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Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]



May 12, 2022

Company name: Business Engineering Corporation
 Stock exchange listing: Tokyo Stock Exchange, Prime Market
 Code number: 4828
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 Scheduled date of the Annual General Meeting of Shareholders: June 24, 2022
 Scheduled date of commencing dividend payments: June 27, 2022
 Scheduled date of filing securities report: June 27, 2022
 Availability of supplementary briefing materials on financial results: Available
 Schedule of financial results briefing session: Scheduled (for securities analysts)

(Amounts of less than one million yen are rounded down.)

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

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	17,760	0.3	2,412	26.8	2,443	28.9	1,643	27.5
March 31, 2021	17,707	—	1,902	—	1,895	—	1,288	—

(Note) Comprehensive income: Fiscal year ended March 31, 2022: ¥1,489 million [4.3%]

Fiscal year ended March 31, 2021: ¥1,427 million [—%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	274.93	—	23.8	22.2	13.6
March 31, 2021	217.88	—	22.7	19.9	10.7

(Reference) Investment profit (loss) on equity method: Fiscal year ended March 31, 2022: ¥— million

Fiscal year ended March 31, 2021: ¥— million

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been adopted from the beginning of the fiscal year ended March 31, 2022, and figures for the fiscal year ended March 31, 2021 indicate amounts after retrospective application of the said accounting standard, etc.

Accordingly, year-on-year percentage changes for the fiscal year ended March 31, 2021 are not provided.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	11,491	7,475	65.1	1,245.92
As of March 31, 2021	10,481	6,312	60.2	1,062.12

(Reference) Equity: As of March 31, 2022: ¥7,475 million

As of March 31, 2021: ¥6,312 million

(3) Status of Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2022	2,287	(713)	(701)	4,945
March 31, 2021	2,539	(817)	196	4,078

2. Dividends

	Annual dividends					Total amount of dividends (Annual)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2021	–	22.00	–	48.00	70.00	418	32.1	7.3
Fiscal year ended March 31, 2022	–	35.00	–	49.00	84.00	503	30.6	7.3
Fiscal year ending March 31, 2023 (Forecast)	–	21.00	–	21.00	42.00		28.5	

(Notes) 1. The total amount of dividends includes the following dividends of the Company's shares held by the Employee Stock Ownership Plan Trust.

Fiscal year ended March 31, 2021: ¥2 million

Fiscal year ended March 31, 2022: ¥0 million

2. The dividend forecast for the fiscal year ending March 2023 is the amount after the 2-for-1 stock split scheduled to take effect on June 1, 2022. For the dividend forecast, please refer to "1. Overview of Operating Results, etc., (5) Basic Policy on Profit Distribution and Dividends for the Fiscal Year under Review and Next Fiscal Year," on page 5 of the attachments.

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

(% represent changes from the previous fiscal year for full year, and on a year-on-year basis for quarterly results)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	8,900	0.6	1,230	6.5	1,230	6.0	830	5.0	138.33
Full year	17,900	0.8	2,600	7.8	2,600	6.4	1,770	7.7	295.00

* Notes:

- (1) Changes in significant subsidiaries during the fiscal year ended March 31, 2022: No

(Changes in specified subsidiaries resulting in changes in scope of consolidation)

New subsidiaries: – Excluded subsidiaries: –

- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

- (3) Total number of issued shares (common shares)

- 1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2022: 6,000,000 shares

March 31, 2021: 6,000,000 shares

- 2) Total number of treasury shares at the end of the period:

March 31, 2022: 67 shares

March 31, 2021: 56,443 shares

- 3) Average number of shares during the period:

Fiscal year ended March 31, 2022: 5,978,530 shares

Fiscal year ended March 31, 2021: 5,915,963 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	17,403	0.6	2,097	28.1	2,088	31.4	1,414	29.9
March 31, 2021	17,305	–	1,637	–	1,589	–	1,088	–

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2022	236.52	–
March 31, 2021	184.06	–

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been adopted from the beginning of the fiscal year ended March 31, 2022, and figures for the fiscal year ended March 31, 2021 indicate amounts after retrospective application of the said accounting standard, etc. Accordingly, year-on-year percentage changes for the fiscal year ended March 31, 2021 are not provided.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	11,324	6,620	58.5	1,103.39
As of March 31, 2021	10,289	5,682	55.2	956.10

(Reference) Equity: As of March 31, 2022: ¥6,620 million

As of March 31, 2021: ¥5,682 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Percentages represent changes from the previous fiscal year for full year, and on a year-on-year basis for quarterly results)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	8,700	0.1	1,040	6.1	700	4.7	116.67
Full year	17,500	0.6	2,220	6.3	1,520	7.5	253.34

* These financial results are outside the scope of audit by certified public accountants or audit firms.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on the information currently available to the Company and certain assumptions that are deemed reasonable. They are not a pledge by the Company to achieve the forecasted results. Actual results, etc. may differ significantly from these forecasts due to a wide range of factors. For more details on the above forecasts, please refer to “1. Overview of Operating Results, etc., (4) Future Outlook” on page 5.

