

## Consolidated Financial Report for Fiscal 2022 Ended March 31, 2023 [Japanese GAAP]

May 11, 2023

Listing: Tokyo Stock Exchange  
 Company name: **TDC SOFT Inc.**  
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 Scheduled date of the ordinary general meeting of shareholders: June 27, 2023  
 Scheduled date of dividend payment: June 28, 2023  
 Scheduled date of filing securities report: June 27, 2023  
 Preparation of explanatory materials for annual financial results: Yes  
 Holding of a briefing on annual financial results: Yes (video streaming)

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for Fiscal 2022 Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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)	%
Fiscal year ended March 31, 2023	35,242	14.0	3,458	16.6	3,714	20.5	2,490	20.4
Fiscal year ended March 31, 2022	30,925	13.3	2,967	25.8	3,082	20.2	2,069	20.9

Note: Comprehensive income

Fiscal year ended March 31, 2023 ¥2,569 million [19.1%]

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

	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, 2023	104.33	—	15.7	16.9	9.8
Fiscal year ended March 31, 2022	85.82	—	14.3	15.5	9.6

Reference: Equity gains/(Losses) of Affiliates

Fiscal year ended March 31, 2023 ¥— million

Fiscal year ended March 31, 2022 ¥— 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, 2023	22,771	16,409	72.1	688.47
Fiscal year ended March 31, 2022	21,072	15,255	72.4	632.64

Reference: Owners' equity

As of March 31, 2023 ¥16,409 million

As of March 31, 2022 ¥15,255 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, 2023	1,951	(354)	(1,440)	12,010
Fiscal year ended March 31, 2022	2,174	(2)	(547)	11,702

## 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	(Millions of yen)	%	%
Fiscal year ended March 31, 2022	—	0.00	—	30.00	30.00	734	34.9	5.0	
Fiscal year ended March 31, 2023	—	15.00	—	30.00	45.00	1,089	43.1	6.8	
Fiscal year ending March 31, 2024 (forecast)	—	0.00	—	40.00	40.00		38.0		

Note: Breakdown of dividend for the end of second quarter of fiscal year ended March 31, 2023:

Commemorative dividend of 15.00 yen (commemorating the 60th anniversary of the Company's founding)<sup>3</sup>. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

## 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		Earnings per share	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen	Sen
Second quarter (cumulative)	17,730	5.6	1,580	(14.7)	1,650	(14.2)	1,100	(15.5)	46.15	
Full year	37,300	5.8	3,550	2.6	3,750	1.0	2,510	0.8	105.31	

\*Notes

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries resulting from changes in the scope of consolidation) :

None/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)

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

Fiscal year ended March 31, 2023	25,113,600	Fiscal year ended March 31, 2022	25,113,600
Fiscal year ended March 31, 2023	1,278,439	Fiscal year ended March 31, 2022	1,000,159
Fiscal year ended March 31, 2023	23,867,010	Fiscal year ended March 31, 2022	24,108,903

Note: The number of treasury shares at the end of period

includes the Company's shares (369,400 shares as of

March 31, 2023 and 376,200 shares as of March 31, 2022) 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, 2023: 370,406 shares; as of

March 31, 2022: 380,762 shares).

Reference: Summary of Individual Financial Results

**1. Individual Financial Results for Fiscal 2022 Ended March 31, 2023 (April 1, 2022 to March 31, 2023)**

(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, 2023	32,739	11.9	3,269	16.8	3,427	18.0	2,309	18.2
Fiscal year ended March 31, 2022	29,248	13.3	2,797	26.6	2,905	21.6	1,953	23.3

	Earnings per share		Diluted earnings per share	
	Yen	Sen	Yen	Sen
Fiscal year ended March 31, 2023	96.78	—	—	—
Fiscal year ended March 31, 2022	81.03	—	—	—

(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, 2023	21,492		15,568		72.4		653.17	
Fiscal year ended March 31, 2022	20,126		14,590		72.5		605.10	

Reference: Owners' equity

Fiscal year ended March 31, 2023: ¥15,568 million

Fiscal year ended March 31, 2022: ¥14,590 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 consolidated fiscal year (April 1, 2022 – March 31, 2023), while Japan’s economy continuously showed signs of a recovery as the behavioral restrictions to counteract the COVID-19 pandemic have eased and progress has been made to balance the prevention of infection and socio-economic activities, the depreciation of the yen, fluctuations in financial and capital markets, and global inflation significantly affected consumer spending and economic activities, and the situation still remains uncertain.

