

Consolidated Financial Report for Fiscal 2020 Ended March 31, 2021 [Japanese GAAP]

May 11, 2021

Listed exchange: 1st Section, Tokyo Stock Exchange
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Scheduled date of the ordinary general meeting of shareholders: June 29, 2021
 Scheduled date of dividend payment: June 30, 2021
 Scheduled date of filing securities report: June 29, 2021
 Preparation of explanatory materials for annual financial results: Yes
 Holding of a briefing on annual financial results: Yes (video streaming)

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for Fiscal 2020 Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(1) Consolidated operating results
(cumulative)

(Percentages represent 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)	%
As of March 31, 2021	27,292	(1.8)	2,358	6.9	2,564	13.2	1,711	14.1
As of March 31, 2020	27,795	4.5	2,206	2.3	2,265	0.7	1,500	2.1

Note: Comprehensive income

As of March 31, 2021: ¥2,143million [83.1%]

As of March 31, 2020: ¥1,171million [(24.3%)]

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating profit margin
	Yen Sen	Yen Sen	%	%	%
As of March 31, 2021	71.03	—	13.3	14.5	8.6
As of March 31, 2020	62.29	—	12.7	13.7	7.9

Reference: Equity gains/(Losses) of Affiliates

As of March 31, 2021: —

As of March 31, 2020: —

(2) Consolidated financial position

	Total assets	Net assets	Owners' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	Yen Sen
As of March 31, 2021	18,652	13,663	73.3	566.99
As of March 31, 2020	16,652	12,107	72.7	502.43

Reference: Owners' equity

As of March 31, 2021: ¥13,663 million

As of March 31, 2020: ¥12,107 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents balance at end of year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
As of March 31, 2021	2,273	17	(594)	10,077
As of March 31, 2020	1,299	(218)	(518)	8,379

2. Dividends

	Dividends per share					Dividends (Total)	Dividend payout ratio (consolidated)	Dividend payout ratio on net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total			
	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen	(Millions of yen)	%	%
Fiscal year ended March 31, 2020	—	0.00	—	24.00	24.00	587	38.5	4.9
Fiscal year ended March 31, 2021	—	0.00	—	24.00	24.00	587	33.8	4.5
Fiscal year ending March 31, 2022 (forecast)	—	0.00	—	24.00	24.00		33.7	

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Full-year and quarterly percentages represent changes from the previous fiscal year and the same quarter of the previous fiscal year, respectively)

	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 Sen	
Second quarter (cumulative)	13,500	2.4	1,100	2.1	1,120	1.2	750	0.6	31.12	
Full year	28,500	4.4	2,510	6.4	2,570	0.2	1,715	0.2	71.17	

*Notes

- (1) Changes in significant subsidiaries during the period: None
 (Changes in specified subsidiaries resulting from changes in the scope of consolidation)
 New: — (company name(s)) Excluded: — (company name(s))

(2) Changes in accounting policies and accounting-based estimates, and restatements

- a. Changes in accounting policies due to revisions in : None
 accounting standards, etc.
 b. Changes in accounting policies other than a. above : None
 c. Changes in accounting-based estimates : None
 d. Restatements : None

(3) Number of shares outstanding (common stock)

(Shares)

a. Number of shares outstanding at the end of period (including treasury stock)	As of March 31, 2021	25,113,600	As of March 31, 2020	25,113,600
b. Number of treasury shares at the end of period	As of March 31, 2021	1,015,111	As of March 31, 2020	1,015,071
c. Average number of shares during the period	As of March 31, 2021	24,098,522	As of March 31, 2020	24,096,537

Note: The number of treasury shares at the end of period includes the Company's shares (391,200 shares as of March 31, 2021 and 391,200 shares as of March 31, 2020) held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets in a Board Benefit Trust (BBT) and an Employee Stock Ownership Plan (J-ESOP). In addition, the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) are included in the treasury shares deducted from the calculation of the average number of shares during the period (As of March 31, 2021: 391,200 shares; as of March 31, 2020: 393,211 shares).