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1. Overview of Operating Results, etc.

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been adopted from the beginning of the fiscal year ended March 31, 2022. Accordingly, figures for the fiscal year ended March 31, 2021 are those after retrospective application of the said accounting standard, etc. Comparison and analysis have been made based on the figures for the previous corresponding period and the previous fiscal year after retrospective application.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended March 31, 2022, the Japanese economy has picked up on the back of a trend of overall improvement in corporate earnings, despite some signs of weakness due to the impact of the COVID-19, global supply constraints, and others.

In the information service industry, investment in information technology was generally firm against the backdrop of customers’ strong willingness to invest in digital transformation (DX).

In such a business environment, under the 6-year management plan “Management Vision 2026” that started from the fiscal year ended March 31, 2022, the Group has worked to resolve management issues such as the promotion of DX and global expansion in the manufacturing industry, in order to support its main customers facing changes in the business environment of the manufacturing industry with products and services that leverage the strengths of the Group.

Main initiatives in the fiscal year under review are as follows:

- The Company promoted its customers to improve the efficiency of operations, as well as accumulated knowledge and know-hows on various products, through providing complex solutions that link ERP systems and various systems and services.
- The Company worked to increase the added value of the solutions through efforts to enhance the solution portfolio and promote “Monozukuri Digitalization” toward a digitalized manufacturing industry by strengthening functions of in-house developed products and promoting collaboration with potent partners.
- The Company promoted initiatives that co-creates with customers, such as creating new services that combine the customers' products and production lines with our products.
- While restrictions on movement of people due to COVID-19 continued, the Company focused on providing cloud-based system services, which enables cooperation between customers' head offices in Japan and their overseas bases, besides conventional introduction of IT at overseas locations of customers. In addition, the head office in Tokyo and local subsidiaries and partners worked together to expand the integrated customer support system in order to strengthen sales activities and development system overseas.
- Amid prolonged COVID-19, the Company worked on maintaining systems that enable smooth business execution.

The financial results for the fiscal year under review are as follows.

Orders received were ¥17,912 million (up 1.9% year on year), and net sales were ¥17,760 million (up 0.3% year on year), mainly due to an increase in the Products Business despite a decrease in the Solutions Business. In terms of profit, despite the unprofitable project in the Solutions Business, the Products Business saw significant growth in license sales and the Systems Support Business became more profitable. As a result mainly of these factors, operating profit was ¥2,412 million (up 26.8% year on year), ordinary profit was ¥2,443 million (up 28.9% year on year), and profit attributable to owners of parent was ¥1,643 million (up 27.5% year on year), achieving record-highs in each profit indicator for six consecutive years.

Operating results by business segment are as follows.

(i) Solutions Business

The Solutions Business mainly engages in the consulting and system construction services, which are based on ERP package products developed by other companies.

- The Company continued to deepen relationships with customers, focused on activities for offering

proposals suited to customers' needs from medium- to long-term perspectives, and strove to acquire orders from a wide range of industries including pharmaceuticals, foods, machine and precision equipment, and chemicals

- The Company focused on offering ERP system at the top and other systems such as the manufacturing execution system or the planning and analysis system for supply chains and business management, as well as cloud-based solutions.

As a result, Orders received and net sales for this segment were ¥11,387 million (down 7.7% year on year) and ¥11,413 million (down 6.7% year on year), respectively, mainly due to the completion of a large-scale project in the previous fiscal year. Segment profit decreased due to the occurrence of the unprofitable project to ¥1,690 million (down 15.9% year on year).

(ii) Products Business

The Products Business mainly engages in sales of the in-house developed ERP package “mcframe” series products through business partners as well as consulting and system construction services based on these products.

- The Company focused on the enhancement of brand appeal for “mcframe,” by strengthening functions of core product “mcframe 7” as well as other functions that contribute to global business development and digitalization for customers, and IoT services functions that contribute to improving work efficiency and acquiring work skills at manufacturing sites.
- The Company focused on increasing and building stronger relationships with business partners and engineering partners.
- Amid prolonged COVID-19, the Company held many events mainly online to actively develop sales promotion activities.
- The Company achieved significant increase in sales of licenses primarily with the core product “mcframe 7” under our long-term efforts to increase business partners and strengthen relationships with them, in the backdrop of customers' strong investment trend in software.

