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July 28, 2022

Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 2317
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 Scheduled date to file quarterly securities report: August 9, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|--------------------|-----------------|------|------------------|-------|-----------------|-------|---|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Three months ended | | | | | | | | |
| June 30, 2022 | 17,627 | 15.0 | 1,821 | 3.8 | 1,879 | 10.4 | 1,285 | 12.3 |
| June 30, 2021 | 15,331 | 3.2 | 1,755 | (0.6) | 1,702 | (7.0) | 1,144 | (8.2) |

Note: Comprehensive income For the three months ended June 30, 2022: ¥1,348 million [17.0%]
 For the three months ended June 30, 2021: ¥1,152 million [(5.6)%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Three months ended | | |
| June 30, 2022 | 3.32 | – |
| June 30, 2021 | 2.95 | – |

Note: The Company implemented a four-for-one common stock split effective December 1, 2021. Basic earnings per share has been calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio | Net assets per share |
|----------------|-----------------|-----------------|-----------------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of | | | | |
| June 30, 2022 | 41,781 | 30,194 | 71.2 | 76.81 |
| March 31, 2022 | 43,477 | 30,173 | 68.5 | 76.83 |

Reference: Equity
 As of June 30, 2022: ¥29,755 million
 As of March 31, 2022: ¥29,762 million

Note: The Company implemented a four-for-one common stock split effective December 1, 2021. Net assets per share has been calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

2. Cash dividends

| | Annual dividends per share | | | | |
|--|----------------------------|--------------------|-------------------|-----------------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2022 | – | 10.00 | – | 3.50 | – |
| Fiscal year ending March 31, 2023 | – | | | | |
| Fiscal year ending March 31, 2023 (Forecast) | | 4.00 | – | 4.00 | 8.00 |

Notes: Revisions to the forecast of cash dividends most recently announced: None

The Company implemented a four-for-one common stock split effective December 1, 2021. The stated year-end dividend per share for the fiscal year ended March 31, 2022 takes the said stock split into account. The total annual dividend for the fiscal year ended March 31, 2022 is not shown because a simple total cannot be calculated due to the implementation of the stock split. The annual dividend per share for the fiscal year ended March 31, 2022 that does not take the stock split into account is ¥24 (the interim dividend of ¥10 per share and year-end dividend of ¥14 per share).

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

| | 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 |
| Fiscal year ending March 31, 2023 | 71,450 | 9.5 | 10,280 | 12.9 | 10,280 | 19.8 | 7,000 | 16.8 | 18.07 |

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None
- (4) Number of issued shares (common shares)

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

| | |
|----------------------|--------------------|
| As of June 30, 2022 | 450,880,000 shares |
| As of March 31, 2022 | 450,880,000 shares |

- (ii) Number of treasury shares at the end of the period

| | |
|----------------------|-------------------|
| As of June 30, 2022 | 63,483,788 shares |
| As of March 31, 2022 | 63,483,788 shares |

- (iii) Average number of shares outstanding during the period

| | |
|----------------------------------|--------------------|
| Three months ended June 30, 2022 | 387,396,212 shares |
| Three months ended June 30, 2021 | 387,374,644 shares |

- Notes: 1. The Company has introduced a stock compensation plan, and in calculating the number of treasury shares of common shares at the end of the period and the average number of shares outstanding during the period, the number of treasury shares includes shares of the Company held by Japan Custody Bank, Ltd. (the Trust Account) as trust assets for the “Trust for Granting Shares to Directors” and the “Trust for Granting Shares to Executive Officers.” The number of treasury shares held by the Trust Account included in the number of treasury shares at the end of the period ended June 30, 2022 and March 31, 2022 was 1,612,300 shares, respectively, and the number of treasury shares held by the Trust Account excluded from the calculation of the average number of shares outstanding during the three months ended June 30, 2022 and three months ended June 30, 2021 is as follows: the average number of common treasury shares held by the Trust Account for the three months ended June 30, 2022 and three months ended June 30, 2021 were 1,622,086 shares and 1,634,000 shares, respectively.
2. The Company implemented a four-for-one common stock split effective December 1, 2021. Number of shares has been calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

* Quarterly financial results reports are exempt from quarterly review by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Forward-looking statements in this material, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed reasonable. Actual results may differ significantly due to various factors. For assumptions underlying the forecast and cautions regarding the use of earnings forecasts, please refer to “1. Qualitative information on quarterly financial results, (3) Forward-looking forecasts, such as consolidated earnings forecasts” on page 6 of the Attached Materials.

