

Consolidated Financial Report for the Fiscal Year Ending March 31, 2022 [IFRS]

May 6, 2022

BIPROGY Inc.

Stock Listing: Tokyo Stock Exchange, Prime Market
 Stock Code: 8056
 URL: <https://www.biprogy.com/e/>
 Representative: Akiyoshi Hiraoka, Representative Director, President & CEO
 Scheduled Date for Ordinary General Meeting of Shareholders: Jun 28, 2022
 Scheduled Starting Date for Dividend Payment: Jun 29, 2022
 Scheduled Submission Date for Securities Report: Jun 29, 2022
 Earnings Supplementary Explanatory Documents: yes
 Earnings Results Briefing: yes (for institutional investors, analysts and press)

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for FY2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated Results of Operations

(Percentage below represents increase (decrease) from previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Comprehensive income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2022	317,600	3.0	27,425	11.4	29,575	19.6	20,490	23.1	23,780	40.2
FY2021	308,426	—	24,624	—	24,723	—	16,639	—	16,961	—

(Note) Adjusted operating profit FY2022 : 26,671 Million Yen (5.9%) FY2021: 25,193 Million Yen (—)

Adjusted operating profit is the result obtained after deducting selling, general and administrative expenses and cost of sales from revenue.

	Basic earnings per share	Diluted earnings per share	Return on Equity attributable to owners of parent	Profit before tax to total assets	Operating Profit to net sales
	Yen	Yen	%	%	%
FY2022	204.04	203.38	17.0	11.3	8.6
FY2021	165.78	165.18	15.5	9.9	8.0

(Reference) Share of Profit of Entities Accounted for Using Equity Method FY2022: 915 Million Yen FY2021: (231) Million Yen

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Ratio of equity attributable to owners of parent to total assets
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
FY2022	268,647	130,674	128,917	48.0	1,283.45
FY2021	254,035	113,986	112,271	44.2	1,118.31

(3) Consolidated Cash Flow Status

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
FY2022	29,435	(10,957)	(16,118)	48,703
FY2021	40,567	(11,583)	(16,301)	46,281

2. Dividends

	Dividends Per Share					Total Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2021	—	35.00	—	35.00	70.00	7,026	42.2	6.5
FY2022	—	35.00	—	50.00	85.00	8,537	41.7	7.1
FY2023 (Forecast)	—	40.00	—	40.00	80.00		40.2	

(Note) Breakdown of the FY2022 year-end dividends: Ordinary dividend per share ¥40.00 and commemorative dividend per share ¥10.00

3. Consolidated Earnings Forecast for FY2023 (from April 1, 2022 to March 31, 2023)

(Percentage below represents increase (decrease) from previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
FY2023	330,000	3.9	29,000	5.7	29,000	(1.9)	20,000	(2.4)	199.16

(Note) Adjusted operating profit (Full Year) 29,000 Million Yen (8.7%)

* Notes

(1) Change in the scope of consolidation (change of condition of significant consolidated subsidiaries) during this period: No

(2) Changes in accounting policies, changes in accounting estimates and restatement of corrections

1. Changes in accounting policies as required by IFRS : No

2. Other changes in accounting policies: No

3. Changes in accounting estimates: No

(3) Number of shares outstanding (common stock) (shares)

1. Number of shares outstanding (including treasury shares)	FY2022	109,663,524	FY2021	109,663,524
2. Number of shares of treasury shares	FY2022	9,218,006	FY2021	9,269,280
3. Average number of shares outstanding (during the period)	FY2022	100,423,103	FY2021	100,375,598

*This Consolidated Financial Report is not subject to audit procedures.

*Comment regarding appropriate usage of earnings forecast, and other special notes

The Company group has applied the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2022. Financial results figures on the transition date and of the previous fiscal year are also presented in accordance with IFRS.

The forward-looking statements such as earnings forecasts contained in this document are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. The Company makes no warranty as to the achievability of what is described in the statements. Actual results may differ from these forecasts due to various factors.

(Appendix)

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1. 【Performance Summaries】

(1) Summary of Operating Results

The Japanese economy remained uncertain partly due to price hikes of raw materials and the situation in Ukraine as well as a continued semiconductor chip shortage, although it showed signs of gradual recovery supported by the COVID-19 vaccination making progress in the fiscal year ending March 2022.

We have seen good appetite for digital transformation (DX) investment in the domestic information services market. However, some companies have become cautious investors about their ICT asset. We need to remain watchful about the situations.

In this environment, the Nihon Unisys changed its trade name to BIPROGY Inc. in April 2022 with the vision of transforming into a company that creates social value. The Company has worked on initiatives as indicated in the Management Policies (2021-2023). The Management Policies were established by the Group with an eye towards a new stage where the Group will enable a sustained growth of the entire corporate value through creating social value pursuant to the “Purpose^{Note 1}” and the “Vision 2030^{Note 2}” that the Group established anew.

Revenue was driven up compared with the previous fiscal year on the basis of an increase in system services projects related to digital transformation (DX) and steadily accumulated outsourcing business projects such as those of platform services for EC business operators and financial institutions.

Despite an increase in SG&A expenses, gross profit was increased as a result of the strong revenue as well as improved profitability. We posted an increase in operating income, adjusted operating income, and profit compared with the previous period.

Orders exceeded the level of the previous fiscal year, attributable to system services remaining at a high level in the fourth quarter as before. Order backlogs also exceeded the previous fiscal year.

The Company has worked on increasing business ecosystems from the two viewpoints: the ‘For Customers’ perspective to promote for customers digital transformation conducive to their sustained growth and the ‘For Society’ perspective to promote solutions for social issues in cooperation with customers and partners of various business sectors and industries.

Our ‘For Customer’ initiatives are exemplified by ‘Omni-Base for DIGITAL’ATELIER’, a service-use type commerce business platform provided for retailers and mail order companies. The platform has continuously served as an OMO-compatible DX system. Also, AI-Order Foresight®, an AI-driven automated ordering service, increases its users steadily as a key service for digitally transforming shops. The sense of speed enabled by using our cloud-computing flexibility to gradually increase automation subjects after starting small captivates customers who are operating business in the VUCA^{Note 3} age. We aim to increase more of the services.

Recently, electronic shelf labelling to digitally transform operations gathers attention as a solution to solve the social issue of shrinking labor force. eBuyerBrains to support sustainable procurement goes with the flow of the times to evaluate an entire supply chain in light of labor, human rights, and the environment. The solution has come to be inquired about more frequently. Thus, we have been steadily increasing our group efforts to work on solving social issues across industries through the use of services and AI technologies that broadly support these business areas. Our various types of outsourcing services such as those for core-banking businesses now serve many advanced regional financial institutions in the industry.