Reference: Summary of Individual Financial Results

1. Individual Financial Results for Fiscal 2020 Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(1) Individual operating results (cumulative)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
As of March 31, 2021	25,825	(2.1)	2,210	5.3	2,388	10.7	1,584	11.5
As of March 31, 2020	26,381	1.6	2,099	1.1	2,157	(0.6)	1,420	0.0

	Earnings per share		Diluted earnings per share	
	Yen	Sen	Yen	Sen
As of March 31, 2021	65.74	—	—	—
As of March 31, 2020	58.95	—	—	—

(2) Individual financial position

	Total assets	Net assets	Owners' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	Yen Sen
As of March 31, 2021	17,887	13,114	73.3	544.22
As of March 31, 2020	15,986	11,686	73.1	484.95

Reference: Owners' equity

As of March 31, 2021: ¥13,114 million

As of March 31, 2020: ¥11,686 million

* The consolidated financial report is exempt from audits by certified public accountants or an audit firm.

* Explanation about the proper use of financial results forecasts and other noteworthy items

The report contains statements about the future such as forecasts for financial results that are based on information available to the Company at the time of disclosure and certain assumptions the Company believes to be reasonable. The Company gives no assurance that these statements will prove to be accurate. Actual results may differ significantly from these forecasts due to various factors. For matters related to the abovementioned forecasts, please refer to "1. Overview of Operating Results and Related Information (4) Business Outlook" on Page 12 of the appendix.

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1. Overview of Operating Results and Related Information

(1) Overview of Operating Results for the Period

During this fiscal year (April 1, 2020 to March 31, 2021), Japan's economy continued to face tough times due to the impacts of the COVID-19 pandemic. Nevertheless, as the country has been gradually increasing social and economic activities, the economy is also showing signs of recovery owing to the effects of various policies and economic recovery overseas. However, we need to closely monitor the pandemic in Japan and overseas, along with the impacts of financial and capital market fluctuations.

Under these circumstances, promoting digital transformation ("DX") has come into the spotlight as a pressing task for companies. In this regard, we believe that the information services industry will have growing needs for changing their business practices and workstyles.

In this climate, the TDC SOFT Group aims to become a next-generation system integrator as stated in its medium-term management plan "Shift to the Smart SI" for the period between April 2019 and March 2022. Our vision is to evolve into a next-generation system integration ("SI") business geared to new trends in digital technology based on the potential needs of the market.

To make this vision a reality, we have two Group-wide core strategies.

One is to "create high-value-added SI services." We tap into the latest elemental technologies to pursue services designed to meet the needs of customers promoting DX for value creation.

The other is to "support SI model reforms." We use innovative approaches to build infrastructure for high-value-added SI services and to develop an SI process designed to ensure high productivity and high quality, thereby differentiating ourselves from competitors.

During this fiscal year, we worked on the initiatives stated in the "Shift to the Smart SI" plan, following the policy of flexibly adapting to changes in external environments and dealing with and making improvements on issues that would arise from the initiatives. Major initiatives are as follows.

a. Initiatives for core strategy "create high-value-added SI services"

In order to expand high-value-added SI services that meet customers' needs of creating value, the Company has proactively engaged in human resource development and business development, considering the technologies that will greatly impact future society and businesses as focus fields. In particular, agile development, information system security, and other businesses, which have been set as our key strategic fields since the fiscal year ended March 31, 2020, have grown steadily, and net sales from these businesses increased to ¥3,362 million, or 112.1% of the planned figure, in the fiscal year ended March 31, 2021, accounting for 12.3% of consolidated net sales.

1) Key strategic field: Agile development business

In order to expand the domestic enterprise agile market, the Company has been promoting initiatives such as joint research between academia and the business community and cooperation with global companies since the previous fiscal year. In this fiscal year, we focused on human resource development and increased the number of agile development engineers to the scale of 190 people (90.2% increase year on year). In addition, we signed a contract with Scaled Agile, Inc. in the United States, which offers large-scale agile framework with the largest global market share SAFe®, in February 2020, to become their gold partner. In this strengthened alliance with Scaled Agile, we offered services for quick management decision-making, consulting services to help with system development, and educational services. These initiatives led net sales of the agile development business to increase steadily, up 54.6% year on year.

2) Key strategic field: Information system security business

In the information system security business, we received orders for and promoted proof of concept (PoC) projects with our capital and business alliance partner LTE-X Inc., which has a competitive advantage in the network security field, towards the development of SI solutions using local 5G, and also utilized the LTE over IP patented technology held by LTE-X Inc. to launch "Tegata," which is a cloud-based secure access service capable of handling an increasing number of users who work remotely. We also strengthened our services,

with the launch of the provision of automated cloud security diagnosis services leveraging global best practices and other initiatives, in response to the security risks entailed in the expanding corporate utilization of public clouds.

b. Initiatives for core strategy “support SI model reforms”

In this fiscal year, we promoted open innovation activities such as business alliances with other companies entered into during the fiscal year ended March 31, 2020, and synergy creation with subsidiaries that we acquired through M&A. More specifically, we promoted cooperation with other companies stated in the aforementioned “create high-value-added SI services” and acquired through M&A Yagi Business Consultant, Inc. that has a competitive advantage in the SAP field where migration demand is high, thereby strengthening customer bases and service provision system in collaboration with our solution business departments.

