

## Consolidated Financial Report for Fiscal 2021 Ended March 31, 2022 [Japanese GAAP]

May 12, 2022

Listed exchange: 1st Section, Tokyo Stock Exchange  
 Company name: **TDC SOFT Inc.**  
 Code number: 4687  
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 Scheduled date of the ordinary general meeting of shareholders: June 29, 2022  
 Scheduled date of dividend payment: June 30, 2022  
 Scheduled date of filing securities report: June 29, 2022  
 Preparation of explanatory materials for annual financial results: Yes  
 Holding of a briefing on annual financial results: Yes (for analysts and institutional investors)

(Amounts are rounded to the nearest million yen)

### 1. Consolidated Financial Results for Fiscal 2021 Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Consolidated operating results (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)	%
Fiscal year ended March 31, 2022	30,925	13.3	2,967	25.8	3,082	20.2	2,069	20.9
Fiscal year ended March 31, 2021	27,292	(1.8)	2,358	6.9	2,564	13.2	1,711	14.1

Note: Comprehensive income

Fiscal year ended March 31, 2022 ¥2,157 million [0.6%]  
 Fiscal year ended March 31, 2021 ¥2,143 million [83.1%]

	Basic earnings per share		Diluted earnings per share		Return on equity	Return on assets	Operating profit margin
	Yen	Sen	Yen	Sen	%	%	%
Fiscal year ended March 31, 2022	85.82	—	—	—	14.3	15.5	9.6
Fiscal year ended March 31, 2021	71.03	—	—	—	13.3	14.5	8.6

Reference: Equity gains/(Losses) of Affiliates

Fiscal year ended March 31, 2022 ¥— million  
 Fiscal year ended March 31, 2021 ¥— million

(2) Consolidated financial position

	Total assets		Net assets		Owners' equity ratio	Net assets per share	
	(Millions of yen)		(Millions of yen)		%	Yen	Sen
Fiscal year ended March 31, 2022	21,072		15,255		72.4	632.64	
Fiscal year ended March 31, 2021	18,652		13,663		73.3	566.99	

Reference: Owners' equity

As of March 31, 2022 ¥15,255 million  
 As of March 31, 2021 ¥13,663 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at the end of the period
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal year ended March 31, 2022	2,174	(2)	(547)	11,702
Fiscal year ended March 31, 2021	2,273	17	(594)	10,077

## 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			
Fiscal year ended March 31, 2021	Yen Sen —	Yen Sen 0.00	Yen Sen —	Yen Sen 24.00	Yen Sen 24.00	(Millions of yen) 587	% 33.8	% 4.5
Fiscal year ended March 31, 2022	—	0.00	—	30.00	30.00	734	34.9	5.0
Fiscal year ending March 31, 2023 (forecast)	—	15.00	—	30.00	45.00		51.7	

Note: Breakdown of the end of second quarter dividend for fiscal year ending March 31, 2023 (forecast): Commemorative dividend 15.00 (commemorative dividend for the 60th anniversary of the Company's founding)

## 3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(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		Basic earnings per share	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen	Sen
Second quarter (cumulative)	15,600	6.4	1,340	(15.6)	1,365	(17.1)	915	(18.1)	37.95	
Full year	33,000	6.7	3,065	3.3	3,135	1.7	2,100	1.5	87.10	

\* Notes

(1) Changes in significant subsidiaries during the period :

None (Changes in specified subsidiaries resulting in 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 accounting standards, etc. : Yes  
 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)

b. Number of treasury shares at the end of period

c. Average number of shares during the period

As of December 31, 2021	25,113,600	As of March 31, 2021	25,113,600
As of December 31, 2021	1,000,159	As of March 31, 2021	1,015,111
As of December 31, 2021	24,108,903	As of December 31, 2020	24,098,532

Note: The number of treasury shares at the end of period includes the Company's shares (376,200 shares as of March 31, 2022 and 391,200 shares as of March 31, 2021) 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, 2022: 380,762 shares; as of March 31, 2021: 391,200 shares)