Attached Materials Table of Contents

- 1. **Qualitative information on quarterly financial results**..... 2
 - (1) **Operating results for the period under review** 2
 - (2) **Financial position** 5
 - (3) **Forward-looking forecasts, such as consolidated earnings forecasts** 6
- 2. **Quarterly consolidated financial statements** 7
 - (1) **Quarterly consolidated balance sheet** 7
 - (2) **Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**..... 9
 - Quarterly consolidated statement of income**..... 9
 - Quarterly consolidated statement of comprehensive income** 10
 - (3) **Notes to the quarterly consolidated financial statements** 11
 - (Notes on premise of going concern) 11
 - (Notes on substantial changes in amount of shareholder’s equity) 11
 - (Changes in accounting policies)..... 11
 - (Segment information, etc.)..... 11
- 3. **Supplementary information** 13
 - (1) **Production results** 13
 - (2) **Order results**..... 13
 - (3) **Sales results** 13

1. Qualitative information on quarterly financial results

Matters discussed here that are not historical fact reflect judgments made as of the end of the quarter of the fiscal year under review.

(1) Operating results for the period under review

During the first quarter of the fiscal year under review (April 1, 2022 to June 30, 2022), the Japanese economy was on a gradual recovery trend, particularly individual consumption, as restrictions on movement due to the COVID-19 pandemic were loosened and economic and social activities returned to normal. However, the economic outlook remains uncertain as inflationary pressure has grown due to the rapid weakening of the yen and increase in resource and raw material prices accompanying Russia's invasion of Ukraine.

At the same time, the Group further accelerated its business "scrap and build" activities, management's core policy, and even in growth fields, the Group quickly introduced management resources into markets that can be won by leveraging its strengths.

Furthermore, efforts were made to aggressively move forward with not only reinforcing its own sales capabilities but also alliances formed with sales-capable partners and to strengthen sales of its own products and services. The Group made investments to expand the size of its businesses, including continuing to actively recruit new college graduates and increasing office floor space.

In the Solution Design Business, the Group continued to focus on expansion in the in-vehicle, Internet business, IoT, robotics/AI, and digital transformation (DX) fields, where significant growth is expected. Here, the Group worked to further increase orders and improve profitability by making greater use of near-shore development at regional bases and off-shore development in Vietnam.

In the Framework Design Business, the Group deployed its system development expertise from the financial sector to customers in the public and distribution/services sectors, and worked to increase orders in the business application development and infrastructure (cloud) architecture operations.

In the IT Service Business, the Group grew its customer pool and sales volumes by further strengthening alliances with Group companies and partner companies, as well as by promoting the development of IT service products through the use of inbound sales.

In the Business Solution Business, the Group focused on service businesses, not product-oriented businesses, and further strengthen its recurring revenue businesses, centered on the subscription business and system development and support.

In the Cloud Business, which is responsible for promoting the subscription business model, the Group expanded the functionality of its in-house products Canbus.¹ and Cloudstep¹ and actively promoted sales through web marketing. The Group also founded MINGAL, a joint venture with MJE Inc., which has been collaborating on biz-us Cloud powered by Canbus. since last year, and launched efforts to promote DX for licensed professionals by melding the Company's development skills and experience providing cloud services with MJE's sale capabilities.

As a result of the above, consolidated results for the first quarter of the fiscal year under review were net sales of ¥17,627 million (up 15.0% year on year), operating profit of ¥1,821 million (up 3.8% year on year), ordinary profit of ¥1,879 million (up 10.4% year on year), and profit attributable to owners of parent of ¥1,285 million (up 12.3% year on year).

1. Canbus. and Cloudstep are Sytena's original services.

The following describes performance by segment. Note that net sales for each segment include inter-segment net sales or transfers.

(i) Solution Design Business

The Solution Design Business is divided into five categories: in-vehicle, social infrastructure, internet business, products, and DX services. Net sales in this business amounted to ¥5,325 million (up 12.0% year on year), and operating profit was ¥689 million (down 0.9%).