In order to further improve the quality of our services and to increase the efficiency of quality assurance processes in development projects, we have researched evaluation and analysis methods utilizing data, and implemented other initiatives.

These initiatives have been highly evaluated, and on February 1, 2021, we acquired certification as a “DX-certified operator” based on the Digital Transformation (DX) Certification system stipulated by the Ministry of Economy, Trade and Industry. We are the first company in the information services industry to acquire this certification.

■ Summary of the DX Certification system

The DX Certification system is based on the Act on Partial Revision of the Act on Facilitation of Information Processing effective May 15, 2020. In consideration of the “Guidelines on Operation and Management of Information Processing Systems” formulated by the government, this system certifies business operators with superior initiatives based on their applications. The Ministry of Economy, Trade and Industry certifies the “conditions in which a company is ready to transform its business through digitization (DX-ready condition)” of business operators that are ready to promote DX, having already decided on visions and developed strategies and systems.

c. Initiatives for health and productivity management

The Company considers the health of our employees as one of the important management resources and takes steps toward becoming “a company with a pleasant and rewarding working environment” by proactively supporting the health activities of employees and their family members and by promoting company-wide health activities. Aiming to become a company where various workers play an active role, we also implement activities to promote women’s active participation.

These initiatives have gained recognition, and following certification in fiscal 2018, we have been recognized as a “Health and Productivity Management White 500 Organization” selected by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. We also gained “Gold Certification,” having been selected by the Tokyo Promotion Conference on Health Company Declaration and the Nippon Kenko Kaigi three years in a row.

We promoted these initiatives, but the financial results of this fiscal year were affected by the COVID-19 pandemic, which led to a postponement or temporary suspension of some projects and placed constraints on our in-person sales operations that impacted on our order-taking activity. As a result, net sales amounted to ¥27,292 million, down 1.8% year on year. On the other hand, profitability improved due to steady progress in creating high-value-added businesses as stated in the medium-term management plan. Accordingly, operating profit

amounted to ¥2,358 million, up 6.9% year on year. Ordinary profit amounted to ¥2,564 million, up 13.2% year on year. Profit attributable to owners of parent amounted to ¥1,711 million, up 14.1% year on year.

Status of activities by field

<IT consulting and services>

In the IT consulting and services field, we offer services that include developing IT strategies and information system concepts to facilitate customers' DX, technology consulting, and providing educational services about the latest technologies and development methodologies. We also provide our internally developed cloud application services, along with solution services related to business intelligence (BI)(Note 1)/data warehousing (DWH)(Note 2) and enterprise resource planning (ERP)(Note 3)/customer relationship management (CRM)(Note 4). During this fiscal year, the Group made solid progress in areas related to data analytics infrastructure including BI/DWH and "extract, transform, load (ETL)"(Note 5), as well as in the cloud-based package solution area. As a result, net sales in this field increased 91.0% year on year to ¥2,458 million.

<IT solutions for financial services>

In the field of IT solutions for financial services, we offer integrated IT solutions for the financial sector, including information system concepts, design, development, and maintenance. During this fiscal year, there was a steady stream of system development projects related to loyalty cards, while there was little activity in projects for insurance businesses. As a result, net sales in this field decreased by 15.1% year on year to ¥13,276 million.

<IT solutions for public corporations>

In the field of IT solutions for public corporations, we offer integrated IT solutions for the logistics, manufacturing, and service industries as well as the public sector, including information system concepts, design, development, and maintenance. During this fiscal year, the Group made solid progress on development projects for the manufacturing and transportation sectors. As a result, net sales in this field increased 7.9% year on year to ¥7,945 million.

<Platform solutions>

In the field of platform solutions, we offer services that include configuring and developing IT infrastructure along with helping with its operation, developing network products, and integrating networks. During this fiscal year, the Group made solid progress on projects to build IT infrastructure for insurance businesses and public agencies. As a result, net sales in this field increased 2.8% year on year to ¥3,612 million.