In the information services industry, demand related to digital transformation (“DX”) for strengthening businesses and promoting transformation has remained healthy.

Operating under such a climate, the Group has formulated its medium-term management plan “Shift to the Smart SI Plus” for the period from April 2022 to March 2025. This medium-term management plan maintains the basic concept of providing high value-added IT services that meet the potential needs of the market and society from the previous plan, and adopts a vision of evolving into a next-generation system integration (“SI”) business geared toward new trends in digital technology.

To make this vision a reality, we have three 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. Another 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. Last is to “expand our business domain.” We are promoting measures to broaden our scope 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, and in providing managed services that integrate all aspects of IT solutions, starting from development through to operation and maintenance.

During this fiscal year, we worked on the initiatives stated in the medium-term management plan “Shift to the Smart SI Plus,” following the policy of flexibly adapting to changes in external environments and steadily 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 business and information system security business, 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 increased to ¥8,630 million, or 60.1% year on year, in the fiscal year ended March 31, 2023 and accounted for 24.5% of consolidated net sales, up 7.1 percentage points from the previous year.

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

In this fiscal year, we focused on promoting collaboration with alliance partners to construct an ecosystem in the area of high-value-added SI services, including agile development business and information system security business.

In order to further improve the quality of our services and to increase the efficiency of quality assurance processes in development projects, we are promoting the construction of a system for project performance evaluations and implementing measures to streamline the SI process by utilizing even higher level advanced technologies among other initiatives.

#### c. Expansion of business domain

In this fiscal year, we promoted activities to acquire capabilities to expand our business domain. Specifically, we expanded our service product sales business by enhancing our marketing and product sales functions, and we promoted efforts to expand our consulting business by changing our expertise into assets and using them to train personnel. In the SI business, we are also promoting initiatives to expand business volume, including the provision of managed services in the areas of maintenance and upkeep.

d. Proactive forward-looking investment

In light of the robust business operation conditions since the beginning of the fiscal year under review, we have been more proactively executing investing activities aimed at further business expansion moving forward. Specifically, we are promoting investments in workplace strategies to create an organizational climate and work style framework and other environments where employees are more motivated to work, promotion of branding strategies to secure human resources and improve engagement, expansion of the recruitment system, enhancement of education measures, and efforts to restructure the personnel system, and other measures.

As a result of promoting these initiatives, the Group's business performance for this consolidated fiscal year was as follows: net sales amounted to ¥35,242 million, up 14.0% year on year; operating profit amounted to ¥3,458 million, up 16.6% year on year; ordinary profit amounted to ¥3,714 million, up 20.5% year on year; and profit attributable to owners of parent amounted to ¥2,490 million, up 20.4% year on year.

## 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 systemization planning to facilitate customers' DX, technical 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 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 on SaaS (Note 5) solution service projects related to IT service management and cloud managed services. As a result, net sales in this field increased 47.9% year on year to ¥5,733 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 systemization planning, design, development, and maintenance. During this quarter, the Group made solid progress on development projects for credit- and insurance-related systems. As a result, net sales in this field increased 10.5% year on year to ¥15,900 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 systemization planning, design, development, and maintenance. During this fiscal year, the Group made solid progress on development projects for the transportation and steel sectors. As a result, net sales in this field increased 8.1% year on year to ¥9,511 million.

## &lt;Platform solutions&gt;

In the field of platform solutions, we offer services such as the environmental design and construction of IT infrastructure, along with operational support, network product development, and network integration. During this quarter, the Group made solid progress on projects to build cloud-related infrastructure. As a result, net sales in this field increased 6.2% year on year to ¥4,098 million.

(Millions of yen)

Field	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		Year-on- year percentag e change
	Consolidated cumulative quarter		Consolidated cumulative quarter		
	Amount	Share	Amount	Share	
IT consulting and services	3,877	12.5%	5,733	16.3%	+47.9%
IT solutions for financial services	14,393	46.6%	15,900	45.1%	+10.5%
IT solutions for public corporations	8,795	28.4%	9,511	27.0%	+8.1%
Platform solutions	3,858	12.5%	4,098	11.6%	+6.2%
Total	30,925	100.0%	35,242	100.0%	+14.0%

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 SaaS: An abbreviation for Software as a Service. Refers to providing software that runs on a server as a service.

(2) Overview of the Financial Status for the Period

State of assets, liabilities, and net assets

Total assets at the end of this consolidated fiscal year increased by ¥1,698 million from the end of the previous consolidated fiscal year to ¥22,771 million.