Reference: Summary of Individual Financial Results

**1. Individual Financial Results for Fiscal 2021 Ended March 31, 2022 (April 1, 2021 to March 31, 2022)**

(1) Individual operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Fiscal year ended March 31, 2022	29,248	13.3	2,797	26.6	2,905	21.6	1,953	23.3
Fiscal year ended March 31, 2021	25,825	(2.1)	2,210	5.3	2,388	10.7	1,584	11.5

	Basic earnings per share		Diluted earnings per share	
	Yen	Sen	Yen	Sen
Fiscal year ended March 31, 2022	81.03	—	—	—
Fiscal year ended March 31, 2021	65.74	—	—	—

(2) Individual financial position

	Total assets	Net assets	Owners' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	Yen Sen
Fiscal year ended March 31, 2022	20,126	14,590	72.5	581.00
Fiscal year ended March 31, 2021	17,887	13,114	73.3	544.22

Reference: Owners' equity

As of March 31, 2022: ¥14,590 million  
 As of March 31, 2021: ¥13,114 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 7 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, 2021 to March 31, 2022), Japan's economy continued showing signs of recovery as the tough times caused by the impacts of the COVID-19 pandemic have eased, but a sense of uncertainty remains due to the situation in Ukraine among other factors warranting caution toward downside risks.

In the information services industry, while the demand for developing and enhancing the telecommuting environment since last year has come full circle, corporate ICT investment, which had been continually suppressed, has resumed, and demand related in particular to digital transformation ("DX") for strengthening businesses and promoting transformation has been increasing.

In this climate, the TDC SOFT Group is aiming 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 toward new trends in digital technology based on the potential needs of the market.

To make the vision from our medium-term management plan 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, and promote initiatives to differentiate ourselves from competitors.

In February 2021, we made a downward revision to the performance targets in our medium-term management plan for both net sales and profit due to project postponements and other impacts of the COVID-19 pandemic. However, we see demand for next-generation SI to be increasing, including for DX-related services that promote the enhancement and transformation of our customers' businesses, and to that end we did not change the core strategies for the period set forth in the medium-term management plan "Shift to the Smart SI." Instead, we pursued a policy of promoting initiatives based on the plan, responding to external changes in the business environment with flexibility while working to definitively address and remedy issues that arose throughout the course the plan. 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. Net sales from these businesses achieved the ¥5,000 million target set out in our original medium-term management plan, increasing to ¥5,390 million, or 60.3% year on year, in the fiscal year ended March 31, 2022 and accounted for 17.4% of consolidated net sales, up 5.1 percentage points from the previous year.

##### 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 the agile development business, during the period under review, we have offered services for quick management decision-making, consulting services to help with system development, and educational services using the Scaled Agile Framework® ("SAFe®") based on a strengthened alliance with the U.S. company Scaled Agile, Inc. under a gold partner contract. In addition, we have entered into a business partnership agreement with Ricksoft Co., Ltd. to promote the development of services following best practices for business transformation using SAFe®. These initiatives led net sales of the agile development business to increase steadily, up 21.2% year on year.

##### 2) Key strategic field: Information system security business

In the information system security business, we are working to expand our high-value-added SI services through the promotion of SI solutions using local 5G in collaboration with closip (company name changed from LTE-X Inc.), a capital and business tie-up partner with competitive strengths in the field of network

security, the formation of an alliance agreement with Internet Research Institute, Inc. in the field of cyber security, the expansion of security diagnostic services, and other efforts.

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

During the fiscal year under review, we promoted activities for open innovation with our alliance partners and subsidiaries. More specifically, we promoted cooperation with our alliance partners in the agile development and information system security businesses stated in the aforementioned “create high-value-added SI services,” strengthened our customer bases and service provision system through collaboration between our solution business departments and Yell Business Consulting, Inc.(company name changed from Yagi Business Consultant, Inc.), which we acquired through M&A during the fiscal year ended March 31, 2020 and that has a competitive advantage in the SAP field where migration demand is high, and made other efforts.