(Millions of yen)

Field	As of March 31, 2020		As of March 31, 2021		Year-on- year percentage change
	Net sales	Share	Net sales	Share	
IT consulting and services	1,287	4.6%	2,458	9.0%	+91.0%
IT solutions for financial services	15,630	56.3%	13,276	48.7%	(15.1%)
IT solutions for public corporations	7,363	26.5%	7,945	29.1%	+7.9%
Platform solutions	3,514	12.6%	3,612	13.2%	+2.8%
Total	27,795	100.0%	27,292	100.0%	(1.8%)

The TDC SOFT Group has been reviewing its business fields since the consolidated cumulative first quarter this year, taking account the future direction of its businesses. When we make a year-over-year comparison, we apply the figure from the same period last year to the updated business field.

- Notes: 1. BI: Business intelligence. A process for analyzing a company's internal information to harness it in business management.
2. DWH: Data warehouse. An integrated database that collects necessary data from multiple systems, including core systems, to sort the data by objective and accumulate it chronologically for data analysis and decision-making.
3. ERP: Enterprise resource planning. A core information system.
4. CRM: Customer relationship management. A customer management system.
5. ETL: Extract, transform, load. A process of extracting and processing data from multiple information sources (e.g., a database and core system) to write the data to a DWH.

(2) Overview of the Financial Status for the Period

Total assets at the end of this fiscal year increased by ¥2,000 million from the end of the previous fiscal year to ¥18,652 million.

Current assets at the end of this fiscal year increased by ¥1,617 million from the end of the previous fiscal year to ¥15,081 million. This is mainly due to an increase of cash and deposits, despite a decrease of notes and accounts receivable – trade.

Non-current assets at the end of this fiscal year increased by ¥382 million from the end of the previous fiscal year to ¥3,570 million. This is mainly due to an increase of investment securities, despite decreases of deferred tax assets and software.

Current liabilities at the end of this fiscal year increased by ¥410 million from the end of the previous fiscal year to ¥4,757 million. This is mainly due to increases of income taxes payable and accrued expenses, despite decreases of accounts payable – trade and accounts payable – other.

Non-current liabilities at the end of this fiscal year increased by ¥34 million from the end of the previous fiscal year to ¥231 million. This is mainly due to increases of provision for share-based remuneration for directors (and other officers) and provision for share-based remuneration for employees.

Net assets at the end of this fiscal year increased by ¥1,555 million from the end of the previous fiscal year to ¥13,663 million. This is mainly due to increases of retained earnings and valuation difference on available-for-sale securities.

(3) Overview of Cash Flow for the Period

The balance of cash and cash equivalents at the end of this fiscal year increased by ¥1,697 million from the end of the previous fiscal year to ¥10,077 million (¥8,379 million in the previous fiscal year).

Cash flow conditions and their factors are as stated below:

(Cash flows from operating activities)

While income taxes paid was ¥589 million, profit before income taxes was ¥2,564 million. As a result, cash flows from operating activities amounted to ¥2,273 million (¥1,299 million in the previous fiscal year).

(Cash flows from investing activities)

While purchase of investment securities was ¥106 million, proceeds of dividend distribution from partnerships was ¥89 million and interest and dividend income received was ¥58 million. As a result, cash flows from investing activities amounted to ¥17 million (negative ¥218 million in the previous fiscal year).

(Cash flows from financing activities)

With dividend payment of ¥587 million, cash flows from financing activities amounted to negative ¥594 million (negative ¥518 million in the previous fiscal year).

Reference: Trends in cash flow related indices

	As of March 31, 2017	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of March 31, 2021
Equity ratio	67.6%	69.9%	70.1%	72.7%	73.3%
Equity ratio based on market value	120.3%	114.0%	129.1%	115.0%	131.7%
Ratio of interest-bearing liabilities to cash flow	0.4 year	0.2 year	0.3 year	0.3 year	0.2 year
Interest coverage ratio	298.9	461.0	505.2	391.9	684.2

Notes: Equity ratio: Owners' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Ratio of interest-bearing liabilities to cash flow: Interest-bearing liabilities / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest payment

* Calculated from consolidated financial figures.

* Market capitalization is calculated by multiplying the closing stock price at the fiscal year end by outstanding stock issued at the fiscal year end (after subtracting treasury shares).

* Interest-bearing liabilities refer to all liabilities that bear interest out of those listed in the consolidated balance sheet. The interest payment is from the interest expenses amount in the consolidated statement of cash flows.