As a result, orders received for this segment were ¥6,145 million (up 26.1% year on year), net sales were ¥6,004 million (up 18.4% year on year) and segment profit was ¥1,889 million (up 43.1% year on year). Net sales of mcframe license were ¥3,530 million (up 28.4% year on year), setting a consecutive record.

(iii) Systems Support Business

The Systems Support Business mainly engages in operation and maintenance services of systems introduced to customers, and offering proposals and additional development through these services, which is operated by Business System Service Corporation, a subsidiary of the Company.

- The Company worked to enhance life cycle support for the customers' systems.
- The Company focused on improving productivity as well as developing new customers and projects to establish a base for stable revenue and profits.

As a result, orders received for this segment were ¥379 million (up 2.5% year on year), net sales were ¥341 million (down 16.0% year on year) and segment profit was ¥344 million (up 11.4% year on year).

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Current assets increased by ¥1,091 million from the end of the previous fiscal year to ¥8,866 million. This was mainly attributable to increases in cash and deposits and in notes and accounts receivable - trade, and contract assets. The ratio of current assets to total assets at the end of the fiscal year under review was 77.2%.

Non-current assets decreased by ¥80 million from the end of the previous fiscal year to ¥2,624 million. This was mainly attributable to a decrease in market value of investment securities, an increase in deferred tax assets mainly due to an increase in provision for bonuses, and the purchase of intangible assets, which exceeded the depreciation of intangible assets.

As a result, total assets at the end of the fiscal year under review increased by ¥1,010 million from the end of the previous fiscal year to ¥11,491 million.

(Liabilities)

Total liabilities at the end of the fiscal year under review decreased by ¥152 million from the end of the previous fiscal year to ¥4,016 million. This was mainly attributable to increases in provision for bonuses and income taxes payable, and decreases in short-term borrowings, notes and accounts payable - trade, and long-term borrowings.

(Net assets)

Net assets at the end of the fiscal year under review increased by ¥1,162 million from the end of the previous fiscal year to ¥7,475 million. This was mainly attributable to increases owing to the recording of profit attributable to owners of parent and disposal of treasury shares through the Employee Stock Ownership Plan Trust, decreases due to dividends of surplus and in valuation difference on available-for-sale securities.

As a result, the equity ratio at the end of the fiscal year under review increased by 4.9 percentage points from the end of the previous fiscal year to 65.1%.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review increased by ¥867 million from the end of the previous fiscal year to ¥4,945 million.

(Cash flows from operating activities)

Cash flows provided by operating activities during the fiscal year ended March 31, 2022 decreased by ¥251 million from the end of the previous fiscal year to ¥2,287 million. This was mainly attributable to the recording of profit before income taxes of ¥2,442 million, depreciation of ¥691 million, increases in trade receivables of ¥296 million and in provision for bonuses of ¥267 million, a decrease in trade payables of ¥296 million, and income taxes paid of ¥676 million.

(Cash flows from investing activities)

Cash flows used in investing activities during the fiscal year ended March 31, 2022 decreased by ¥103 million from the end of the previous fiscal year to ¥713 million. This was mainly attributable to purchase of tangible and intangible assets (including developmental investment in “mcframe,” an in-house developed ERP package).

(Cash flows from financing activities)

Cash flows used by financing activities during the fiscal year ended March 31, 2022 increased by ¥898 million from the end of the previous fiscal year to ¥701 million. This was mainly attributable to expenditure arising from the payment of dividends and a net decrease in short-term borrowings.

(Reference) Changes in indices related to cash flows

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity ratio (%)	58.6	60.2	65.1
Equity ratio based on market price (%)	162.6	196.8	202.3
Ratio of interest-bearing liabilities to cash flows (%)	0.1	0.2	0.0
Interest coverage ratio (times)	817.7	739.1	549.7

Equity ratio: Equity/Total assets

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

Ratio of interest-bearing liabilities to cash flows: Interest-bearing liabilities/Cash flows

Interest coverage ratio: Cash flows/Interest payment

- (Notes) 1. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended March 31, 2022. Along with this, the data for the fiscal years ended March 31, 2020 and March 31, 2021 are retrospectively restated to reflect these accounting standards.
2. Each index was calculated using consolidated financial figures.
 3. Market capitalization is the amount of the closing price of share at the end of the period multiplied by the total number of issued shares at the end of the period (after deduction of treasury shares).
 4. Operating cash flows were used for cash flows in the above indices.
 5. Interest-bearing liabilities represent all liabilities recorded on the balance sheet for which interest was paid.