(In-Vehicle)

In the in-vehicle category, which primarily involves the development of elements related to mobility as a service (MaaS), autonomous driving, in-vehicle infotainment, telematics,² and electronic control units (ECUs), the Group won orders for MaaS-related services thanks to differentiation from competitors owing to technological capabilities that leverage the Group's experience in the telecommunications business. Demand for MaaS is expected to grow stronger and stronger. Furthermore, the Group has

positioned these areas as long-term priority focus areas, and through its participation in the MONET Consortium,³ the Group aims to further enhance its business value in the mobility field.

2. Telematics is a term created from the combination of “telecommunication” and “informatics.” It is a generic term for the provision of services using mobile communication systems, such as mobile phones, to automobiles and other mobile objects.
3. MONET Consortium is a consortium established by MONET Technologies Inc., a joint venture between SoftBank Corp. and Toyota Motor Corporation, to promote next-generation mobility services, solve social issues in mobility, and create new value.

(Social Infrastructure)

In the social infrastructure category, which supports the mechanisms of society, including telecommunications infrastructure, payment infrastructure, transportation infrastructure, power grids, and more, and enriches people’s lives, the Group won smart-city related orders by leveraging its experience with MaaS acquired in the in-vehicle field. The Group will also continue to focus on 5G-related projects because there were numerous inquiries regarding service development that makes use of 5G infrastructure.

(Internet Business)

In fields related to the Internet business, such as Internet services and e-commerce, the Group made strong progress with the development of services for 5G Internet services, cashless payments in e-commerce and system, and development and verification related to the utilization of personal data. Having received numerous inquiries from companies trying to further strengthen their services considering recent social conditions, the Group will focus on strengthening total solutions that can extend from planning to development, verification, and customer support.

(Products)

In fields related to product development, including smartphones, home appliances, and robotics, the Group received numerous inquiries related to the keywords “AI” and “IoT,” strengths of the Group. In addition to product development and quality verification, the Group’s ability to provide one-stop support throughout the product lifecycle, including environment construction and support, also differentiates the Group from its competitors and has helped it steadily develop new fields, such as robots.

(DX Service)

In the DX service field, the Group has received many inquiries from companies forced to implement system responses to sudden changes in work styles, including telework, as demand increases for undertaking DX (the concept of improving all aspects of life and business through permeation of information technologies). Furthermore, there was an increase in the number of inquiries regarding our service Remo-oTe, which leverages our business experience and total solution strengths acquired in various fields. The Group will continue to actively develop its services.

Regarding the status of the Group’s response to COVID-19 and its impact on activities within this business, the Group has been able to successfully mitigate risks so as to ensure the continuation of business by shifting to telecommuting in numerous business areas. The Group will continue to promote business by taking rigorous infection control measures.

(ii) Framework Design Business

In this business, the Group harnessed its track record in application development in the financial sector to expand the scope of its offerings to customers in the public sector, distribution/services, and in social infrastructure, leading to an increase in orders.

In the financial sector, the Group provides core system development services for customers in the banking industry and life and non-life insurance industries. In addition to long-term development work in areas such as contract management systems and accounts systems, the Group achieved greater sales by expanding its scope of services to include Internet banking and DX-related systems such as the construction of data utilization infrastructures.

In the public sector, projects related to taxpayer identification numbers (My Number) and education were firm. New projects are being won in the areas of system development, infrastructure construction, and operation and maintenance. Going forward, the Group will continue to actively introduce this into several government cloud projects and other types of projects and further grow them into new business pillars.

In addition, for general corporate clients, the Group won commissioned development projects and moved forward with proposals for business improvement projects using DX solutions. The Group's total system support proposals, from proof of concept support in the system planning stages to operations after system development, have led to an increase in orders.

As a result, net sales in this business amounted to ¥1,422 million (up 25.2% year on year) and operating profit was ¥238 million (up 55.2% year on year).

(iii) IT Service Business

As more and more companies, regardless of industry, are promoting DX and reforming work styles, there is movement to restructure and optimize IT environments, leading to greater demand for IT outsourcing from companies that are creating new business models.

Under these circumstances, the Group expanded its core businesses—contract IT support and PMO services, including assessment and consulting—conducted sales of IT products, including IT training and security services, and focused on providing services more directly linked to customers' rapid business growth.

In the software testing services business, the Group worked to increase orders and improve profitability by offering testing services across all processes, from upstream quality control process consulting to downstream debugging, to not only customers in the entertainment field who provide consumers with web content, apps, and mobile games but also customers in the enterprise field who provide business systems and information systems to companies.