* The Company has applied ASBJ Statement No.28 "Partial Amendments to Accounting Standard for Tax Effect Accounting" issued on February 16, 2018, from the beginning of the fiscal year ended March 31, 2019. Furthermore, the Company has applied the statement retroactively to the primary management indices for the periods ended March 31, 2017 and March 31, 2018.

(4) Business Outlook

As the level of social and economic activities is gradually increased while measures are being taken to prevent the further spread of COVID-19, Japan's economy is expected to remain uncertain for a while as it is necessary to carefully monitor the impact of the infectious disease on domestic and overseas economies.

While showing a robust trend in general, with this crisis as a turning point, the information services industry has growing needs to change business practices and workstyles through DX, including automation of business processes that utilizes telecommuting, artificial intelligence (AI), and robotic process automation (RPA).

In order to evolve into a next-generation SI business geared to the potential needs of customers based on the "next-generation system integrator" vision of its medium-term management plan starting from April 2019 and continuing to March 2022, the Group pursues creating high-value-added SI services and also develops new business processes without adhering to conventional customs and frameworks, thereby intending to strive to enhance net sales and profits continuously. In the fiscal year ending March 31, 2022, we will keep following our policy specified in this medium-term management plan and consistently take various measures.

We announced revisions to forecasts in the "Notice Regarding Revisions to Medium-term Management Plan" on February 24, 2021; however, initiatives of creating high-value-added businesses such as our key strategy of a next-generation SI business progressed further than expected. As a result, we have revised the ordinary profit forecast, increased by ¥60 million, to ¥2,510 million in the financial results forecasts for the full year ending March 31, 2022.

	Net sales	Operating profit
Medium-term management plan: Initial forecast (A)	(Millions of yen) 30,000	(Millions of yen) 2,700
Medium-term management plan: Revised forecast (B) (Announced on February 24, 2021)	28,500	2,450
As of March 31, 2022: Full-year financial results forecast (C)	28,500	2,510
Changes (C-B)	0	+60
Percentage change	0.0%	+2.4%

(5) Business and Other Risks Related to the Impact of COVID-19

a. Risk of infection among employees, and business continuity

The Group has sifted in principle to working from home and promoted staggered working hours for employees who are required to come to the office, to prevent the spread of COVID-19 infection, and to ensure both health and safety of our employees, and business continuity. However, if any development project member, customer, or employee of a partner company is infected with COVID-19, and the infection spreads due to contact or other reasons, related development projects may be suspended for a certain period of time, with the possibility of work at a customer's workplace being suspended. If such a situation continues, there is a risk of decline in our business performance.

b. Impact of business environment changes and price competition in the information services industry

In the information services industry, business demand is expanding along with the rise in demand for IT, such as the introduction of national IT strategies and strategic information systems for corporate survival, as well as increases in the number of users due to the spread of mobile and broadband services. However, if the Japanese economy remains stagnant or worsens, customers' investment in the information technology could decrease, which could affect the Group's business performance.

c. Cooperation with alliance partners

The Group has established cooperative relationship with various partners, including vendors and subcontractors, with respect to business operations. If there are any changes in the relationships with these partners, triggered by the COVID-19 health issue, the Group's business results could be affected by difficulties in providing services or providing services at a reasonable price.

2. Basic View on the Choice of Accounting Standards

Since the Group operates mainly in Japan and the ratio of foreign shareholders is low, we have decided to adopt the Japanese accounting standards for the time being. Going forward, we plan to consider the application of IFRS (International Financial Reporting Standards), taking into account overseas business development and changes in the ratio of foreign shareholders.

3. Consolidated Financial Statements and Primary Notes**(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	Fiscal 2019 (As of March 31, 2020)	Fiscal 2020 (As of March 31, 2021)
Assets		
Current assets:		
Cash and deposits	8,379,818	10,077,199
Notes and accounts receivable – trade	4,810,858	4,717,813
Work in process	81,204	108,616
Other	192,016	178,097
Total current assets	13,463,898	15,081,727
Non-current assets:		
Property, plant and equipment		
Buildings	114,506	112,929
Tools, furniture and fixtures	39,764	36,560
Leased assets	2,640	9,735
Total property, plant and equipment	156,911	159,225
Intangible fixed assets		
Software	99,248	48,486
Telephone subscription rights	4,247	4,247
Total intangible fixed assets	103,495	52,733
Investments and other assets:		
Investment securities	1,826,407	2,391,518
Shares of subsidiaries and associates	300,000	300,000
Deferred tax assets	333,146	196,122
Guarantee deposits	421,057	427,745
Other	47,323	43,607
Total investments and other assets	2,927,935	3,358,995
Total non-current assets	3,188,342	3,570,954
Total assets	16,652,240	18,652,681