(4) Future Outlook

With the impact of the COVID-19 outbreak and associated global supply constraints gradually abating, the Japanese economy is expected to recover, despite downward pressure from rising resource prices, supported by increased foreign demand, an easing monetary environment, and the effects of economic measures by the government.

While investment in information technology in the manufacturing industry is expected to stay firm overall, the situation cannot completely dispel concerns that increased overseas risk may lower customers’ motivation for investment in information technology.

Under these circumstances, the Group will promote the management plan “Management Vision 2026,” in which it will deepen relationships with customers to explore customers’ needs, strengthen relationships with business partners for our in-house developed product “mcframe” to acquire orders, and secure profitability.

The Group’s outlook for the consolidated financial results for the next fiscal year is as follows.

[Consolidated]	2nd quarter Consolidated cumulative period	(Year on year)	Full year	(Year on year)
Net sales	¥8,900 million	(Up 0.6%)	¥17,900 million	(Up 0.8%)
Operating profit	¥1,230 million	(UP 6.5%)	¥2,600 million	(Up 7.8%)
Ordinary profit	¥1,230 million	(Up 6.0%)	¥2,600 million	(Up 6.4%)
Profit attributable to owners of parent	¥830 million	(Up 5.0%)	¥1,770 million	(Up 7.7%)

(5) Basic Policy on Profit Distribution and Dividends for the Fiscal Year under Review and Next Fiscal Year

The Company is working to return profits to shareholders in consideration of overall factors including the business environment surrounding the Company, expected financial results, and the financial standing of the Company. The Company intends to provide shareholder returns through dividend payments, and its basic policy is to strive for stable, ongoing dividends and maintain a consolidated dividend payout ratio of over 30% in the medium to long term. In addition, the Company makes dividend payments twice a year as an interim dividend and year-end dividend under the basic policy.

Internal reserves are mainly allocated to investment for strengthening competitiveness and utilized for a stable business foundation and performance improvement.

In accordance with the above policy, the Company plans to pay a year-end dividend of ¥49 per share as an ordinary dividend for the fiscal year under review. Together with an interim dividend of ¥35 per share already paid, the annual dividend will be ¥84 per share for the fiscal year under review.

With regard to dividends for the fiscal year ending March 31, 2023, which will be after the 2-for-1 stock split scheduled to take effect on June 1, 2022, the Company plans to pay an annual dividend of ¥42 per share (interim dividend of ¥21 and year-end dividend of ¥21), which will be substantially the same as the annual dividend for the fiscal year ended March 31, 2022.

For details of the above-mentioned stock split, please refer to “Notice of Stock Split and Associated Partial Amendment to the Articles of Incorporation, and Retention of Special Benefits for Shareholders,” separately

disclosed on May 12, 2022.

2. Status of Corporate Group

The Group consists of the Company, two (2) consolidated subsidiaries, five (5) non-consolidated subsidiaries, and one (1) affiliated company which is not accounted for under the equity method, and engages in the information service business. The segments include the “Solutions Business,” “Products Business,” and “Systems Support Business.”

The description of each business segment and the business structure are as follows.

(1) Solutions Business

This segment mainly utilizes ERP package products developed by other companies to provide services for design, development, and introduction of corporate information systems.