The Company has also promoted DX efforts for regional financial institutions reforming their branch offices through BANK_FIT-NE and SmileBranch to streamline clerical duties and strengthen customer interactions. Our group earnestly working on regional revitalization as well as regional financial institutions believing in developing and revitalizing regional economies as their mission, reverberate and create empathy. This enables a flow that data of local areas has come be accumulated and used for revitalizing regional economies.

Our ‘For Society’ initiatives are exemplified by the KIINNOX[®] project that we launched in November 2021 with the aim of promoting distribution and use of domestic timber through collaborations among businesses of various sectors. We have been implementing on a trial basis the ‘timber distribution platform service’ for digitally transforming the lumber industry as part of the project. This service has been provided in Gifu Prefecture. We will contribute to achieving SDGs as well as carbon neutrality through reducing greenhouse gas emissions to net-zero in 2050 by promoting utilization of domestic wooden materials.

Also, the Company has been promoting initiatives conducive to increasing renewable energies in addition to environmental value businesses exemplified by a business related to Non-Fossil Certificate With Tracking continuously implemented as entrusted by the Ministry of Economy, Trade and Industry. One example is a demonstration experiment of energy management scheme conducted in cooperation with local government bodies as well as major energy business operators. Based upon EVs^{Note 6} travelling data and booking information, we make an optimal daily charge/discharge plan, and conduct the complex power control demonstration experiment. The experiments are about limiting on maximum power consumption in compliance with the characteristics of solar energy and dispersed power sources such as storage batteries for EV vehicles and controlling remaining charge levels of storage batteries and EVs in consideration of power sharing in an event of power outage.

We will establish a unique position with the aim of making three social impacts: resilience, regenerative and zero emissions. We will provide Digital Commons[®] designed to create a sustainable society, and create new markets.

Other attempts that we have implemented include our studiously working on measuring methods of non-financial KPIs as indicated in the Materiality newly established under the sustainability promotion system and visualizing the methods. Our efforts for meeting a social demand of sustainable procurement are exemplified by eBuyerBrains and energy management system. The solutions are environmentally conducive and serves the aim of zero emissions as indicated through the materiality KPIs for business growth.

In addition, our group companies aim to create an environment where all employees can fulfill roles. We were awarded and recognized for various types of attempts and initiatives to promote female employees. Our selection as a “2021 Nadeshiko Brand”^{Note 8} company is one example. Also, we received the highest Gold award in the PRIDE Index 2021. We will continue to promote efforts to reform our corporate culture in light of employee capabilities and organization.

The group as a whole is studious in achieving its goals set forth in the Management Policies (2021-2023). We aim to continue communications with various stakeholders, continuously increase our corporate value and promote business with sustainability kept in mind.

(NOTES)

1. https://www.biprogy.com/com/purpose_principles.html
2. https://www.biprogy.com/com/management_policy.html
3. OMO: Acronym for Online Merges with Offline, referring to a marketing method to enable seamless customer experience by coordinating digital shops (online) on the Internet with real brick-and-mortar shops (offline) from the viewpoint of customers.
4. VUCA: Acronym for volatility, uncertainty, complexity, ambiguity, referring to a future situation of social environment which is not an easy prediction
5. Sustainable procurement: procuring materials and fuels with kept in mind the environment, human rights and the sustainability of society
6. EV: Acronym for electric vehicle, referring to automobiles travelling on electricity as fuel source
7. https://biprogy.disclosure.site/ja/themes/95?response_id=265#265
8. Nadeshiko Brand: The Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange select companies that made excellent efforts to promote women in the workplace as 'Nadeshiko Brands' for each of 27 industries. Companies are selected pursuant to certain scoring criteria for measuring the empowerment of women and then are screen based on a point-addition method of assessing financial performance (ROE).
9. PRIDE Index: the nation's first performance index to assess efforts about sexual minorities such as LGBTQ at work sites.
10. Names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

For the fiscal year, we posted revenue of ¥317,600 million up by ¥9,174 million or 3.0 % compared with the previous fiscal year. The increase is attributable to a continued strength of system services and outsourcing services.

The increase in system services and outsourcing services revenue outweighed an increase in selling, general and administrative expenses such as investments in internal office automation partly for cybersecurity support as well as an increase in system sales support costs in order to create new projects. As a result, gross profit was driven up.

The Company posted operating profit of ¥ 27,425 million up by ¥ 2,800 million or 11.4 % compared with the previous fiscal year. It posted profit attributable to owners of parent of ¥ 20,490 million up by ¥ 3,850 million or 23.1%.

Adjusted operating profit that is used by the Company group as an index for managing performance was ¥ 26,671 million, up by ¥ 1,478 million or 5.9% on a year-over-year basis.

(2) Summary of Financial Condition

In the fiscal year under review, partly due to an increase in trade and other receivables as well as other financial assets total assets were ¥ 268,647 million, an increase of ¥ 14,611 million compared with the end of the previous fiscal year.

Liabilities were ¥ 137,972 million, a ¥2,076 million decrease from the end of the previous fiscal year, partly due to a decrease in lease liabilities, despite an increase in trade and other payables as well as contract liabilities.

Equity was ¥ 130,674 million. Ratio of equity attributable to owners of parent to total assets was 48.0%, up by 3.8 pts. from the end of the previous fiscal year.

(3) Summary of Cash Flows

Cash and cash equivalents at the end of the fiscal year under review were ¥ 48,703 million, an increase of ¥ 2,421 million compared with the end of the previous fiscal year. The cash flow situations and relevant factors are stated below.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥ 29,435 million (a decrease of ¥ 11,132 million in proceeds compared with the previous fiscal year).

This reflects proceeds of ¥29, 575 million in profit before income taxes, the elements of increasing the proceeds and the elements of decreasing the proceeds.

The factors increasing proceeds of non-cash expenses include ¥ 16,692 million in depreciation and amortization as well as an increase of ¥ 7,303 million in trade and other receivables.

(Cash flows from investing activities)

Net cash spent in investing activities was ¥ 10,957 million (a decrease of ¥ 626 million in expenditures compared with the previous period).

This includes: expenditures of ¥ 1,624 million as a result of purchasing property, plant and equipment such as computers for business activities; expenditures of ¥ 7,441 million due to the acquisitions of intangible assets such as the investments in software for outsourcing; and,

expenditures of ¥ 3, 866 million by making investments in funds as well as acquiring investment securities mainly for the purpose of operating a CVC (corporate venture capital) fund through our subsidiary.

(Cash flows from financing activities)

Net cash spent in the financing activities was ¥ 16,118 million (a decrease of ¥183 million in expenditures from the previous period). This includes lease liabilities repayments of ¥ 8,800 million liabilities and dividends payment of ¥ 7,026 million.