Current assets increased by ¥1,459 million from the end of the previous consolidated fiscal year to ¥18,827 million. This is mainly due to increases of ¥889 million in notes and accounts receivable - trade, and contract assets, and of ¥307 million in cash and deposits.

Non-current assets increased by ¥239 million from the end of the previous consolidated fiscal year to ¥3,943 million. This is mainly due to a decrease of ¥300 million in stocks of subsidiaries and affiliates due to conversion of one non-consolidated subsidiary into a consolidated subsidiary, an increase of ¥69 million in goodwill, and increases of ¥311 million in other guarantee deposits and of ¥64 million in investment securities.

Current liabilities increased by ¥504 million from the end of the previous consolidated fiscal year to ¥6,045 million. This is mainly due to increases of ¥248 million in Accounts payable – trade, ¥156 million in accrued expenses, and of ¥140 million in income taxes payable.

Non-current liabilities increased by ¥39 million from the end of the previous consolidated fiscal year to ¥316 million. This is mainly due to an increase of ¥38 million in retirement benefit liability.

Current assets increased by ¥1,154 million from the end of the previous consolidated fiscal year to ¥16,409 million. This is mainly due to an increase of ¥1,384 million in retained earnings, despite an increase of ¥299 million in treasury shares.



## (3) Overview of Cash Flow for the Period

The balance of cash and cash equivalents at the end of this consolidated fiscal year increased by ¥307 million from the end of the previous consolidated fiscal year to ¥12,010 million (¥11,702 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 and contract assets was ¥814 million and income taxes paid were ¥1,153 million, profit before income taxes was ¥3,714 million. As a result, cash flows from operating activities amounted to ¥1,951 million (¥2,174 million in the previous fiscal year).

## (Cash flows from investing activities)

While proceeds from sales of investment securities were ¥93 million, payments for guarantee deposits totaled ¥515 million. As a result of these and other factors, cash flows from investing activities amounted to negative ¥354 million (negative ¥2 million in the previous fiscal year).

## (Cash flows from financing activities)

With dividend payment of ¥1,097 million and purchase of treasury shares of ¥304 million, cash flows from financing activities amounted to negative ¥1,440 million (negative ¥547 million in the previous fiscal year).

Reference: Trends in cash flow related indices

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Owners' equity ratio	70.1%	72.7%	73.3%	72.4%	72.1%
Equity ratio based on market value	129.1%	115.0%	131.7%	133.7%	155.6%
Ratio of interest-bearing liabilities to cash flow	0.3 year	0.3 year	0.2 year	0.2 year	0.2 year
Interest coverage ratio	505.2	391.9	684.2	620.8	567.2

Notes: Owners' 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 the number of shares outstanding at the fiscal year end (after subtracting the number of 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.

#### (4) Business Outlook

In response to the solid market environment, we will continue to aggressively invest in advanced elemental technologies and in securing and training human resources in order to promote our medium-term management plan, while working to expand our business by increasing floor space and other measures.

Investments in specific technology areas will include the preemptive acquisition of elemental technologies that are likely to have a significant impact on the SI business in the future, such as agile, security, UXD, cloud-native, data analytics platforms, front-end frameworks, and automated managed services, and the promotion of the development of services and products that meet the diverse IT needs of our customers.

Investments in the human resources field will continue to promote branding strategies, expansion of the recruitment system, strengthening of education measures, efforts to restructure the human resources system, and other efforts. We will also promote the “Smart Work Concept” as part of our workplace strategy to improve engagement, and work to relocate our headquarters to create a system and environment in which a diverse workforce can work more enthusiastically.

Against this backdrop, our financial results forecast for the fiscal year ending March 31, 2024, is for net sales to increase 5.8% to ¥37,300 million, for operating profit to increase 2.6% to ¥3,550 million, and for profit attributable to owners of parent to increase 0.8% to ¥2,510 million.

#### (5) 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 of 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

(Thousands of yen)

	Fiscal 2021 (as of March 31, 2022)	Fiscal 2022 (as of March 31, 2023)
<b>Assets</b>		
Current assets:		
Cash and deposits	11,702,407	12,010,240
Notes and accounts receivable - trade, and contract assets	5,387,536	6,277,248
Work in process	33,265	58,808
Other	245,124	481,349
Total current assets	17,368,333	18,827,646
Non-current assets:		
Property, plant and equipment		
Buildings	115,944	134,070
Tools, furniture and fixtures	60,376	51,645
Leased assets	12,063	33,285
Total property, plant and equipment	188,384	219,001
Intangible fixed assets		
Software	6,695	5,134
Software temporary account	—	9,283
Telephone subscription rights	4,247	4,973
Goodwill	—	69,789
Total intangible fixed assets	10,942	89,181
Investments and other assets:		
Investment securities	2,535,603	2,599,725
Shares of subsidiaries and associates	300,000	0
Deferred tax assets	183,471	240,185
Guarantee deposits	445,227	756,969
Other	40,375	38,509
Total investments and other assets	3,504,677	3,635,390
Total non-current assets	3,704,005	3,943,572
Total assets	21,072,338	22,771,219