Major company in charge: The Company

(2) Products Business

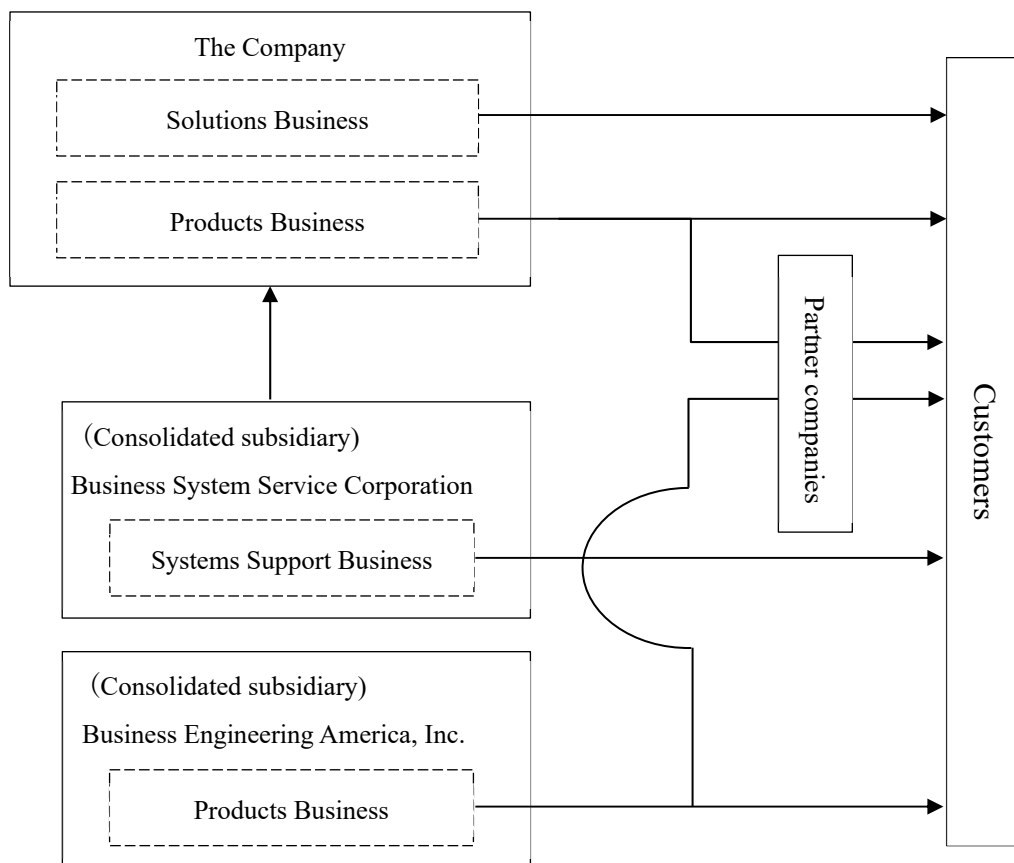
This segment sells ERP package products developed by the Company through partner companies and provides services for design, development, and introduction of corporate information systems utilizing those products.

Major company in charge: The Company, Business Engineering America, Inc.

(3) Systems Support Business

This segment provides support services including operation and maintenance of systems for companies that have introduced core business systems.

Major company in charge: Business System Service Corporation



(Notes) 1. Provision of various information services: —————→

2. In addition to the above consolidated subsidiaries, there are five (5) non-consolidated subsidiaries and one (1) affiliated company which is not accounted for under the equity method.

3. Management Policies

(1) Basic Policy on Management

As a corporate group that utilizes the new value of information technologies (IT) for customer success, the Group supports business innovation for customers in a wide range of industries including manufacturing.

In order to meet customers' needs that have become more sophisticated, complicated, and globalized, the Group works on the provision of software products and services of a high quality through evaluation and introduction of advanced technologies.

[Corporate philosophy]

With customer satisfaction as its foremost goal, the Group is committed, as a professional group, to contributing to society through the creation of new value.

(2) Target Business Indicators

The management goal of the Group is to improve corporate value through continuous expansion of businesses. The Group focuses on return on equity (ROE) among other business indicators, and strives for a higher ROE.

(3) Medium-to-Long-term Management Strategies and Issues to be Addressed

• **Management environment and medium-to-long-term management strategy of the Group**

The Group works on the strategies of the “three pillars” of the management plan “Management Vision 2026” to support the manufacturing industry with products and services that leverage its strengths in response to changes in the business environment in the manufacturing industry where the Group’s major customers operate business.

<Changes in business environment of customers>

1. Digital transformation

As a way to respond to Japan’s 2025 Digital Cliff and the impact of COVID-19, digital transformation will further accelerate in the future.

2. Innovation of business models in manufacturing

As values in society shift along with the end of the era of mass production and mass consumption, innovation in manufacturing business models will progress.

3. Globalization

With an increasingly multipolar global economy and a shrinking Japanese market, overseas relocation will advance. COVID-19 will cause changes in needs for the global supply chain.

<Strength and resources of B-EN-G>

- Achievements in IT support services in manufacturing
The Company has supported implementation of IT in manufacturing for over 20 years.^(*1)
- Product planning and development skills for in-house products
The Company boasts development skills for its highly acclaimed in-house products utilizing its technologies and expertise.
- Relationships of trust with customers
The Company boasts strong relationships with customers based on trust and issue-solving skills established over 20 years.
- Achievements in global development
The Company supports global development by utilizing its ample experience and expertise based on its development track record in 25 countries worldwide.