(Reference)

Changes in the Equity attributable to owners of parent ratios and the indicators related to cash flows

	Fiscal Year ending March 2022	Fiscal Year ending March 2021
Equity attributable to owners of parent ratio (%)	48.0	44.2
Equity attributable to owners of parent ratio (Market cap.) (%)	116.5	134.8
Ratio of cash flow to interest-bearing debts (years)	1.4	1.2
Interest coverage ratio (times)	183.1	242.8

(Notes)

Equity attributable to owners of parent ratio: Equity attributable to owners of parent/Total assets

Equity attributable to owners of parent ratio (Market cap.): Market capitalization /Total assets

Ratio of cash flow to interest-bearing debt: Interest-bearing debt/Cash flow

Interest coverage ratio: Cash flow/Interest payments

* 1. All of the above indicators are calculated using financial figures on a consolidated basis.

* 2. Cash flows indicated above mean cash flows from operating activities.

(4)Prospects for the Next Fiscal Year

The Company plans to post revenue of ¥330,000 million, an increase of 3.9% as it projects for the next fiscal year on a consolidated basis.

We plan to post operating income of ¥29,000 million, up by 5.7%, income before tax of 29,000 million, down by 1.9% and profit attributable to owners of parent of 20,000 million, down by 2.4%.

Adjusted operating income is projected to be ¥29,000 million, up by 8.7%.

Forecast of the consolidated performance for FY 2023

(Billions of Yen)

	Fiscal Year ending March 2023	Fiscal Year ending March 2022	Changes
Revenue	330.0	317.6	3.9 %
Operating Income	29.0	27.4	5.7 %
Income before Tax	29.0	29.6	(1.9 %)
Profit Attributable to Owners of Parent	20.0	20.5	(2.4 %)
Adjusted Operating Income	29.0	26.7	8.7 %

(5) Basic Policy on Distribution of Profits

The Company seeks to achieve a stable and continuous distribution of profits in line with a policy of paying dividends in accordance with our performance. The specific amount of dividends will be determined by taking into consideration the need to secure internal reserves for business development, and also comprehensively considering the business environment and other factors.

For the fiscal year under review, we will pay a ¥ 75.0 annual dividend per share (¥ 35.0 for the mid-term dividend and ¥40.0 for the term-end dividend, an increase of ¥5.0 per share compared with the previous period) as an ordinary dividend.

In addition, upon this occasion of changing the company name we have decided to pay a commemorative dividend of ¥10.0 per share. In total, we plan an annual dividend per share of ¥85.0 (¥35.0 for the mid-term dividend and ¥50.0 for the term-end dividend).

For the fiscal year ending March 2023, we forecast an increase in operating income. Thus, we plan an annual dividend of ¥80.0 per share (¥40.0 for the mid-term dividend and ¥40.0 for the term-end dividend), up by ¥5.0 per share (ordinary dividend) compared with this period.

Please refer to the ‘notice of dividends from surplus (dividend increase and commemorative dividend)’ that we published today (May 6, 2022) for details about the dividends for this period.

2.【Basic Concept on the Selection of Accounting Standards】

We have applied IFRS (International Financial Reporting Standards) instead of our conventional Japan GAAP in the first quarter of the fiscal year ending March 2022 and thereafter, in order to prepare our consolidated financial statements including the Consolidated Balance Sheets and Consolidated Statements of Income, in light of improving global comparability of financial information in the capital market.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statements of Financial Position

Millions of Yen

	Transition date (As of April 1, 2020)	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Assets			
Current assets			
Cash and cash equivalents	33,615	46,281	48,703
Trade and other receivables	73,669	73,003	80,249
Contract assets	5,755	4,552	6,467
Inventories	8,407	7,091	9,550
Other financial assets	520	600	666
Other current assets	11,687	11,744	12,419
Total current assets	133,655	143,273	158,056
Non-current assets			
Property, plant and equipment	14,330	13,332	11,479
Right-of-use assets	28,415	24,571	19,888
Goodwill	1,509	1,873	1,589
Intangible assets	19,356	21,201	21,722
Investments accounted for using equity method	2,470	1,617	2,855
Other financial assets	31,480	35,929	42,293
Deferred tax assets	9,501	5,586	3,222
Retirement benefit asset	699	1,414	1,623
Other non-current assets	5,528	5,235	5,916
Total non-current assets	113,292	110,761	110,590
Total assets	246,947	254,035	268,647

	Transition date (As of April 1, 2020)	FY2021 (As of March 31, 2021)	FY2022 (As of March 31, 2022)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	24,935	27,859	29,771
Contract liabilities	18,899	18,038	19,959
Borrowings	5,617	4,317	6,275
Lease liabilities	8,286	8,571	8,033
Other financial liabilities	2,960	2,787	2,203
Income taxes payable	4,660	5,118	6,039
Provisions	1,340	559	161
Other current liabilities	24,236	23,833	25,704
Total current liabilities	90,937	91,086	98,148
Non-current liabilities			
Borrowings	15,717	17,012	14,575
Lease liabilities	21,431	17,540	12,967
Other financial liabilities	138	503	389
Retirement benefit liability	13,276	12,558	9,945
Provisions	1,201	1,284	1,652
Deferred tax liabilities	23	18	262
Other non-current liabilities	-	44	30
Total non-current liabilities	51,787	48,962	39,823
Total liabilities	142,725	140,048	137,972
Equity			
Share capital	5,483	5,483	5,483
Capital surplus	14,909	14,901	14,944
Treasury shares	(13,513)	(13,475)	(13,400)
Other components of equity	5,051	6,618	8,290
Retained earnings	90,729	98,744	113,599
Total equity attributable to owners of parent	102,660	112,271	128,917
Non-controlling interests	1,562	1,715	1,757
Total equity	104,222	113,986	130,674
Total liabilities and equity	246,947	254,035	268,647

(2) Consolidated Statements of Profit or Loss and Comprehensive Income

(Consolidated Statements of Profit or Loss)

Millions of Yen

	FY2021 (Fiscal year ended March 31, 2021)	FY2022 (Fiscal year ended March 31, 2022)
Revenue	308,426	317,600
Cost of sales	229,209	234,462
Gross profit	79,217	83,138
Selling, general and administrative expenses	54,023	56,466
Share of profit (loss) of investments accounted for using equity method	(231)	915
Other income	197	251
Other expenses	534	413
Operating profit	24,624	27,425
Finance income	514	2,324
Finance costs	415	173
Profit before tax	24,723	29,575
Income tax expense	7,956	8,915
Profit	16,767	20,660
Profit attributable to		
Owners of parent	16,639	20,490
Non-controlling interests	127	169
Profit	16,767	20,660
Earnings per share		
Basic earnings per share	165.78	204.04
Diluted earnings per share	165.18	203.38

(Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2021 (Fiscal year ended March 31, 2021)	FY2022 (Fiscal year ended March 31, 2022)
Profit	16,767	20,660
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	1,924	1,968
Remeasurements of defined benefit plans	(1,688)	1,003
Share of other comprehensive income of investments accounted for using equity method	(0)	2
Total of items that will not be reclassified to profit or loss	234	2,975
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(39)	145
Total of items that may be reclassified to profit or loss	(39)	145
Other comprehensive income, net of tax	194	3,120
Comprehensive income	16,961	23,780
Comprehensive income attributable to		
Owners of parent	16,840	23,595
Non-controlling interests	121	185
Comprehensive income	16,961	23,780

(3) Consolidated Statements of Changes in Equity
FY2021 [From April 1, 2020 to March 31, 2021]

(Millions of yen)

Equity attributable to owners of parent						
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Share of other comprehensive income of investments accounted for using equity method
As of April 1, 2020	5,483	14,909	(13,513)	4,559	-	491
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	1,924	(1,688)	-
Comprehensive income	-	-	-	1,924	(1,688)	(0)
Dividends of surplus	-	-	-	-	-	-
Purchase of treasury shares	-	-	(0)	-	-	-
Disposal of treasury shares	-	-	37	-	-	(28)
Share-based payment transactions	-	-	-	-	-	55
Obtaining of control of subsidiaries	-	-	-	-	-	-
Loss of control of subsidiaries	-	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	(7)	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	(350)	1,688	-
Other	-	-	0	-	-	-
Total transactions with owners	-	(7)	37	(350)	1,688	27
As of March 31, 2021	5,483	14,901	(13,475)	6,132	-	518

Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests
	Exchange differences on translation of foreign operations	Total			
As of April 1, 2020	-	5,051	90,729	102,660	1,562
Profit	-	-	16,639	16,639	127
Other comprehensive income	(34)	200	-	200	(5)
Comprehensive income	(34)	200	16,639	16,840	121
Dividends of surplus	-	-	(7,276)	(7,276)	(109)
Purchase of treasury shares	-	-	-	(0)	-
Disposal of treasury shares	-	(28)	(9)	0	-
Share-based payment transactions	-	55	-	55	-
Obtaining of control of subsidiaries	-	-	-	-	146
Loss of control of subsidiaries	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	-	-	(7)	(5)
Transfer from other components of equity to retained earnings	-	1,338	(1,338)	-	-
Other	-	-	-	0	-
Total transactions with owners	-	1,366	(8,625)	(7,229)	31
As of March 31, 2021	(34)	6,618	98,744	112,271	1,715

Equity attributable to owners of parent						
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Share of other comprehensive income of investments accounted for using equity method
As of April 1, 2021	5,483	14,901	(13,475)	6,132	-	518
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	1,968	944	2
Comprehensive income	-	-	-	1,968	944	2
Dividends of surplus	-	-	-	-	-	-
Purchase of treasury shares	-	-	(0)	-	-	-
Disposal of treasury shares	-	(3)	38	-	-	(33)
Share-based payment transactions	-	50	37	-	-	-
Obtaining of control of subsidiaries	-	-	-	-	-	-
Loss of control of subsidiaries	-	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	(3)	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	(403)	(944)	(0)
Other	-	-	(0)	-	-	-
Total transactions with owners	-	43	74	(403)	(944)	(33)
As of March 31, 2022	5,483	14,944	(13,400)	7,698	-	485

Equity attributable to owners of parent					
	Other components of equity		Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
As of April 1, 2021	(34)	6,618	98,744	112,271	1,715
Profit	-	-	20,490	20,490	169
Other comprehensive income	138	3,105	-	3,105	15
Comprehensive income	138	3,105	20,490	23,595	185
Dividends of surplus	-	-	(7,028)	(7,028)	(110)
Purchase of treasury shares	-	-	-	(0)	-
Disposal of treasury shares	-	(33)	-	1	-
Share-based payment transactions	-	-	-	88	-
Obtaining of control of subsidiaries	-	-	-	-	-
Loss of control of subsidiaries	-	-	-	(166)	(166)
Changes in ownership interest in subsidiaries	-	-	-	133	130
Transfer from other components of equity to retained earnings	-	(1,398)	1,398	-	-
Other	-	-	(5)	(6)	-
Total transactions with owners	-	(1,432)	(5,635)	(6,950)	(142)
As of March 31, 2022	104	8,290	113,599	128,917	1,757

(4) Consolidated Statements of Cash Flows

	Millions of Yen	
	FY2021	FY2022
	(Fiscal year ended March 31, 2021)	(Fiscal year ended March 31, 2022)
Cash flows from operating activities		
Profit before tax	24,723	29,575
Depreciation and amortization	17,578	16,692
Impairment losses	465	324
Interest and dividend income	(344)	(348)
Interest expenses	166	160
Share of loss (profit) of investments accounted for using equity method	231	(915)
Decrease (increase) in trade and other receivables	624	(7,303)
Decrease (increase) in contract assets	1,202	(1,914)
Decrease (increase) in inventories	1,315	(2,459)
Increase (decrease) in trade and other payables	2,859	1,946
Increase (decrease) in contract liabilities	(859)	1,927
Increase or decrease in retirement benefit asset or liability	(290)	(1,022)
Other	(392)	(69)
Subtotal	47,282	36,593
Interest and dividends received	356	350
Interest paid	(167)	(160)
Income taxes paid	(6,904)	(7,348)
Net cash provided by (used in) operating activities	40,567	29,435
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,825)	(1,624)
Proceeds from sale of property, plant and equipment	1	0
Purchase of intangible assets	(8,140)	(7,441)
Purchase of investment securities	(1,928)	(3,866)
Proceeds from sale of investment securities	589	1,308
Proceeds from acquisition of subsidiaries	146	-
Decrease due to losses on control of subsidiaries	-	(480)
Purchase of investments accounted for using equity method	(352)	-
Proceeds from sale of investments accounted for using equity method	972	-
Other	(46)	1,146
Net cash provided by (used in) investing activities	(11,583)	(10,957)
Cash flows from financing activities		
Proceeds from long-term borrowings	5,612	3,837
Repayments of long-term borrowings	(5,617)	(4,317)
Repayments of lease liabilities	(8,816)	(8,800)
Dividends paid	(7,275)	(7,026)
Dividends paid to non-controlling interests	(117)	(110)
Other	(88)	299
Net cash provided by (used in) financing activities	(16,301)	(16,118)
Effect of exchange rate changes on cash and cash equivalents	(16)	62
Net increase (decrease) in cash and cash equivalents	12,666	2,421
Cash and cash equivalents at beginning of period	33,615	46,281
Cash and cash equivalents at end of period	46,281	48,703

(5) Notes to Consolidated Financial Statements
 (Notes on Going Concern Assumption)
 None applicable

(Segment information and Others)

(1) Overview of reportable segments

The reportable segments of the Company are those among the constituent units of the Company for which separate financial statements can be obtained and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

By fully harnessing the collective capabilities of the Group, the Company provides comprehensive IT solution services, from identifying customers' management issues to providing solutions to them.