In order to further improve the quality of our services and to increase the efficiency of quality assurance processes in development projects, we have introduced project performance evaluations and implemented measures to streamline the SI business by utilizing advanced technologies among other initiatives.

c. Thorough implementation of COVID-19 countermeasures

While tough times have continued since the COVID-19 pandemic broke out during the previous fiscal year, the impact on our businesses has been limited as we worked to ensure smooth business continuity by implementing thorough COVID-19 countermeasures, proactively making use of remote work, and other measures, and project postponements have collectively turned around since the beginning of the fiscal year as the dip in customer appetite for IT investment has begun to ease.

d. Proactive forward-looking investment

In light of the robust business conditions since the beginning of the fiscal year under review, we have been proactively engaged in investing activities aimed at further business expansion moving forward. Specifically, we have invested in corporate branding to secure human resources and improve employee engagement, as well as in acquiring elemental technologies related to UX (Note 1), containers (Note 2), and data analytics platforms (Note 3) in addition to the key strategic fields listed above.

As a result of these initiatives, the Group achieved the initial business performance targets set in its medium-term management plan of ¥30,000 million in net sales and ¥2,700 million in operating profit for the fiscal year. Net sales amounted to ¥30,925 million, up 13.3% year on year; operating profit amounted to ¥2,967 million, up 25.8% year on year; ordinary profit amounted to ¥3,082 million, up 20.2% year on year; and profit attributable to owners of parent amounted to ¥2,069 million, up 20.9% year on year.

Notes: 1. UX: User experience. The experience a user has through the use of a system or service.

2 Container: A type of technology used to create virtual runtime environments for applications and an important elemental technology in utilizing cloud-native applications, a recent subject of attention.

3 Data analytics platform: A technical platform that systematically conducts a series of operations to collect, store, process, and analyze data.

**Status of activities by field**

## &lt;IT consulting and services&gt;

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, such as business intelligence (BI)(Note 4)/data warehousing (DWH)(Note 5) and enterprise resource planning (ERP)(Note 6)/customer relationship management (CRM)(Note 7). During this fiscal year, the Group made solid progress on projects related to IT service management and cloud managed services. As a result, net sales in this field increased 57.7% year on year to ¥3,877 million.

## &lt;IT solutions for financial services&gt;

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, the Group made solid progress on development projects for credit-related systems and other projects. As a result, net sales in this field increased 8.4% year on year to ¥14,393 million.

## &lt;IT solutions for public corporations&gt;

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 transportation and telecommunications sectors and other projects. As a result, net sales in this field increased 10.7% year on year to ¥8,795 million.

## &lt;Platform solutions&gt;

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 cloud-related infrastructure. As a result, net sales in this field increased 6.8% year on year to ¥3,858 million.

(Millions of yen)

Field	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022		Year- on-year percent age change
	Consolidated cumulative period		Consolidated cumulative period		
	Net sales	Share	Net sales	Share	
IT consulting and services	2,458	9.0%	3,877	12.5%	+57.7%
IT solutions for financial services	13,276	48.7%	14,393	46.6%	+8.4%
IT solutions for public corporations	7,945	29.1%	8,795	28.4%	+10.7%
Platform solutions	3,612	13.2%	3,858	12.5%	+6.8%
Total	27,292	100.0%	30,925	100.0%	+13.3%

Notes: 4. BI: Business intelligence. A process for analyzing a company's internal information to harness it in business management.

5. 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.

6. ERP: Enterprise resource planning. A core information system.

7. CRM: Customer relationship management. A customer management system.

(2) Overview of the Financial Status for the Period

Total assets at the end of this fiscal year increased by ¥2,419 million from the end of the previous fiscal year to ¥21,072 million.

Current assets at the end of this fiscal year increased by ¥2,286 million from the end of the previous fiscal year to ¥17,368 million. This is mainly due to an increase of cash and deposits as well as notes and accounts receivable - trade, and contract assets.