(Thousands of yen)

	Fiscal 2021 (as of March 31, 2022)	Fiscal 2022 (as of March 31, 2023)
<b>Liabilities</b>		
Current liabilities:		
Accounts payable – trade	1,258,623	1,507,332
Short-term borrowings	479,000	453,000
Accounts payable – other	514,839	459,978
Accrued expenses	1,921,178	2,077,943
Asset retirement obligations	–	57,922
Income taxes payable	675,440	815,962
Accrued consumption taxes	404,654	340,340
Provision for bonuses for directors (and other officers)	137,240	138,220
Other	149,487	194,447
Total current liabilities	5,540,463	6,045,147
Non-current liabilities		
Provision for share-based remuneration for employees	68,246	57,842
Provision for share-based remuneration for directors (and other officers)	76,406	77,228
Retirement benefit liability	–	38,755
Asset retirement obligations	68,961	55,176
Other	63,190	87,176
Total non-current liabilities	276,805	316,179
Total liabilities	5,817,268	6,361,326
<b>Net assets</b>		
Shareholders' equity		
Share capital	970,400	970,400
Capital surplus	986,256	986,256
Retained earnings	12,555,835	13,939,945
Treasury shares	(374,322)	(674,231)
Total shareholders' equity	14,138,168	15,222,370
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,116,901	1,187,522
Total accumulated other comprehensive income	1,116,901	1,187,522
Total net assets	15,255,069	16,409,892
Total liabilities and net assets	21,072,338	22,771,219

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

## Consolidated Statement of Income

(Thousands of yen)

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Net sales	30,925,122	35,242,866
Cost of sales	24,501,309	27,763,088
Gross profit	6,423,812	7,479,778
Selling, general and administrative expenses	3,456,710	4,020,865
Operating profit	2,967,102	3,458,912
Non-operating income:		
Interest income	181	159
Dividend income	63,644	71,175
Surrender value of insurance policies	—	84,753
Subsidy income	18,216	21,154
Gain on investments in partnerships	17,064	1,556
Gain on sales of investment securities	7,656	71,212
Other	11,646	11,992
Total non-operating income	118,409	262,004
Non-operating expenses:		
Interest expenses	3,503	3,446
Loss on valuation of investment securities	—	2,769
Other	0	255
Total non-operating expenses	3,503	6,471
Ordinary profit	3,082,008	3,714,445
Profit before income taxes	3,082,008	3,714,445
Income taxes – current	1,046,472	1,272,834
Income taxes – deferred	(33,475)	(48,546)
Income taxes	1,012,996	1,224,288
Profit	2,069,011	2,490,157
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	2,069,011	2,490,157

## Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Profit	2,069,011	2,490,157
Other comprehensive income:		
Valuation difference on available- for-sale securities	88,255	67,493
Total other comprehensive income	88,255	67,493
Comprehensive income	2,157,266	2,557,651
attributable to:		
Owners of parent	2,157,266	2,557,651
Non-controlling interests	—	—

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

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
Change in scope of consolidation								
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

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

(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	12,555,835	(374,322)	14,138,168	1,116,901	1,116,901	15,255,069
Cumulative effect of changes in accounting policies								
Balance at the beginning of the period reflecting changes in accounting policies	970,400	986,256	12,555,835	(374,322)	14,138,168	1,116,901	1,116,901	15,255,069
Changes of items during the period								
Dividends of surplus			(1,097,758)		(1,097,758)			(1,097,758)
Profit attributable to owners of parent			2,490,157		2,490,157			2,490,157
Purchase of treasury shares				(304,209)	(304,209)			(304,209)
Disposal of treasury shares				4,301	4,301			4,301

Change in scope of consolidation			(8,288)		(8,288)			(8,288)
Net changes of items other than shareholders' equity					—	70,621	70,621	70,621
Total changes of items during the period	—	—	1,384,109	(299,908)	1,084,201	70,621	70,621	1,154,822
Balance at the end of the period	970,400	986,256	13,939,945	(674,231)	15,222,370	1,187,522	1,187,522	16,409,892