(Thousands of yen)

	Fiscal 2019 (As of March 31, 2020)	Fiscal 2020 (As of March 31, 2021)
Liabilities		
Current liabilities:		
Accounts payable – trade	1,086,674	1,003,764
Short-term borrowings	430,000	430,000
Accounts payable – other	208,250	145,811
Accrued expenses	1,674,745	1,827,566
Income taxes payable	342,144	656,489
Accrued consumption taxes	379,063	449,677
Provision for bonuses for directors (and other officers)	106,200	115,900
Other	120,164	128,104
Total current liabilities	4,347,242	4,757,312
Non-current liabilities:		
Provision for share-based remuneration for employees	44,338	56,988
Provision for share-based remuneration for directors (and other officers)	50,600	68,816
Asset retirement obligations	63,522	64,254
Other	38,819	41,699
Total non-current liabilities	197,280	231,757
Total liabilities	4,544,522	4,989,070
Net assets		
Shareholders' equity:		
Share capital	970,400	970,400
Capital surplus	986,228	986,256
Retained earnings	9,938,020	11,062,053
Treasury shares	(383,662)	(383,744)
Total shareholders' equity	11,510,985	12,634,965
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	596,732	1,028,645
Total accumulated other comprehensive income	596,732	1,028,645
Total net assets	12,107,718	13,663,611
Total liabilities and net assets	16,652,240	18,652,681

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**Consolidated Statement of Income**

(Thousands of yen)

	Fiscal 2019 (From April 1, 2019 to March 31, 2020)	Fiscal 2020 (From April 1, 2020 to March 31, 2021)
Net sales	27,795,304	27,292,772
Cost of sales	22,518,021	21,894,707
Gross profit	5,277,283	5,398,065
Selling, general and administrative expenses	3,070,295	3,039,505
Operating profit	2,206,987	2,358,559
Non-operating income:		
Interest income	185	221
Dividend income	51,077	58,753
Subsidy income	—	188,730
Gain on investments in partnerships	505	25,527
Gain on sales of investment securities	—	5,250
Other	10,941	10,649
Total non-operating income	62,710	289,131
Non-operating expenses:		
Interest expenses	3,292	3,298
Loss on valuation of investment securities	—	79,999
Other	847	152
Total non-operating expenses	4,139	83,450
Ordinary profit	2,265,557	2,564,240
Profit before income taxes	2,265,557	2,564,240
Income taxes – current	676,736	890,597
Income taxes – deferred	87,924	(38,143)
Income taxes	764,661	852,453
Profit	1,500,896	1,711,786
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,500,896	1,711,786

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal 2019 (From April 1, 2019 to March 31, 2020)	Fiscal 2020 (From April 1, 2020 to March 31, 2021)
Profit	1,500,896	1,711,786
Other comprehensive income:		
Valuation difference on available-for-sale securities	(329,873)	431,913
Total other comprehensive income	(329,873)	431,913
Comprehensive income	1,171,022	2,143,700
attributable to:		
Comprehensive income attributable to owners of parent	1,171,022	2,143,700
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Net Assets

Previous fiscal year (from April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at the beginning of the period	970,400	986,228	8,970,723	(387,680)	10,539,671	926,606	926,606	11,466,277
Changes of items during the period								
Dividends of surplus			(538,774)		(538,774)			(538,774)
Profit attributable to owners of parent			1,500,896		1,500,896			1,500,896
Purchase of treasury shares				(30)	(30)			(30)
Disposal of treasury shares				4,048	4,048			4,048
Increase by corporate division			5,175		5,175			5,175
Net changes of items other than shareholders' equity					—	(329,873)	(329,873)	(329,873)
Total changes of items during the period	—	—	967,297	4,017	971,314	(329,873)	(329,873)	641,441
Balance at the end of the period	970,400	986,228	9,938,020	(383,662)	11,510,985	596,732	596,732	12,107,718