In terms of promoting engagement of persons with disabilities, the Group focused on capturing a broad range of service projects, mainly BPO ones, in order to further create an environment in which their individual abilities and individuality are understood and they can engage in work that provides greater value added.

With regard to measures against COVID-19 within this business, the Group continues to not only shift from a full-time, on-site work style to telecommuting and remote service provision but also undertake sales activities based on inbound sales.

As a result, net sales in this business amounted to ¥4,316 million (up 18.4% year on year) and operating profit was ¥526 million (up 17.3% year on year).

(iv) Business Solution Business

For this business, where the Group is mainly engaged in B2B sales of IT-related products and system integration services mainly for foreign-affiliated and medium-sized companies, the outlook is uncertain because of the war in Ukraine, price increases due to the weak yen, and delays in delivery of products on account of semiconductor shortages. Even so, some companies have started to move as quasi-state of emergency measures are lifted, and the number of projects related to new work style reforms to implement a "with corona virus" mindset, and the use of DX to increase productivity, reduce costs, and increase competitiveness are gradually trending upward.

Specifically, the system integration business was able to win a number of orders for various services including lift and shift, which is a type of cloud migration, and server relocations.

In addition, the Group successfully won orders for not only system development but also maintenance and operation projects to digitalize corporations' businesses by making use of RPA and data linkage tools.

Since the Group is seeing Windows 10 replacement demand pick up among client businesses, the Group will continue to move forward with leading proposals while taking into consideration higher product prices and delays in delivery.

As a result, net sales in this business amounted to ¥6,267 million (up 14.0% year on year) and operating profit was ¥358 million (down 11.3% year on year).

(v) Cloud business

In this business, where the Group provides cloud solutions and original services to companies and other entities, the Group received many inquiries regarding its Canbus. DX platform from companies urgently seeking to implement telecommuting and other types of work style reforms. In particular, the Group not

only sold licenses to companies seeking to shift to data-driven operations, but also received many orders for integration projects, including operational system replacement and system integration. Taking this into consideration, the Group offered an easy system integration service that combines new functions and the remote outsourcing service Remo-oTe so that even more companies can undertake digital transformations, and this resulted in an increase in inquiries. Going forward, the Group will continue to promote aggressive investment and sales reinforcement in this priority offering area.

Turning to Cloudstep groupware, which is integrated with Google Workspace and Microsoft 365, there has been an increase in inquiries regarding rebuilding the groupware architecture which is suited to current work styles as Google Workplace is rebranded. At the same time, system integration, an area of strength for the Group, differentiates the Group from its competitors and results in orders.

As a result, net sales in this business amounted to ¥392 million (up 4.5% year on year) and operating profit was ¥63 million (down 6.5% year on year).

MINGAL, which was established on June 1, 2022, is included in the Cloud Business reporting segment.

(vi) Overseas Business

The Company's U.S. subsidiary received repeat orders from Japanese-affiliated firms located in Silicon Valley for proof of concept development and verification, which checks the effectiveness of elemental technologies of Silicon Valley start-up companies. In addition, for subscription services, there were a growing number of cases involving smart factories that employ AI and IoT, and more and more companies are introducing Canbus., a DX solution with a track record in Japan.

While there is strong movement to restore economic activity following the COVID-19 pandemic, some companies are choosing to introduce hybrid work while others are selecting to have all employees return to the office, and the Group will continue to undertake proactive sales activities that are either face to face or web based depending on the customer.

Furthermore, ONE Tech, Inc., a U.S. company that the subsidiary has invested in, has entered into a partnership agreement with Renesas Electronics Corporation and others to provide its proprietary AI MicroAI™, and has formed alliances with several microcontroller unit (MCU) manufacturers and is actively engaged in joint sales.

StrongKey Inc., another U.S.-based company the subsidiary has invested in, is moving forward with sales activities related to Tellaro, its enterprise security product, and is focusing on attracting new inquiries and winning ongoing orders from client companies based on its capabilities in data encryption and strong FIDO authentication.

In this business, which is still in the investment stage, net sales amounted to ¥33 million (down 17.4% year on year), and the operating loss was ¥10 million (versus operating loss of ¥3 million in the previous fiscal year).