*1: The Company has track record of more than 30 years including experience in the plant systematization support business of Tokyo Engineering Corporation, the predecessor company, prior to its business launch in April 1999.

<Three pillars>

1) Deepen “Monozukuri Digitalization”^(*)2)

We will promote DX for efficient operations with “Monozukuri Digitalization.”

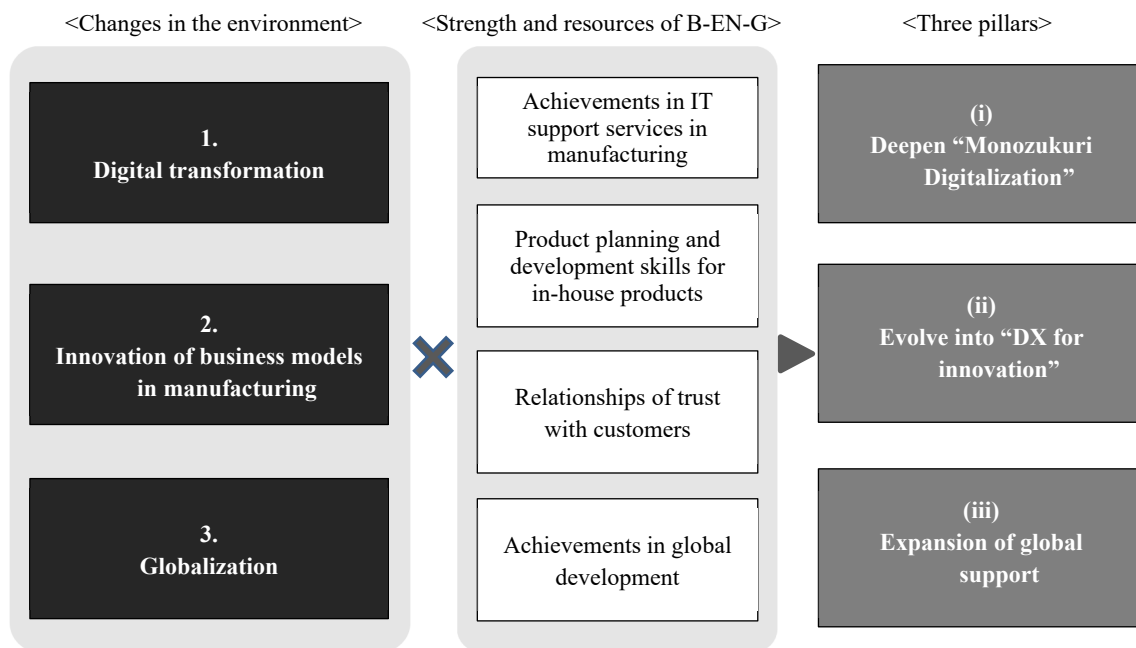
2) Evolve into “DX for innovation”

While supporting innovation in business models for customers, we will work on our own business innovation through creation of new types of business.

3) Expansion of global support

We continuously reinforce global development for the Japanese manufacturing industry to expand our own businesses.

^{*}2: To realize efficiency by digitalizing operations related to “Monozukuri (manufacturing in Japanese),” leading to business innovation.



• Issues to be Addressed

With an expected economic recovery, investment in information technology is anticipated to stay firm overall. However, the situation cannot completely dispel concerns that increased overseas risk may lower customers’ motivation for investment in information technology.

Under these circumstances, we will promote the management plan “Management Vision 2026” mentioned above, work on creation of business opportunities and enhancement of our merchandise and services, and take the next step toward securing stable profits and development of our business foundation. Furthermore, in order to improve corporate value for a medium-to long-term, we will endeavor to keep meeting the criteria to be listed on the prime market.

- Improve quality and productivity of system integration, secure profitability, and suppress unprofitable projects.
- Deepen relationships with customers, strengthen proposals and solutions that captures customer needs, build stronger alliances with potent partners, and strengthen relationships with business partners.
- Respond flexibly to customer needs according to their usage types (owner or user). Expand cloud-based SaaS (Software as a Service) products and services.
- Nurture and secure human resources, reform workstyles, promote diversity and inclusion, implement ongoing improvement in corporate governance, and strengthen business continuity activities.

4. Basic Views on Selecting Accounting Standards

The Group adopts Japanese GAAP (Japanese accounting standards).

In view of various situations, the Group will also proceed to consider the application of IFRS (International Financial Reporting Standards).