The Company's operations therefore consist of segments composed of products and services that constitute our IT solution services.

We have five reportable segments: System Services, Support Services, Outsourcing, Software, and Hardware.

Details of the reportable segments are as follows:

- System Services: Software contract development business, system engineer services and consulting
- Support Services: Software and hardware maintenance, installation support and related services
- Outsourcing: System operation by contract, and related services
- Software: Provision of software based on software license agreements
- Hardware: Provision of hardware partly based on equipment sales agreements

(2) Information about performance by reportable segment

FY2021 (from April 1, 2020 to March 31, 2021)

	Reportable segment						Other (Note 1)	Total	Adjust ment (Note 2)	Amount recorded in the consolidated financial statements
	System Services	Support Services	Out sourcing	Software	Hardware	Total				
Revenue	94,147	53,264	59,547	32,341	57,490	296,790	11,635	308,426	-	308,426
Segment profits (Note 4)	28,886	16,583	16,271	6,366	8,647	76,755	2,461	79,217	(54,023)	25,193
Share of profit (loss) of investments accounted for using equity method										(231)
Other income										197
Other expense										534
Operating profit										24,624
Finance income										514
Finance costs										415
Profit before tax										24,723

	Reportable Segments						Other (Note 1)	Total	Adjust ment (Note 2)	Amount recorded in the consolidate d financial statements
	System Services	Support Services	Out sourcing	Software	Hardware	Total				
Segment assets	971	1,434	21,490	3,999	6,317	34,214	214	34,428	219,607	254,035
Other items										
Depreciation and amortization	234	143	6,484	1,726	258	8,847	33	8,881	8,697	17,578
Impairment loss	—	—	461	—	—	461	—	461	4	465
Investments accounted for using equity method	—	—	—	—	—	—	—	—	1,617	1,617
Capital expenditures (Note 3)	364	178	8,449	1,861	202	11,055	20	11,076	4,582	15,658

(Note 1) The Other category is a business segment that is not included in the reportable segments. It includes network services and installation.

(Note 2) The contents of adjustment are described below.

(1) The adjustment to segment profits represents selling, general and administrative expenses that have not been distributed to each segment.

(2) The adjustment to segment assets represents the corporate assets that have not been distributed to each reportable segment.

(3) The adjustment to depreciation and amortization represents the depreciation and amortization of the corporate assets that have not been distributed to each reportable segment.

(4) The adjustment to impairment loss represents the impairment losses in the corporate assets that have not been distributed to each reportable segment.

(5) The adjustment to investments accounted for using equity method represents the investments accounted for using equity method that have not been distributed to each reportable segment.

(6) The adjustment to capital expenditures represents an increase in the corporate assets that have not been distributed to each reportable segment.

(Note 3) Capital expenditures include amounts that are related to right-of-use assets and goodwill.

(Note 4) Segment profits are represented by adjusted operating income which is the result of deducting cost of sales and selling, general and administrative expenses from revenue.

FY2022 (from April 1, 2021 to March 31, 2022)

	Reportable segment						Other (Note 1)	Total	Adjust ment (Note 2)	Amount recorded in the consolidated financial statements
	System Services	Support Services	Out sourcing	Software	Hardware	Total				
Revenue	103,101	51,537	63,647	34,089	56,158	307,325	10,275	317,600	-	317,600
Segment profits (Note 4)	32,629	16,218	17,298	5,255	9,476	80,879	2,258	83,138	(56,466)	26,671
Share of profit (loss) of investments accounted for using equity method										915
Other income										251
Other expense										413
Operating profit										27,425
Finance income										2,324
Finance costs										173
Profit before tax										29,575

	Reportable Segments						Other (Note 1)	Total	Adjust ment (Note 2)	Amount recorded in the consolidate d financial statements
	System Services	Support Services	Out sourcing	Software	Hardware	Total				
Segment assets	1,160	1,350	22,557	5,863	5,569	36,501	89	36,590	232,056	268,647
Other items										
Depreciation and amortization	234	126	5,959	1,350	221	7,893	26	7,919	8,772	16,692
Impairment loss	-	-	314	10	-	324	-	324	-	324
Investments accounted for using equity method										
	-	-	-	-	-	-	-	-	2,855	2,855
Capital expenditures (Note 3)	265	140	7,350	1,333	82	9,172	5	9,177	2,572	11,749

(Note 1) The Other category is a business segment that is not included in the reportable segments. It includes network services and installation.

(Note 2) The contents of adjustment are described below.

(1) The adjustment to segment profits represents selling, general and administrative expenses that have not been distributed to each reportable segment.

(2) The adjustment to segment assets represents the corporate assets that have not been distributed to each reportable segment.

(3) The adjustment to depreciation and amortization represents the depreciation and amortization of the corporate assets that have not been distributed to each reportable segment.

(4) The adjustment to investments accounted for using equity method represents the investments accounted for using equity method that have not been distributed to each reportable segment.

(5) The adjustment to capital expenditures represents an increase in the corporate assets that have not been distributed to each reportable segment.

(Note 3) Capital expenditures include amounts that are related to right-of-use assets and goodwill.

(Note 4) Segment profits are represented by adjusted operating income which is the result of deducting cost of sales and selling, general and administrative expenses from revenue.

(3) Information by product and service

Information by product and service is not described because the same information is stated as part of segment information.

(4) Information by region

① Revenue from external customers

Revenue by region are not disclosed because the amount of revenue from external customers in Japan accounts for a large portion of the amount of revenue of consolidated statements of income.

② Non-current assets

Non-current assets by region are not disclosed because the amount of non-current assets that are located in Japan accounts for a large portion of the amount of non-current assets of consolidated balance sheets.

(5) Information by major customer

No major customer is stated because no customer accounted for 10% or more of the amount of revenue as stated in the consolidated statements of income.