Non-current assets at the end of this fiscal year increased by ¥133 million from the end of the previous fiscal year to ¥3,704 million. This is mainly due to an increase of investment securities, despite a decrease of software, etc. Current liabilities at the end of this fiscal year increased by ¥783 million from the end of the previous fiscal year to ¥5,540 million. This is mainly due to increases of accounts payable – trade, accounts payable – other, and accrued expenses.

Non-current liabilities at the end of this fiscal year increased by ¥45 million from the end of the previous fiscal year to ¥276 million. This is mainly due to increases of other non-current liabilities.

Net assets at the end of this fiscal year increased by ¥1,591 million from the end of the previous fiscal year to ¥15,255 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 ¥1,625 million from the end of the previous fiscal year to ¥11,702 million (¥10,077 million in the previous fiscal year).

Cash flow conditions and their factors are as stated below:

## (Cash flows from operating activities)

While an increase in notes and accounts receivable – trade was ¥669 million and income taxes paid was ¥1,034 million, profit before income taxes was ¥3,082 million. As a result, cash flows from operating activities amounted to ¥2,174 million (¥2,273 million in the previous fiscal year).

## (Cash flows from investing activities)

While interest and dividend income received was ¥63 million, purchase of property, plant and equipment totaled ¥59 million. As a result, cash flows from investing activities amounted to negative ¥2 million (¥17 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 ¥547 million (negative ¥594 million in the previous fiscal year).

## Reference: Trends in cash flow related indices

	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of March 31, 2021	As of March 31, 2022
Owners' equity ratio	69.9%	70.1%	72.7%	73.3%	72.4%
Equity ratio based on market value	114.0%	129.1%	115.0%	131.7%	133.7%
Ratio of interest-bearing liabilities to cash flow	0.2 year	0.3 year	0.3 year	0.2 year	0.2 year
Interest coverage ratio	461.0	505.2	391.9	684.2	620.8

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 period ended March 31, 2018.

**(4) Business Outlook**

Japan's economy is expected to recover moving forward as the tough times caused by the impacts of the COVID-19 pandemic ease and socio-economic activity begins to normalize. However, uncertainty is expected to continue for the foreseeable future due to the situation in Ukraine among other factors.

As the information services industry demonstrates robust overall growth, IT needs related to business transformation and work reforms through DX are expanding while at the same time growing more diverse and complex.

The TDC SOFT Group is aiming to become a next-generation system integrator as stated in its new medium-term management plan "Shift to the Smart SI Plus" which will begin in fiscal 2022. Our vision is to contribute to the realization of a smarter society by providing high-value-added IT services based on the potential IT needs of the market as well as society.

To that end, we will strive to "expand our business domain" by adhering to the core strategies of "create high-value-added SI services" and "support SI model reforms" we have been pursuing since the previous medium-term management plan.

Specifically, we plan to expand our business domain and work to increase net sales and profit by strengthening efforts in our sales business, which sells products, services, etc. that meet a diverse array of customers' IT needs, in our consulting business, which supports customers in formulating strategies for their digital transformation, in providing managed services that integrate all aspects of IT solutions, from development through to operation and maintenance, etc.

The Company will welcome in its 60th anniversary this year on October 16.

As an expression of gratitude toward our shareholders for their continued support, we plan to pay out a commemorative dividend of ¥15 per share as an interim dividend during the upcoming fiscal year.

As a result, annual dividends per share will come to ¥45, consisting of ordinary dividends of ¥30 yen plus the commemorative dividend of ¥15.

In this milestone year, the Company will continue to strive toward realizing a smart society.

**(5) Business and Other Risks Related to the Impact of COVID-19****a. Risk of infection among employees, and business continuity**

The Group has shifted 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 due to suspension of work, etc. If such a situation continues, there is a risk of decline in our business performance.

**b. Impact of business environment changes, price competition, etc. 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 information technology could decrease, which could affect the Group's business performance, etc.

**c. Cooperation with alliance partners**

The Group has established cooperative relationships 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 COVID-19-related issues, the Group's business results, etc. could be affected by difficulties in providing services or providing services at a reasonable price and other factors.

