,504

(Information on gain on bargain purchase by reporting segment)

There is nothing to report.

(Per share information)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	1,051.97 yen	1,160.39 yen
Earnings per share	153.92 yen	158.10 yen
Diluted earnings per share	– yen	– yen

Notes: 1. Diluted earnings per share is not presented because no potentially dilutive shares exist.

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

Item	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	3,236,640	3,328,597
Amounts not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent related to common shares (Thousands of yen)	3,236,640	3,328,597
Average number of common shares during the period (Shares)	21,028,175	21,053,496

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

Item	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Total net assets (Thousands of yen)	22,134,123	24,449,452
Amount deducted from total net assets (Thousands of yen)	–	–
Net assets related to common shares at the fiscal year-end (Thousands of yen)	22,134,123	24,449,452
Number of common shares at the fiscal year-end used for the calculation of net assets per share (Shares)	21,040,557	21,070,066

(Material subsequent events)

1. Purchase of treasury shares

At the Board of Directors meeting held on May 10, 2023, the Company resolved as follows regarding the purchase of treasury shares based on the Articles of Incorporation pursuant to the provisions of Article 459, paragraph 1 of the Companies Act.

(1) Reason for purchase of treasury shares

To increase shareholder returns and improve our capital efficiency.

(2) Details of matters pertaining to the purchased

- | | |
|--|---|
| (i) Type of shares to be purchased | Common shares of the Company |
| (ii) Number of shares to be purchased | 500,000 shares (maximum) |
| (iii) Aggregate acquisition amount of shares | 1,000,000 thousand yen (maximum) |
| (iv) Period of share acquisition | From May 11, 2023 to November 30, 2023 |
| (v) Acquisition method | Market buying at the Tokyo Stock Exchange |

2. Cancellation of treasury shares

At the Board of Directors meeting held on May 10, 2023, the Company resolved as follows regarding the cancellation of treasury shares pursuant to the provisions of Article 178 of the Companies Act.

- | | |
|--|---|
| (i) Reason for the cancellation of treasury shares | To increase shareholder returns and improve our capital efficiency. |
| (ii) Type of shares to be canceled | Common shares of the Company |
| (iii) Total number of shares to be canceled | 1,000,000 shares |
| (iv) Cancellation date | Once the own-share repurchase is complete, the Company will again make an announcement. |