(Per-Share Information)

(1) Calculation basic data for basic earnings per share

	FY 2021 (from April 1, 2020 to March 31, 2021)	FY 2022 (from April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (¥ Mil)	16,639	20,490
Profit not attributable to ordinary shareholders of parent (¥ Mil)	—	—
Profit used for calculating basic earnings per share (¥ Mil)	16,639	20,490
Weighted-average number of shares outstanding (thousand shares)	100,375	100,423
Basic earnings per share (¥)	165.78	204.04

(2) Calculation basic data for diluted earnings per share

	FY 2021 (from April 1, 2020 to March 31, 2021)	FY 2022 (from April 1, 2021 to March 31, 2022)
Profit used for calculating basic earnings per share (¥ Mil)	16,639	20,490
Profit adjustments (¥ Mil)	—	—
Profit used for calculating diluted earnings per share (¥ Mil)	16,639	20,490
Weighted-average number of shares outstanding (thousand shares)	100,375	100,423
Increase in the number of ordinary shares		
Share acquisition rights (¥)	364	325
Weighted-average number of shares outstanding used for calculating diluted earnings per share (thousand shares)	100,740	100,748
Diluted earnings per share (¥)	165.18	203.38
Dilutive shares, which were not included in the calculation of diluted earnings per share, due to lack of dilution effect	—	—

(Significant Subsequent Events)

None

(First-time Adoption of IFRS)

The Company group prepared consolidated financial statements pursuant to IFRS from this fiscal year. The latest consolidated financial statements prepared in accordance with the generally accepted accounting principles in Japan (J-GAAP) are for the year ended March 31, 2021. The date of transition to IFRS is April 1, 2020.

(1) Exemption Provisions under IFRS 1

Under IFRS 1, a company that adopts IFRS for the first time (hereinafter referred to as a ‘First-time Adopter’) is to use retrospectively certain standards requested under IFRS, in principle. However, as a compulsory exception under the International Financial Reporting Standards (IFRS) Article 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter referred to as “IFRS 1”), retrospective application is prohibited for certain standards required under IFRS. Under the same article, certain exemption provisions may be voluntarily applied for certain standards required by IFRS. An adjustment for impacts of applying these provisions has been made within “Retained earnings” or “Other components of equity” at the date of transition to IFRS from J-GAAP. The voluntary exemption provisions applied by the Company group are described below.

① Business Combinations

A First-time Adopter is recognized not to adopt retrospectively IFRS Article 3 “Business Combinations” (hereinafter referred to as “IFRS 3”) about business combinations arising prior to the date of IFRS transition. The Company group has opted not to apply retrospectively IFRS 3 for business combinations that occurred prior to the date of transition as recognized by this exemption provision. Thus, goodwill resulting from business combinations arising prior to the date of transition has been recognized using the carrying amount based on the conventional J-GAAP as of the date of transition. An impairment test was implemented as of the date of transition, regardless of whether there is any indication of impairment.

② Exchange Difference on Transition of Foreign Operations

Under IFRS 1, it is recognized that cumulative foreign currency translation adjustments are deemed to be zero at the date of transition. The Company group has chosen to deem accumulated exchange differences on translation of foreign operations to be zero at the date of transition.

③ Designation of Financial Instruments Recognized before the Date of Transition

Under IFRS 1, it is recognized that the classification under IFRS 9 “Financial Instruments” (hereinafter referred to as “IFRS 9”) on the basis of the facts and circumstances that exist at the date of transition, not those that exist at initial recognition. Under IFRS 1, it also recognized that equity instruments as financial assets measured at fair value through other comprehensive income on the basis of the facts and circumstances that exist at the date of transition. The Company group assesses the classification under IFRS 9 on the basis of the facts and circumstances that exist at the date of transition and designates certain equity instruments as financial assets measured through other comprehensive income.

④ Leases

Under IFRS 1, it is recognized that a First-time Adopter assesses whether a contract contains a lease at the date of transition to IFRS. In addition, IFRS 1 permits the First-time Adopter to measure a lease liability at the present value of the remaining lease payments, discounted through the use of the lessee’s incremental borrowing rate at the date of transition, and to measure a right-of-use asset at an amount equal to the lease liability. Furthermore, under IFRS 1, it is recognized that the First-time Adopter considers a lease for which the lease term within 12 months of the date of transition to IFRS or for which the underlying asset is of low value as an expense. The Company group judges whether leases are contained in a contract pursuant to the facts and circumstances at the date of transition by applying these exemption provisions. The Company group deems a lease liability to be worth the present value discounted through the use of the lessee’s incremental borrowing rate at the date of transition, and deems a right-of-use asset to be worth the same amount.

⑤ Revenue

Under IFRS 1, it is recognized that transitional provisions described in C5 of IFRS 15 “Revenue from Contracts with Customers” (hereinafter referred to as the “IFRS 15”) will be applied.

The Company group has applied the transitional provision stated in C5 (d) of IFRS 15.

(2) Mandatory Exceptions

Under IFRS 1, it is prohibited that a retrospective application of IFRS provisions related to “estimates”, “de-recognition of financial assets and financial liabilities”, “hedge accounting”, “non-controlling interests”, “classification and measurement of financial instruments” and others. The Company group prospectively applies the IFRS provisions on and after the date of transition to IFRS.

(3) Reconciliation between J-GAAP and IFRS

The reconciliation table is prepared below as required to be disclosed at the first-time adoption of IFRS. The “Reclassification” column in the table presents items that do not affect equity and comprehensive income. The “Recognition and Measurement Differences” column presents items that affect equity and comprehensive income.

①Reconciliation of equity as of the transition date (April 1,2020)

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
ASSETS						Assets
Current assets						Current assets
Cash and deposits	33,287	-	327	33,615		Cash and cash equivalents
Notes and accounts receivable - trade	70,840	8,645	(61)	79,424	①	Trade and other receivables
Merchandise and finished goods	7,443	(55)	1,018	8,407	①	Inventories
Work in process	1,843	(1,843)	-	-		
Raw materials and supplies	77	(77)	-	-		
	-	43	477	520		Other financial assets
Other	19,825	(8,710)	571	11,687		Other current assets
Allowance for doubtful accounts	(21)	21	-	-		
Total current assets	133,297	(1,976)	2,334	133,655		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment, net	13,465	487	377	14,330		Property, plant and equipment
	-	835	27,580	28,415	②	Right-of-use assets
Goodwill	1,509	-	-	1,509	③	Goodwill
Intangible assets	18,914	653	(210)	19,356		Intangible assets
	-	2,470	-	2,470	③	Investments accounted for using equity method
Investment securities	23,272	8,354	(146)	31,480	⑤	Other financial assets
Deferred tax assets	3,818	-	5,682	9,501	④	Deferred tax assets
Retirement benefit asset	4,357	-	(3,658)	699	⑦	Retirement benefit asset
Other	16,637	(11,121)	13	5,528		Other non-current assets
Allowance for doubtful accounts	(296)	296	-	-		
Total non-current assets	81,678	1,976	29,637	113,292		Total non-current assets
Total assets	214,975	-	31,972	246,947		Total assets