Fiscal 2020 (from April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at the beginning of the period	970,400	986,228	9,938,020	(383,662)	11,510,985	596,732	596,732	12,107,718
Changes of items during the period								
Dividends of surplus			(587,753)		(587,753)			(587,753)
Profit attributable to owners of parent			1,711,786		1,711,786			1,711,786
Purchase of treasury shares				(90)	(90)			(90)
Disposal of treasury shares		27		8	36			36
Increase by corporate division					—			—
Net changes of items other than shareholders' equity					—	431,913	431,913	431,913
Total changes of items during the period	—	27	1,124,033	(81)	1,123,979	431,913	431,913	1,555,892
Balance at the end of the period	970,400	986,256	11,062,053	(383,744)	12,634,965	1,028,645	1,028,645	13,663,611

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	Fiscal 2019 (From April 1, 2019 to March 31, 2020)	Fiscal 2020 (From April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	2,265,557	2,564,240
Depreciation and amortization	88,659	86,879
Increase (decrease) in provision for bonuses for directors (and other officers)	(19,500)	9,700
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	18,911	18,216
Increase (decrease) in provision for share-based remuneration for employees	15,749	12,649
Increase (decrease) in provision for loss on orders received	(22,874)	—
Interest and dividend income	(51,263)	(58,974)
Interest expenses	3,292	3,298
Loss (gain) on valuation of investment securities	—	79,999
Loss (gain) on investments in partnerships	(505)	(25,527)
Decrease (increase) in notes and accounts receivable – trade	138,312	93,045
Decrease (increase) in inventories	(14,662)	(27,411)
Increase (decrease) in notes and accounts payable – trade	39,961	(82,910)
Increase (decrease) in accounts payable – other	(119,263)	(66,234)
Increase (decrease) in accrued expenses	(271,724)	152,820
Increase (decrease) in accrued consumption taxes	118,823	71,603
Other	(32,991)	31,333
Subtotal	2,156,483	2,862,728
Income taxes paid	(856,847)	(589,145)
Cash flows from operating activities	1,299,635	2,273,583
Cash flows from investing activities		
Payments into time deposits	(1200)	—
Proceeds from withdrawal of time deposits	31,389	—
Purchase of property, plant and equipment	(63,824)	(26,749)
Purchase of intangible fixed assets	(164)	(1,782)
Purchase of investment securities	(116,689)	(106,613)
Purchase of shares of subsidiaries and associates	(300,000)	—
Proceeds of dividend distribution from partnerships	31,419	89,610
Payments of loans receivable from employees	(7,130)	(4,500)
Collection of loans receivable from employees	5,287	5,973
Payments for guarantee deposits	—	(6,688)
Interest and dividend income received	51,263	58,974
Proceeds from transfer of business	142,953	—
Other	8,404	9,750
Cash flows from investing activities	(218,290)	17,974
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	26,000	—
Interest expenses	(3,315)	(3,323)
Dividend payment	(538,774)	(587,753)
Repayments of lease obligations	(2,138)	(3,045)
Other	(30)	(53)
Cash flows from financing activities	(518,259)	(594,176)
Net increase (decrease) in cash and cash equivalents	563,085	1,697,381
Balance of cash and cash equivalents at the beginning of the period	7,816,732	8,379,818

	(Thousands of yen)	
	Fiscal 2019 (From April 1, 2019 to March 31, 2020)	Fiscal 2020 (From April 1, 2020 to March 31, 2021)
Balance of cash and cash equivalents at the end of the period	8,379,818	10,077,199

(5) Notes on Consolidated Financial Statements**(Notes on Going Concern Assumption)**

Not applicable.

(Supplemental Information)

(Transaction in which the Company's shares are delivered to its employees, etc., through a trust)

1. Board Benefit Trust (BBT) for directors

The Company has introduced a share-based compensation plan (the "Compensation Plan") to directors of the Company pursuant to the resolution of the 64th ordinary general meeting of shareholders held on June 29, 2017.

(1) Transaction outline

In accordance with "the provision of share benefits for directors (and other officers) of the Company" set at the introduction of the Compensation Plan, points are granted to directors (and other officers) of the Company and the Company's shares equivalent to the points will be granted to them at the time of their resignation.

In order to preemptively acquire the shares to be granted in the future, the Company placed money in trust for the Board Benefit Trust (BBT) with Custody Bank of Japan, Ltd. (Trust Account E), and the Trust Bank acquired the Company's shares with the money held in trust.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury shares in net assets at their book value (excluding the amount of incidental expenses). The book value and number of shares of treasury shares were ¥122.452 million and 193,600 shares in the current fiscal year.

(3) Book value of loans calculated from the total market value

Not applicable.