(vii) Investment & Incubation Business

GaYa Co., Ltd., operates social games developed in-house and designs and develops business applications for smartphones and tablets. In the first quarter of the fiscal year under review, the company worked on the development of the new horse racing game application Keiba Densetsu PRIDE, and released it at the end of June as scheduled after incorporating feedback obtained in the closed β test into the game. The release entailed advertising expenses, and focus will now turn to holding various types of in-game events and undertaking additional development and operation. Furthermore, there is firm commissioned development from existing customers, and the Group will continue to move forward with stabilizing the business.

As a result, net sales in this business amounted to ¥33 million (down 18.4% year on year) and the operating loss was ¥45 million (versus operating loss of ¥12 million in the previous fiscal year).

(2) Financial position

(Assets)

Total assets at the end of the first quarter of the fiscal year under review amounted to ¥41,781 million (versus ¥43,477 million at the end of the previous fiscal year), a decrease of ¥1,695 million from the end of the previous fiscal year. Current assets amounted to ¥36,343 million (versus ¥38,002 million at the end of the previous fiscal year), a decrease of ¥1,658 million from the end of the previous fiscal year. This was mainly due to a ¥1,681 million decline in notes and accounts receivable - trade, and contract assets. Non-current assets amounted to ¥5,437 million (versus ¥5,475 million at the end of the previous fiscal year), a decrease of ¥37 million from the end of the previous fiscal year. Property, plant and equipment amounted to ¥1,144

million (versus ¥1,058 million at the end of the previous fiscal year), an increase of ¥85 million from the end of the previous fiscal year. Intangible assets amounted to ¥311 million (versus ¥278 million at the end of the previous fiscal year), an increase of ¥33 million from the end of the previous fiscal year. Investments and other assets amounted to ¥3,981 million (versus ¥4,138 million at the end of the previous fiscal year), a decrease of ¥156 million from the end of the previous fiscal year. This was mainly due to a ¥263 million decrease in deferred tax assets and a ¥86 million increase in investment securities.

(Liabilities)

Total liabilities amounted to ¥11,587 million (versus ¥13,303 million at the end of the previous fiscal year), a decline of ¥1,716 million from the end of the previous fiscal year. This was mainly due to a ¥1,107 million decline in income taxes payable, a ¥994 million decline in accounts payable - trade, a ¥594 million decline in provision for bonuses, and a ¥507 million increase in accounts payable - other, and accrued expenses.

(Net assets)

Net assets amounted to ¥30,194 million (versus ¥30,173 million at the end of the previous fiscal year), an increase of ¥20 million from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of ¥1,285 million, an increase in foreign currency translation adjustment of ¥70 million, an increase in non-controlling interests of ¥27 million, and dividends of surplus of ¥1,361 million. As a result, the equity-to-asset ratio increased 2.7 percentage points from the end of the previous fiscal year to 71.2%.

(3) Forward-looking forecasts, such as consolidated earnings forecasts

There have been no changes to the earnings forecasts for the full-fiscal year ending March 31, 2023 released on May 11, 2022.

If there are revisions in the future, notification will be promptly made.

2. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

| | As of March 31, 2022 | As of June 30, 2022 |
|---|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 21,657 | 21,685 |
| Notes and accounts receivable - trade, and contract assets | 14,323 | 12,642 |
| Merchandise | 1,151 | 803 |
| Other | 880 | 1,223 |
| Allowance for doubtful accounts | (11) | (11) |
| Total current assets | 38,002 | 36,343 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 398 | 442 |
| Tools, furniture and fixtures, net | 489 | 472 |
| Land | 97 | 97 |
| Construction in progress | – | 82 |
| Other, net | 72 | 48 |
| Total property, plant and equipment | 1,058 | 1,144 |
| Intangible assets | | |
| Software | 270 | 248 |
| Software in progress | 5 | 61 |
| Other | 2 | 2 |
| Total intangible assets | 278 | 311 |
| Investments and other assets | | |
| Investment securities | 1,775 | 1,862 |
| Long-term loans receivable from subsidiaries and associates | 575 | 613 |
| Leasehold and guarantee deposits | 1,513 | 1,533 |
| Deferred tax assets | 817 | 554 |
| Other | 30 | 31 |
| Allowance for doubtful accounts | (575) | (613) |
| Total investments and other assets | 4,138 | 3,981 |
| Total non-current assets | 5,475 | 5,437 |
| Total assets | 43,477 | 41,781 |