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
LIABILITIES						Liabilities and equity
Current liabilities						Liabilities
Notes and accounts payable - trade	22,475	2,104	355	24,935		Current liabilities
Advances received	18,477	-	421	18,899		Trade and other payables
Current portion of long-term borrowings	5,617	-	-	5,617		Contract liabilities
	-	411	7,874	8,286	②	Borrowings
	-	3,045	(84)	2,960		Lease liabilities
Income taxes payable	4,654	-	6	4,660		Other financial liabilities
Accrued expenses	10,905	(10,905)	-	-		Income taxes payable
Provision for loss on contract development	708	(708)	-	-		
Other provisions	846	717	(223)	1,340		Provisions
Other	10,431	5,334	8,470	24,236	⑥	Other current liabilities
Total current liabilities	74,117	-	16,820	90,937		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term borrowings	15,717	-	-	15,717		Borrowings
	-	509	20,921	21,431	②	Lease liabilities
	-	135	2	138		Other financial liabilities
Retirement benefit liability	651	-	12,624	13,276	⑦	Retirement benefit liability
Provisions	94	1,128	(21)	1,201		Provisions
Asset retirement obligations	1,128	(1,128)	-	-		
	-	23	-	23		Deferred tax liabilities
Other	668	(668)	-	-		
Total non-current liabilities	18,260	-	33,527	51,787		Total non-current liabilities
Total liabilities	92,377	-	50,347	142,725		Total liabilities

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
Shareholders' equity						Equity
Share capital	5,483	-	-	5,483		Share capital
Capital surplus	14,909	-	-	14,909		Capital surplus
Retained earnings	109,795	-	(19,066)	90,729	⑨	Retained earnings
Treasury shares	(13,513)	-	-	(13,513)		Treasury shares
Total accumulated other comprehensive income	3,798	491	762	5,051	⑧	Other components of equity
Stock acquisition rights	491	(491)	-	-		
	-	-	-	102,660		Total equity attributable to owners of parent
Non-controlling interests	1,633	-	(71)	1,562		Non-controlling interests
Total net assets	122,598	-	(18,375)	104,222		Total equity
Total liabilities and net assets	214,975	-	31,972	246,947		Total liabilities and equity

Reconciliation of equity as of March 31,2021

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
ASSETS						Assets
Current assets						Current assets
Cash and deposits	45,833	-	447	46,281		Cash and cash equivalents
Notes and accounts receivable - trade	72,429	7,532	(2,405)	77,556	①	Trade and other receivables
Merchandise and finished goods	6,053	(790)	1,828	7,091	①	Inventories
Work in process	1,685	(1,685)	-	-		
Raw materials and supplies	56	(56)	-	-		
	-	88	512	600		Other financial assets
Other	18,690	(7,671)	725	11,744		Other current assets
Allowance for doubtful accounts	(51)	51	-	-		
Total current assets	144,698	(2,532)	1,108	143,273		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment, net	12,321	666	344	13,332		Property, plant and equipment
	-	881	23,690	24,571	②	Right-of-use assets
Goodwill	1,472	-	400	1,873	③	Goodwill
Intangible assets	20,462	985	(245)	21,201		Intangible assets
	-	1,538	78	1,617	③	Investments accounted for using equity method
Investment securities	27,003	9,222	(296)	35,929	⑤	Other financial assets
Deferred tax assets	960	-	4,626	5,586	④	Deferred tax assets
Retirement benefit asset	9,075	-	(7,661)	1,414	⑦	Retirement benefit asset
Other	16,278	(11,053)	10	5,235		Other non-current assets
Allowance for doubtful accounts	(291)	291	-	-		
Total non-current assets	87,282	2,532	20,946	110,761		Total non-current assets
Total assets	231,980	-	22,054	254,035		Total assets

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
LIABILITIES						Liabilities and equity
Current liabilities						Liabilities
Notes and accounts payable - trade	25,293	2,147	417	27,859		Current liabilities
Advances received	17,736	-	301	18,038		Trade and other payables
Current portion of long-term borrowings	4,317	-	-	4,317		Contract liabilities
	-	438	8,133	8,571	②	Borrowings
	-	2,900	(112)	2,787		Lease liabilities
Income taxes payable	5,113	-	5	5,118		Other financial liabilities
Accrued expenses	11,229	(11,229)	-	-		Income taxes payable
Provision for loss on contract development	328	(328)	-	-		
Other provisions	417	302	(160)	559		Provisions
Other	10,086	5,769	7,977	23,833	⑥	Other current liabilities
Total current liabilities	74,523	-	16,562	91,086		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term borrowings	17,012	-	-	17,012		Borrowings
	-	739	16,800	17,540	②	Lease liabilities
	-	501	2	503		Other financial liabilities
Retirement benefit liability	703	-	11,855	12,558	⑦	Retirement benefit liability
Provisions	31	1,208	44	1,284		Provisions
Asset retirement obligations	1,208	(1,208)	-	-		
	-	329	(310)	18		Deferred tax liabilities
Other	1,614	(1,570)	-	44		Other non-current liabilities
Total non-current liabilities	20,570	-	28,392	48,962		Total non-current liabilities
Total liabilities	95,093	-	44,955	140,048		Total liabilities

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
Shareholders' equity						Equity
Share capital	5,483	-	-	5,483		Share capital
Capital surplus	14,901	-	-	14,901		Capital surplus
Retained earnings	119,586	-	(20,841)	98,744	⑨	Retained earnings
Treasury shares	(13,475)	-	-	(13,475)		Treasury shares
Total accumulated other comprehensive income	8,136	518	(2,037)	6,618	⑧	Other components of equity
Stock acquisition rights	518	(518)	-	-		
	-	-	-	112,271		Total equity attributable to owners of parent
Non-controlling interests	1,736	-	(20)	1,715		Non-controlling interests
Total net assets	136,887	-	(22,900)	113,986		Total equity
Total liabilities and net assets	231,980	-	22,054	254,035		Total liabilities and equity

Notes on Reconciliation of Equity

(1) Reclassification

(A) Trade and other receivables, trade and other payables, and allowance for credit losses

Accounts receivable included in 'Other' in current assets under Japanese GAAP is reclassified to 'Trade and other receivables' under IFRS. Accounts payable included in 'Other' in current liabilities under Japanese GAAP is reclassified to 'Trade and other payables' under IFRS. 'Allowance for doubtful accounts' separately presented in current assets under Japanese GAAP is reclassified to be presented on a net basis by directly deducting the item from 'Trade and other receivables' under IFRS. Similarly, 'Allowance for doubtful accounts' separately presented in non-current assets is reclassified to be presented on a net basis by directly deducting the item from 'Other financial assets' in non-current assets.

(B) Contract liabilities

'Advances received' separately presented in current liabilities under Japanese GAAP are reclassified to 'Contract liabilities' under IFRS.