2. Japanese version of the Employee Stock Ownership Plan (J-ESOP)

The Company has introduced an incentive plan (the "Incentive Plan") to provide employees with benefits in the form of shares of the Company, pursuant to a resolution of the Board of Directors on August 8, 2017.

(1) Transaction outline

In accordance with "the provision of share benefits for superior employees" set at the introduction of the Incentive Plan, the Company's shares will be granted to employees who meet certain requirements.

In order to preemptively acquire the shares to be granted in the future, the Company placed money in trust for the Employee Stock Ownership Plan (J-ESOP) with Custody Bank of Japan, Ltd. (Trust Account E), and the Trust Bank acquired the Company's shares with the money held in trust.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury shares in net assets at their book value in the trust (excluding the amount of incidental expenses). The book value and number of shares of treasury shares were ¥124.982 million and 197,600 shares in the current fiscal year.

(3) Book value of loans calculated from the total market value

Not applicable.

(Segment Information and Related Matters)

Segment Information

As the Group has only one segment, the System Development segment, segment information and related matters are omitted in this consolidated financial report.

Related Information

Previous fiscal year (from April 1, 2019 to March 31, 2020)

1. Information by product and service

As net sales of one segment/service to external customers exceeds 90% of net sales in the consolidated statement of income, information by product and service is omitted in this consolidated financial report.

2. Information by region

(1) Net sales

As net sales to external customers in Japan exceeds 90% of net sales in the consolidated statement of income, information on net sales by region is omitted in this consolidated financial report.

(2) Property, plant and equipment

As the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet, information on property, plant and equipment by region is omitted in this consolidated financial report.

3. Key customer information

(Thousands of yen)

Customer name	Net sales	Related segment
NTT DATA Corporation	5,366,462	System development
IBM Japan, Ltd.	2,845,096	System development

Current fiscal year (from April 1, 2020 to March 31, 2021)

1. Information by product and service

As net sales of one segment/service to external customers exceeds 90% of net sales in the consolidated statement of income, information by product and service is omitted in this consolidated financial report.

2. Information by region

(1) Net sales

As net sales to external customers in Japan exceeds 90% of net sales in the consolidated statement of income, information on net sales by region is omitted in this consolidated financial report.

(2) Property, plant and equipment

As the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet, information on property, plant and equipment by region is omitted in this consolidated financial report.

3. Key customer information

(Thousands of yen)

Customer name	Net sales	Related segment
NTT DATA Corporation	5,769,801	System development

(Per Share Information)

(Yen)

	Fiscal 2019 (from April 1, 2019 to March 31, 2020)	Fiscal 2020 (from April 1, 2020 to March 31, 2021)
Book value per share	502.43	566.99
Earnings per share	62.29	71.03

Notes: 1. Diluted earnings per share is not listed as there are no dilutive shares.

2. Calculation of earnings per share is based on the following information:

	Fiscal 2019 (from April 1, 2019 to March 31, 2020)	Fiscal 2020 (from April 1, 2020 to March 31, 2021)
Profit attributable to owners of parent (thousands of yen)	1,500,896	1,711,786
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent on common shares (thousands of yen)	1,500,896	1,711,786
Average number of common shares during the period (shares)	24,096,537	24,098,522

3. Calculation of book value per share is based on the following information:

	Fiscal 2019 (as of March 31, 2020) Fiscal 2020 (as of March 31, 2021)	
Total net assets (thousands of yen)	12,107,718	13,663,611
Amount to be deducted from total net assets (thousands of yen)	—	—
Net assets of common shares at the end of the period (thousands of yen)	12,107,718	13,663,611
Number of common shares used for calculating book value per share at the end of the period (shares)	24,098,529	24,098,489

4. The Company's shares remaining in the trust, which are reported as treasury shares in shareholders' equity, are included in treasury shares to be deducted from the total number of shares outstanding at the end of the fiscal year for the purpose of calculating book value per share, and are included in treasury shares to be deducted for the purpose of calculating net earnings per share for the fiscal year for the average number of shares outstanding. The average number of shares of treasury shares, which are deducted for the purpose of calculating book value per share, were 391,200 shares in the previous fiscal year and 391,200 shares in the current fiscal year, and the average number of shares of treasury shares during the fiscal year, which are deducted for the purpose of calculating earnings per share, was 393,211 shares in the previous fiscal year and 391,200 shares in the current fiscal year.

(Significant Subsequent Events)

No applicable events.