(Millions of yen)

| | As of March 31, 2022 | As of June 30, 2022 |
|---|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 5,696 | 4,702 |
| Short-term borrowings | 1,550 | 1,550 |
| Accounts payable - other, and accrued expenses | 2,076 | 2,584 |
| Income taxes payable | 1,525 | 418 |
| Provision for bonuses | 1,348 | 753 |
| Other | 977 | 1,439 |
| Total current liabilities | 13,175 | 11,448 |
| Non-current liabilities | | |
| Provision for share-based compensation | 97 | 107 |
| Other | 30 | 30 |
| Total non-current liabilities | 128 | 138 |
| Total liabilities | 13,303 | 11,587 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,513 | 1,513 |
| Capital surplus | 6,025 | 6,023 |
| Retained earnings | 27,309 | 27,232 |
| Treasury shares | (5,042) | (5,042) |
| Total shareholders' equity | 29,806 | 29,727 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (25) | (24) |
| Foreign currency translation adjustment | (18) | 52 |
| Total accumulated other comprehensive income | (43) | 28 |
| Non-controlling interests | 411 | 439 |
| Total net assets | 30,173 | 30,194 |
| Total liabilities and net assets | 43,477 | 41,781 |

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income**

(Millions of yen)

| | Three months ended June 30, 2021 | Three months ended June 30, 2022 |
|---|-------------------------------------|-------------------------------------|
| Net sales | 15,331 | 17,627 |
| Cost of sales | 11,624 | 13,400 |
| Gross profit | 3,707 | 4,226 |
| Selling, general and administrative expenses | 1,952 | 2,405 |
| Operating profit | 1,755 | 1,821 |
| Non-operating income | | |
| Interest income | 2 | 5 |
| Dividend income | 7 | 0 |
| Gain on sale of investment securities | – | 14 |
| Gain on investments in investment partnerships | 48 | – |
| Share of profit of entities accounted for using equity method | – | 13 |
| Subsidy income | 6 | 3 |
| Commission income | 0 | 0 |
| Other | 10 | 22 |
| Total non-operating income | 76 | 61 |
| Non-operating expenses | | |
| Interest expenses | 1 | 1 |
| Loss on sale of investment securities | 74 | – |
| Share of loss of entities accounted for using equity method | 16 | – |
| Provision of allowance for doubtful accounts | 34 | – |
| Foreign exchange losses | 0 | – |
| Other | 0 | 1 |
| Total non-operating expenses | 128 | 3 |
| Ordinary profit | 1,702 | 1,879 |
| Profit before income taxes | 1,702 | 1,879 |
| Income taxes - current | 295 | 340 |
| Income taxes - deferred | 265 | 262 |
| Total income taxes | 560 | 603 |
| Profit | 1,142 | 1,276 |
| Loss attributable to non-controlling interests | (1) | (8) |
| Profit attributable to owners of parent | 1,144 | 1,285 |

Quarterly consolidated statement of comprehensive income

(Millions of yen)

| | Three months ended June 30, 2021 | Three months ended June 30, 2022 |
|--|-------------------------------------|-------------------------------------|
| Profit | 1,142 | 1,276 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 12 | 0 |
| Foreign currency translation adjustment | (1) | 92 |
| Share of other comprehensive income of entities accounted for using equity method | (0) | (21) |
| Total other comprehensive income | 9 | 71 |
| Comprehensive income | 1,152 | 1,348 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,154 | 1,356 |
| Comprehensive income attributable to non-controlling interests | (1) | (8) |

(3) Notes to the quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Notes on substantial changes in amount of shareholder's equity)

No items to report.

(Changes in accounting policies)

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

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) (hereinafter, "Fair Value Measurement Accounting Standard Implementation Guidance") from the beginning of the first quarter of the fiscal year under review, and it will apply new accounting policies provided for by the Fair Value Measurement Accounting Standard Implementation Guidance prospectively in accordance with transitional measures provided for in paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. This had no impact on the quarterly consolidated financial statement.

(Segment information, etc.)