(6) Sustainability Initiatives

Sustainability management, in which each and every manager and employee considers what action they should take, reforms their behavior, and transforms the business itself, is important for the sustainable development of the Group moving forward. By focusing on addressing identified material ESG-related challenges with consideration given to the SDGs, social issues, etc., the Group aims to achieve a smart society alongside sustainable growth for the Company.

The Group is committed to supporting customer prosperity through the latest information technology and growing alongside society while placing value on employee fulfilment.

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**

Assets		
Current assets:		
Cash and deposits	10,077,199	11,702,407
Notes and accounts receivable - trade	4,717,813	—
Notes and accounts receivable - trade, and contract assets	—	5,387,536
Work in process	108,616	33,265
Other	178,097	245,124
Total current assets	15,081,727	17,368,333
Non-current assets:		
Property, plant and equipment		
Buildings	112,929	115,944
Tools, furniture and fixtures	36,560	60,376
Leased assets	9,735	12,063
Total property, plant and equipment	159,225	188,384
Intangible fixed assets		
Software	48,486	6,695
Telephone subscription rights	4,247	4,247
Total intangible fixed assets	52,733	10,942
Investments and other assets:		
Investment securities	2,391,518	2,535,603
Shares of subsidiaries and associates	300,000	300,000
Deferred tax assets	196,122	183,471
Guarantee deposits	427,745	445,227
Other	43,607	40,375
Total investments and other assets	3,358,995	3,504,677
Total non-current assets	3,570,954	3,704,005
Total assets	18,652,681	21,072,338

(Thousands of yen)

	Fiscal 2020 (as of March 31, 2021)	Fiscal 2021 (as of March 31, 2022)
<b>Liabilities</b>		
Current liabilities:		
Accounts payable – trade	1,003,764	1,258,623
Short-term borrowings	430,000	479,000
Accounts payable – other	145,811	514,839
Accrued expenses	1,827,566	1,921,178
Income taxes payable	656,489	675,440
Accrued consumption taxes	449,677	404,654
Provision for bonuses for directors (and other officers)	115,900	137,240
Other	128,104	149,487
<b>Total current liabilities</b>	<b>4,757,312</b>	<b>5,540,463</b>
Non-current liabilities:		
Provision for share-based remuneration for employees	56,988	68,246
Provision for share-based remuneration for directors (and other officers)	68,816	76,406
Asset retirement obligations	64,254	68,961
Other	41,699	63,190
<b>Total non-current liabilities</b>	<b>231,757</b>	<b>276,805</b>
<b>Total liabilities</b>	<b>4,989,070</b>	<b>5,817,268</b>
<b>Net assets</b>		
Shareholders' equity:		
Share capital	970,400	970,400
Capital surplus	986,256	986,256
Retained earnings	11,062,053	12,555,835
Treasury shares	(383,744)	(374,322)
<b>Total shareholders' equity</b>	<b>12,634,965</b>	<b>14,138,168</b>
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,028,645	1,116,901
<b>Total accumulated other comprehensive income</b>	<b>1,028,645</b>	<b>1,116,901</b>
<b>Total net assets</b>	<b>13,663,611</b>	<b>15,255,069</b>
<b>Total liabilities and net assets</b>	<b>18,652,681</b>	<b>21,072,338</b>

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

(Thousands of yen)

	Fiscal 2020 (from April 1, 2020 to March 31, 2021)	Fiscal 2021 (from April 1, 2021 to March 31, 2022)
Net sales	27,292,772	30,925,122
Cost of sales	21,894,707	24,501,309
Gross profit	5,398,065	6,423,812
Selling, general and administrative expenses	3,039,505	3,456,710
Operating profit	2,358,559	2,967,102
Non-operating income:		
Interest income	221	181
Dividend income	58,753	63,644
Subsidy income	188,730	18,216
Gain on investments in partnerships	25,527	17,064
Gain on sales of investment securities	5,250	7,656
Other	10,649	11,646
Total non-operating income	289,131	118,409
Non-operating expenses:		
Interest expenses	3,298	3,503
Loss on valuation of investment securities	79,999	—
Other	152	0
Total non-operating expenses	83,450	3,503
Ordinary profit	2,564,240	3,082,008
Profit before income taxes	2,564,240	3,082,008
Income taxes – current	890,597	1,046,472
Income taxes – deferred	(38,143)	(33,475)
Income taxes	852,453	1,012,996
Profit	1,711,786	2,069,011
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,711,786	2,069,011

**Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	Fiscal 2020 (from April 1, 2020 to March 31, 2021)	Fiscal 2021 (from April 1, 2021 to March 31, 2022)
Profit	1,711,786	2,069,011
Other comprehensive income:		
Valuation difference on available- for-sale securities	431,913	88,255
Total other comprehensive income	431,913	88,255
Comprehensive income	2,143,700	2,157,266
attributable to:		
Owners of parent	2,143,700	2,157,266
Non-controlling interests	—	—

**(3) Consolidated Statement of Changes in Net Assets**

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
Cumulative effect of changes in accounting policies					—			—
Balance at the beginning of the period reflecting changes in accounting policies	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					—			—
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

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

(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	986,256	11,062,053	(383,744)	12,634,965	1,028,645	1,028,645	13,663,611
Cumulative effect of changes in accounting policies			12,522		12,522			12,522
Balance at the beginning of the period reflecting changes in accounting policies	970,400	986,256	11,074,576	(383,744)	12,647,487	1,028,645	1,028,645	13,676,133
Changes of items during the period								
Dividends of surplus			(587,752)		(587,752)			(587,752)
Profit attributable to owners of parent			2,069,011		2,069,011			2,069,011
Purchase of treasury shares				(65)	(65)			(65)
Disposal of treasury shares				9,487	9,487			9,487



Increase by corporate division					—			—
Net changes of items other than shareholders' equity					—	88,255	88,255	88,255
Total changes of items during the period	—	—	1,481,259	9,421	1,490,681	88,255	88,255	1,578,936
Balance at the end of the period	970,400	986,256	12,555,835	(374,322)	14,138,168	1,116,901	1,116,901	15,255,069

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	Fiscal 2020 (from April 1, 2020 to March 31, 2021)	Fiscal 2021 (from April 1, 2021 to March 31, 2022)
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,564,240	3,082,008
Depreciation and amortization	86,879	83,785
Increase (decrease) in provision for bonuses for directors (and other officers)	9,700	21,340
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	18,216	17,077
Increase (decrease) in provision for share-based remuneration for employees	12,649	11,258
Interest and dividend income	(58,974)	(63,825)
Interest expenses	3,298	3,503
Loss (gain) on valuation of investment securities	79,999	—
Loss (gain) on investments in partnerships	(25,527)	(17,064)
Decrease (increase) in notes and accounts receivable – trade	93,045	(643,485)
Decrease (increase) in inventories	(27,411)	75,351
Increase (decrease) in notes and accounts payable – trade	(82,910)	254,858
Increase (decrease) in accounts payable – other	(66,234)	364,233
Increase (decrease) in accrued expenses	152,820	93,613
Increase (decrease) in accrued consumption taxes	71,603	(44,360)
Other	31,333	(29,353)
Subtotal	2,862,728	3,208,940
Income taxes paid	(589,145)	(1,034,069)
Cash flows from operating activities	2,273,583	2,174,871
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(26,749)	(59,787)
Purchase of intangible fixed assets	(1,782)	(4,720)
Purchase of investment securities	(106,613)	(15,989)
Proceeds of dividend distributions from partnerships	89,610	—
Payments of loans receivable from employees	(4,500)	(3,400)
Collection of loans receivable from employees	5,973	5,499
Payments for guarantee deposits	(6,688)	(17,481)
Interest and dividend income received	58,974	63,825
Other	9,750	29,406
Cash flows from investing activities	17,974	(2,647)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	—	49,000
Interest expenses	(3,323)	(3,486)
Dividend payment	(587,753)	(587,752)
Repayments of lease obligations	(3,045)	(4,712)
Other	(53)	(65)
Cash flows from financing activities	(594,176)	(547,016)
Net increase (decrease) in cash and cash equivalents	1,697,381	1,625,207
Balance of cash and cash equivalents at the beginning of the period	8,379,818	10,077,199
Balance of cash and cash equivalents at the end of the period	10,077,199	11,702,407