## (4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,082,008	3,714,445
Depreciation and amortization	83,785	63,729
Amortization of goodwill	—	23,263
Increase (decrease) in provision for bonuses for directors (and other officers)	21,340	(1,020)
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	17,077	822
Increase (decrease) in provision for share-based remuneration for employees	11,258	(6,103)
Increase (decrease) in retirement benefit liability	—	(2,484)
Interest and dividend income	(63,825)	(71,335)
Interest expenses	3,503	3,446
Loss (gain) on sales of investment securities	—	(71,212)
Loss (gain) on valuation of investment securities	—	2,769
Loss (gain) on investments in partnerships	(17,064)	(1,556)
Decrease (increase) in notes and accounts receivable – trade	(643,485)	—
Decrease (increase) in notes and accounts receivable – trade and contract assets	—	(814,265)
Decrease (increase) in inventories	75,351	(25,543)
Increase (decrease) in notes and accounts payable – trade	254,858	231,118
Increase (decrease) in accounts payable – other	364,233	(74,535)
Increase (decrease) in accrued expenses	93,613	130,328
Increase (decrease) in accrued consumption taxes	(44,360)	(69,977)
Other	(29,353)	73,795
Subtotal	3,208,940	3,105,684
Income taxes paid	(1,034,069)	(1,153,949)
Cash flows from operating activities	2,174,871	1,951,735
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(59,787)	(14,586)
Purchase of intangible fixed assets	(4,720)	(600)
Purchase of investment securities	(15,989)	(4,184)
Proceeds from sales of investment securities	—	93,569
Proceeds of dividend distributions from partnerships	16,595	13,464
Payments of loans receivable to employees	(3,400)	(3,490)
Collection of loans receivable from employees	5,499	5,947
Payments for guarantee deposits	(17,481)	(515,812)
Interest and dividend income received	63,825	71,335
Other	12,810	75
Cash flows from investing activities	(2,647)	(354,282)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	49,000	(26,000)
Purchase of treasury shares	—	(304,209)
Interest expenses	(3,486)	(3,441)
Dividend payment	(587,752)	(1,097,758)
Repayments of lease obligations	(4,712)	(9,325)
Other	(65)	—
Cash flows from financing activities	(547,016)	(1,440,735)
Net increase (decrease) in cash and cash equivalents	1,625,207	156,717
Balance of cash and cash equivalents at the beginning of	10,077,199	11,702,407

the period		
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	151,114
Balance of cash and cash equivalents at the end of the period	11,702,407	12,010,240

## (5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

We have applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) from the start of fiscal 2022. Furthermore, in accordance with the transitional treatment provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policies set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement are to be applied prospectively. This change has no impact on the consolidated financial statements.

In accordance with Paragraph 27-3 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the notes regarding investment trusts in the section on the breakdown of financial instruments by level of fair value in the Notes to Financial Instruments do not include those for the previous consolidated fiscal year.

(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 (excluding the amount of incidental expenses). The book value and number of shares of treasury shares were ¥112.964 million and 178,600 shares for fiscal 2022.

## (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 (excluding the amount of incidental expenses). The book value and number of shares of treasury shares were ¥120.681 million and 190,800 shares for fiscal 2022.

(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

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

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

## 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	6,156,267	System development

## (Per Share Information)

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Book value per share	¥632.64	¥688.47
Earnings per share	¥85.82	¥104.33

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 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Profit attributable to owners of parent (thousands of yen)	2,069,011	2,490,157
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent on common shares (thousands of yen)	2,069,011	2,490,157
Average number of common shares during the period (shares)	24,108,903	23,867,010

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

	Fiscal 2021 (as of March 31, 2022)	Fiscal 2022 (as of March 31, 2023)
Total net assets (thousands of yen)	15,255,069	16,409,892
Amount to be deducted from total net assets (thousands of yen)	—	—
Net assets on common shares at the end of the period (thousands of yen)	15,255,069	16,409,892
Number of common shares at the end of the period used for calculating book value per share (shares)	24,113,441	23,835,161

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 in calculating the average number of shares outstanding for the purpose of calculating earnings per share. The number of treasury shares at the end of the fiscal year, which are deducted for the purpose of calculating book value per share, was 376,200 shares in fiscal 2021 and 369,400 shares in fiscal 2022, and the average number of treasury shares during the fiscal year, which are deducted for the purpose of calculating earnings per share, was 380,762 shares in fiscal 2021 and 370,406 shares in fiscal 2022.

## (Significant Subsequent Events)

Not applicable.