Segment information

I First quarter of previous fiscal year (from April 1, 2021 to June 30, 2021)

1. Information on net sales and profit or loss by reportable segment

(Millions of yen)

| | Solution Design Business | Framework Design Business | IT Service Business | Business Solution Business | Cloud business | Overseas Business | Investment & Incubation Business | Adjustment | Amount on quarterly consolidated statement of income (see Notes) |
|---------------------------------------|--------------------------|---------------------------|---------------------|----------------------------|----------------|-------------------|----------------------------------|------------|--|
| Net sales | | | | | | | | | |
| Net sales to external customers | 4,740 | 1,136 | 3,556 | 5,485 | 374 | 19 | 19 | – | 15,331 |
| Inter-segment net sales and transfers | 13 | – | 90 | 10 | 0 | 21 | 21 | (157) | – |
| Total | 4,753 | 1,136 | 3,646 | 5,495 | 375 | 40 | 40 | (157) | 15,331 |
| Segment profit (loss) | 695 | 153 | 448 | 404 | 67 | (3) | (12) | 0 | 1,755 |

(Note) For segment profit (loss), adjustments are made against operating profit on the consolidated statement of income.

2. Information about impairment loss or goodwill for non-current assets by reporting segment

No items to report.

II First quarter of fiscal year under review (from April 1, 2022 to June 30, 2022)

1. Information on net sales and profit or loss by reportable segment

(Millions of yen)

| | Solution Design Business | Framework Design Business | IT Service Business | Business Solution Business | Cloud business | Overseas Business | Investment & Incubation Business | Adjustment | Amount on quarterly consolidated statement of income (see Notes) |
|---------------------------------------|--------------------------|---------------------------|---------------------|----------------------------|----------------|-------------------|----------------------------------|------------|--|
| Net sales | | | | | | | | | |
| Net sales to external customers | 5,309 | 1,422 | 4,202 | 6,261 | 392 | 15 | 24 | – | 17,627 |
| Inter-segment net sales and transfers | 15 | – | 114 | 5 | 0 | 18 | 9 | (163) | – |
| Total | 5,325 | 1,422 | 4,316 | 6,267 | 392 | 33 | 33 | (163) | 17,627 |
| Segment profit (loss) | 689 | 238 | 526 | 358 | 63 | (10) | (45) | – | 1,821 |

(Note) For segment profit (loss), adjustments are made against operating profit on the consolidated statement of income.

2. Matters related to changes in reportable segments

MINGAL, which was established on June 1, 2022, is included in the Cloud Business reporting segment.

3. Information about impairment loss or goodwill for non-current assets by reporting segment

No items to report.

3. Supplementary information

Production, order, and sales

MINGAL, which was established on June 1, 2022, is included in the Cloud Business reporting segment.

(1) Production results

Production results per business segment for the first quarter of the fiscal year under review are as follows.

| Business segment | Production (Millions of yen) | Year-on-year change (%) |
|----------------------------|------------------------------|-------------------------|
| Solution Design Business | 3,509 | 110.4 |
| Framework Design Business | 1,011 | 124.3 |
| IT Service Business | 3,126 | 117.1 |
| Business Solution Business | 274 | 145.5 |
| Total | 7,921 | 115.6 |

- (Notes)
1. Within the Group, only segments that involve made-to-order activities are shown due to the nature of services.
 2. The above amounts are stated at production cost.

(2) Order results

Order results per segment for the first quarter of the fiscal year under review are as follows.

| Business segment | Order value (Millions of yen) | Year-on-year change (%) | Backlog of orders (Millions of yen) | Year-on-year change (%) |
|----------------------------|-------------------------------|-------------------------|-------------------------------------|-------------------------|
| Solution Design Business | 6,068 | 136.0 | 8,323 | 130.0 |
| Framework Design Business | 1,622 | 124.1 | 2,654 | 115.9 |
| IT Service Business | 4,249 | 119.9 | 6,029 | 113.3 |
| Business Solution Business | 331 | 149.4 | 475 | 160.8 |
| Total | 12,272 | 128.7 | 17,483 | 122.2 |

- (Note) Within the Group, only segments that involve made-to-order activities are shown due to the nature of services.

(3) Sales results

Sales results per business segment for the first quarter of the fiscal year under review are as follows.

| Business segment | Net sales (Millions of yen) | Year-on-year change (%) |
|----------------------------------|-----------------------------|-------------------------|
| Solution Design Business | 5,309 | 112.0 |
| Framework Design Business | 1,422 | 125.2 |
| IT Service Business | 4,202 | 118.2 |
| Business Solution Business | 6,261 | 114.1 |
| Cloud business | 392 | 104.7 |
| Overseas Business | 15 | 78.1 |
| Investment & Incubation Business | 24 | 126.5 |
| Total | 17,627 | 115.0 |

- (Note) Inter-segment transactions are offset and eliminated.