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(thousands of yen)	
	FY03/2021 (As of Mar. 31, 2021)	FY03/2022 (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	4,078,245	4,945,888
Notes and accounts receivable - trade, and contract assets	3,171,851	3,468,634
Work in process	67,903	7,454
Other	457,808	445,018
Total current assets	7,775,808	8,866,995
Non-current assets		
Property, plant and equipment		
Buildings	235,674	235,886
Accumulated depreciation	△168,872	△176,504
Buildings, net	66,802	59,382
Tools, furniture and fixtures	388,263	411,086
Accumulated depreciation	△296,895	△319,787
Tools, furniture and fixtures, net	91,367	91,298
Total property, plant and equipment	158,170	150,681
Intangible assets		
Software	1,296,673	1,320,781
Other	2,104	1,167
Total intangible assets	1,298,778	1,321,949
Investments and other assets		
Investment securities	511,964	327,743
Leasehold deposits	296,594	296,951
Deferred tax assets	304,450	389,435
Other	140,971	143,500
Allowance for doubtful accounts	△5,499	△5,499
Total investments and other assets	1,248,481	1,152,131
Total non-current assets	2,705,430	2,624,761
Total assets	10,481,238	11,491,757

	(thousands of yen)	
	FY03/2021 (As of Mar. 31, 2021)	FY03/2022 (As of Mar. 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	661,376	465,861
Short-term borrowings	300,000	100,000
Accrued expenses	623,537	544,154
Income taxes payable	401,760	584,448
Advances received	958,688	983,064
Provision for bonuses	594,114	861,353
Provision for bonuses for directors (and other officers)	35,000	50,000
Reserve for guarantee for after-care of products	16,584	23,915
Provision for loss on orders received	13,329	16,161
Other	393,303	387,373
Total current liabilities	<u>3,997,693</u>	<u>4,016,333</u>
Non-current liabilities		
Long-term borrowings	<u>170,779</u>	—
Total non-current liabilities	<u>170,779</u>	—
Total liabilities	<u>4,168,472</u>	<u>4,016,333</u>
Net assets		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	565,273	565,273
Retained earnings	5,105,777	6,251,448
Treasury shares	△170,854	△156
Total shareholders' equity	<u>6,197,795</u>	<u>7,514,164</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	119,572	△29,590
Foreign currency translation adjustment	△4,602	△9,149
Total accumulated other comprehensive income	<u>114,969</u>	<u>△38,740</u>
Total net assets	<u>6,312,765</u>	<u>7,475,423</u>
Total liabilities and net assets	<u>10,481,238</u>	<u>11,491,757</u>

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

(thousands of yen)

	FY03/2021 (Apr. 1, 2020 – Mar. 31, 2021)	FY03/2022 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	17,707,073	17,760,122
Cost of sales	12,271,889	11,877,585
Gross profit	5,435,183	5,882,537
Selling, general and administrative expenses	3,532,427	3,469,591
Operating profit	1,902,755	2,412,945
Non-operating income		
Interest income	393	273
Dividend income	6,361	7,022
Foreign exchange gains	—	3,082
Subsidy income	2,507	26,348
Other	854	2,780
Total non-operating income	10,117	39,507
Non-operating expenses		
Interest expenses	3,387	4,209
Foreign exchange losses	3,492	—
Share issuance costs	593	—
Commission expenses	9,015	4,752
Other	1,079	24
Total non-operating expenses	17,567	8,985
Ordinary profit	1,895,305	2,443,467
Extraordinary losses		
Loss on liquidation of subsidiaries and associates	—	645
Total extraordinary losses	—	645
Profit before income taxes	1,895,305	2,442,822
Income taxes - current	622,211	849,081
Income taxes - deferred	△15,855	△49,926
Total income taxes	606,355	799,155
Profit	1,288,950	1,643,667
Profit attributable to owners of parent	1,288,950	1,643,667

Consolidated Statement of Comprehensive Income

	(thousands of yen)	
	FY03/2021 (Apr. 1, 2020 – Mar. 31, 2021)	FY03/2022 (Apr. 1, 2021 – Mar. 31, 2022)
Profit	1,288,950	1,643,667
Other comprehensive income		
Valuation difference on available-for-sale securities	139,289	△149,162
Foreign currency translation adjustment	△269	△4,547
Total other comprehensive income	139,020	△153,710
Comprehensive income	1,427,970	1,489,956
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,427,970	1,489,956
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

FY03/2021(Apr. 1, 2020 – Mar. 31, 2021)

(thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	697,600	448,901	4,096,154	△185,386	5,057,269
Cumulative effects of changes in accounting policies			4,604		4,604
Restated balance	697,600	448,901	4,100,759	△185,386	5,061,874
Changes during period					
Dividends of surplus			△283,932		△283,932
Profit attributable to owners of parent			1,288,950		1,288,950
Purchase of treasury shares				△472	△472
Disposal of treasury shares		116,371		15,004	131,376
Net changes in items other than shareholders' equity					
Total changes during period	—	116,371	1,005,017	14,531	1,135,921
Balance at end of period	697,600	565,273	5,105,777	△170,854	6,197,795

(thousands of yen)

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	△19,717	△4,332	△24,050	5,033,219
Cumulative effects of changes in accounting policies				4,604
Restated balance	△19,717	△4,332	△24,050	5,037,824
Changes during period				
Dividends of surplus				△283,932
Profit attributable to owners of parent				1,288,950
Purchase of treasury shares				△472
Disposal of treasury shares				131,376
Net changes in items other than shareholders' equity	139,289	△269	139,020	139,020
Total changes during period	139,289	△269	139,020	1,274,941
Balance at end of period	119,572	△4,602	114,969	6,312,765

FY03/2022(Apr. 1, 2021 – Mar. 31, 2022)

(thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	697,600	565,273	5,105,777	△170,854	6,197,795
Cumulative effects of changes					
Restated balance	697,600	565,273	5,105,777	△170,854	6,197,795
Changes during period					
Dividends of surplus			△497,996		△497,996
Profit attributable to owners of parent			1,643,667		1,643,667
Purchase of treasury shares				△81	△81
Disposal of treasury shares				170,779	170,779
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,145,670	170,698	1,316,368
Balance at end of period	697,600	565,273	6,251,448	△156	7,514,164

(thousands of yen)

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	119,572	△4,602	114,969	6,312,765
Cumulative effects of changes				
Restated balance	119,572	△4,602	114,969	6,312,765
Changes during period				
Dividends of surplus				△497,996
Profit attributable to owners of parent				1,643,667
Purchase of treasury shares				△81
Disposal of treasury shares				170,779
Net changes in items other than shareholders' equity	△149,162	△4,547	△153,710	△153,710
Total changes during period	△149,162	△4,547	△153,710	1,162,658
Balance at end of period	△29,590	△9,149	△38,740	7,475,423

(4) Consolidated Statement of Cash Flows

(thousands of yen)

	FY03/2021 (Apr. 1, 2020 – Mar. 31, 2021)	FY03/2022 (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	1,895,305	2,442,822
Depreciation	720,180	691,416
Increase (decrease) in provision for bonuses	△85,406	267,239
Increase (decrease) in provision for bonuses for directors (and other officers)	—	15,000
Increase (decrease) in reserve for guarantee for after-care of products	△560	7,331
Increase (decrease) in provision for loss on orders received	13,329	2,832
Interest and dividend income	△6,755	△7,296
Interest expenses	3,387	4,209
Foreign exchange losses (gains)	3,492	△3,082
Loss (gain) on liquidation of subsidiaries and associates	—	645
Decrease (increase) in trade receivables	349,651	△296,783
Decrease (increase) in inventories	△60,311	60,449
Decrease (increase) in advance payments to suppliers	△33,638	4,179
Increase (decrease) in trade payables	77,731	△296,511
Increase (decrease) in accrued consumption taxes	△41,275	57,493
Increase (decrease) in advances received	248,935	24,375
Other, net	43,296	△14,383
Subtotal	3,127,362	2,959,935
Interest and dividends received	6,755	7,296
Interest paid	△3,435	△4,160
Income taxes refund	—	443
Income taxes paid	△591,627	△676,390
Net cash provided by (used in) operating activities	2,539,054	2,287,124
Cash flows from investing activities		
Purchase of property, plant and equipment	△34,631	△63,351
Purchase of intangible assets	△725,058	△668,733
Purchase of investment securities	△95,206	—
Other, net	37,799	18,910
Net cash provided by (used in) investing activities	△817,096	△713,174
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	200,000	△200,000
Proceeds from long-term borrowings	170,779	—
Repayments of long-term borrowings	△7,910	△170,779
Purchase of treasury shares	△472	△81
Proceeds from disposal of treasury shares	131,376	170,779
Dividends paid	△283,523	△497,578
Other, net	△13,268	△4,099
Net cash provided by (used in) financing activities	196,979	△701,759
Effect of exchange rate change on cash and cash equivalents	△269	△4,547
Net increase (decrease) in cash and cash equivalents	1,918,668	867,642
Cash and cash equivalents at beginning of period	2,159,577	4,078,245
Cash and cash equivalents at end of period	4,078,245	4,945,888