**(5) Notes on Consolidated Financial Statements**

(Notes on Going Concern Assumption)

No applicable events.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition)

We have applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) (hereinafter referred to as the “Accounting Standard for Revenue Recognition, etc.”) from the start of fiscal 2021. This recognizes promised goods or services as revenue at the amount expected to be received upon exchange of said goods or services at the point of time that the control of said goods or services is transferred to the customer. As a result, for contracts to which the completion standards had been applied and in which performance obligation is satisfied over a fixed period of time, we have changed the method to one that estimates progress according to satisfaction of performance obligation and that recognizes revenue based on said progress over a fixed period of time.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative amount of financial impact in the case of retroactively applying the new accounting policy to periods prior to the start of fiscal 2021 was added to or subtracted from the retained earnings at the start of fiscal 2021, and thus the new accounting policy has been applied from this opening balance. However, the new accounting policy has not been retroactively applied to contracts to which the method prescribed in paragraph 86 of the Accounting Standard for Revenue Recognition is applied, and for which the amounts of almost all earnings were recognized in accordance with the previous transactional treatment prior to the start of fiscal 2021.

As a result, net sales decreased by ¥64,010 thousand for the fiscal year under review, cost of sales decreased by ¥50,666 thousand, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥13,344 thousand. In addition, the opening balance of retained earnings increased by ¥12,534 thousand. Following the application of the Accounting Standard for Revenue Recognition, etc., “notes and accounts receivable - trade” shown under “current assets” in the consolidated balance sheet for the previous fiscal year has been included in “notes and accounts receivable - trade, and contract assets” in the consolidated balance sheet for the previous fiscal year from fiscal 2021.

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

We have applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) (hereinafter referred to as the “Accounting Standard for Fair Value Measurement”), etc. from the start of fiscal 2021. Furthermore, in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the Accounting Standard for Fair Value Measurement, etc. are to be applied prospectively. This change has no impact on the consolidated financial statements.

(Supplemental Information)

(Transactions 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 64<sup>th</sup> 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 in the trust (excluding the amount of incidental expenses). The book value and number of shares of said treasury shares were ¥112.964 million and 178,600 shares for fiscal 2021.

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

No applicable events.

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 said treasury shares were ¥124.982 million and 197,600 shares for fiscal 2021.

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

No applicable events.

## (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

## Fiscal 2020 (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

## Fiscal 2021 (from April 1, 2021 to March 31, 2022)

## 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	6,184,224	System development

## (Per Share Information)

	Fiscal 2020 (from April 1, 2020 to March 31, 2021)	Fiscal 2021 (from April 1, 2021 to March 31, 2022)
Book value per share	566.99	632.64
Basic earnings per share	71.03	85.82

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 2020 (from April 1, 2020 to March 31, 2021)	Fiscal 2021 (from April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (thousands of yen)	1,711,786	2,069,011
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent on common shares (thousands of yen)	1,711,786	2,069,011
Average number of common shares during the period (shares)	24,098,522	24,108,903

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

	Fiscal 2020 (as of March 31, 2021)	Fiscal 2021 (as of March 31, 2022)
Total net assets (thousands of yen)	13,663,611	15,255,069
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)	13,663,611	15,255,069
Number of common shares used for calculating book value per share at the end of the period (shares)	24,098,489	24,113,441

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 number of shares of treasury shares at the end of the fiscal year, which are deducted for the purpose of calculating book value per share, were 391,200 shares in fiscal 2020 and 376,200 shares in fiscal 2021, 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 391,200 shares in fiscal 2020 and 380,762 shares in fiscal 2021.

## (Significant Subsequent Events)

No applicable events.