(C) Other contract assets, and other contract liabilities

Membership, leasehold deposits, and long-term loans receivable among others included in 'Investment securities' and 'Other' in non-current assets under Japanese GAAP are reclassified to 'Other financial assets' under IFRS. 'Deposits received' included in 'Other' in current liabilities under Japanese GAAP are reclassified to 'Other financial liabilities' under IFRS.

(D) Investments accounted for using equity method

'Investments accounted for using equity method' included in 'Investment securities' under Japanese GAAP are separately presented under IFRS.

(E) Other current liabilities

'Accrued expenses' separately presented in current liabilities under Japanese GAAP are included in 'Other current liabilities' under IFRS.

(2) Recognition and Measurement Differences

① Trade and other receivables, contract assets and inventories

Revenue from certain transactions was previously recognized upon shipment under Japanese GAAP. It is now recognized upon delivery to customers under IFRS. Revenue from certain transactions was previously recognized on a monthly basis, etc. over a period of time under Japanese GAAP. It is now recognized at a point in time. Revenue from certain transactions was previously recognized on an inspection basis under Japanese GAAP. An amount equivalent to costs expected to be recovered out of incurred costs is now recognized as revenue in a case where it is not possible to measure reasonably total costs which are needed by completion (pursuant to the cost recovery method).

② Right-of-use assets and lease liabilities

Operating leases, among leases for which the Company group was a lessee, were accounted for in the similar manners to ordinary rental transactions, under Japanese GAAP. Under IFRS, leases for which the Company group is a lessee are not classified into finance and operating leases. Therefore, the Company group basically records 'Right-of-use assets' and 'Lease liabilities' for every lease transaction.

③ Goodwill and goodwill included in investments accounted for using equity method

Goodwill and goodwill included in investments accounted for using equity method were regularly amortized over a certain period of time in which investment effects are to emerge pursuant to reasonable estimations, under Japanese GAAP. These are not amortized under IFRS. The Company group does not amortize on the date of transition and thereafter.

④ Deferred tax assets

Recoverability of deferred tax assets was judged pursuant to Corporate Accounting Standard Guidelines No. 26 'Implementation Guidance on Recoverability of Deferred Tax Assets' under Japanese GAAP. Deferred tax assets were recognized in light of the judgement. Deferred tax assets are recognized for the carryforward of deductible temporary differences, unused tax losses and unused tax credits to the extent that future taxable profit will be available against which they can be utilized.

⑤ Other financial assets

Unlisted stocks were valued and posted at acquisition cost under Japanese GAAP. Impairment losses were recorded in an event where financial situations worsened. Unlisted stocks are specified as financial assets measured at fair value through other comprehensive income, under IFRS. Therefore, no impairment losses are recorded. Certain financial assets such as membership are classified as financial assets measured at fair value through profit or loss. Therefore, changes in fair value are recognized through profit or loss.

⑥ Other current liabilities

Unused paid absences which do not need to be accounted for under Japanese GAAP are now recorded as liabilities under IFRS.

⑦ Adjustments to retirement benefit liability

Actuarial gains and losses were recognized in other comprehensive income as incurred and were amortized from the following fiscal year of the incurrence on a straight-line basis over a certain number of years within the average remaining service period of employees, under Japanese GAAP. Under IFRS, actuarial gains and losses are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings. In a case of an overfunded status of the defined benefit plans, the net defined asset amount to be recognized is limited at a present value of the usable economic benefits, under IFRS, unlike it used to be under Japanese GAAP. Therefore, a surplus is recognized as part of other comprehensive income, and it is immediately reclassified to retained earnings.

⑧ Exchange differences on translation of foreign operations

The Company group elected to apply exemptions provided under IFRS 1, and reclassified to retained earnings all cumulative exchange differences on translation of foreign operations on the date of transition categorized as part of other comprehensive income

⑨ Adjustments to retained earnings

The influences below from the adjustments above are made to retained earnings. The amounts below are indicated after adjusting related tax effects and non-controlling interests.

Millions of Yen		
	Transition date (As of April 1, 2020)	FY2021 (As of March 31, 2021)
Trade receivables, contract assets and inventories	113	(828)
Goodwill and investments accounted for using equity method	1	566
Other financial assets	240	1,414
Deferred tax assets and liabilities	282	590
Accrued vacation payable	(5,741)	(5,367)
Adjustments of retirement benefit	(14,351)	(16,924)
Transfer of accumulated exchange differences on translation of foreign operations	(33)	(33)
Other	421	(258)
Total	(19,066)	(20,841)

②Reconciliation of profit and comprehensive income for the FY2021(Fiscal year ended March 31,2021)

Millions of Yen

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
Net sales	309,685	-	(1,259)	308,426	①	Revenue
Cost of sales	228,605	-	603	229,209	①③	Cost of sales
Gross profit	81,079	-	(1,862)	79,217		Gross profit
Selling, general and administrative expenses	54,354	(204)	(126)	54,023	②③	Selling, general and administrative expenses
	-	(310)	78	(231)	②	Share of profit (loss) of investments accounted for using equity method
	-	194	3	197		Other income
	-	524	10	534		Other expenses
Operating profit	26,724	(436)	(1,663)	24,624		Operating profit
Total non-operating income	610	(610)	-	-		
Total non-operating expenses	790	(790)	-	-		
Total extraordinary income	616	(616)	-	-		
Total extraordinary losses	1,520	(1,520)	-	-		
	-	942	(427)	514	④	Finance income
	-	1,396	(980)	415	④	Finance costs
Profit before tax	25,640	194	(1,111)	24,723		Profit before tax
Income taxes - current	7,232	1,448	(724)	7,956	⑤	Income tax expense
Income taxes - deferred	1,253	(1,253)	-	-		
Profit	17,154	-	(387)	16,767		Profit

J-GAAP Accounting Items	J-GAAP	Reclassification	Recognition & Measurement Difference	IFRS	Notes	IFRS Accounting Items
Profit	17,154	-	(387)	16,767		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	2,714	-	(790)	1,924	④	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	1,645	-	(3,334)	(1,688)	③	Remeasurement of retirement benefits
Share of other comprehensive income of entities accounted for using equity method	(0)	-	-	(0)		Share of other comprehensive income of investments accounted for using equity method
						Items that may be reclassified to profit or loss
Deferred gains or losses on hedges	(1)	-	1	-		
Foreign currency translation adjustment	(25)	-	(14)	(39)		Exchange differences on translation of foreign operations
Total other comprehensive income	4,332	-	(4,137)	194		Other comprehensive income, net of tax
Comprehensive income	21,486	-	(4,524)	16,961		Comprehensive income

Notes on reconciliations of profit or loss and comprehensive income

(1) Reclassification

There were items that were presented as 'Non-operating income', 'Non-operating expenses', 'Extraordinary income' and 'Extraordinary losses' under Japanese GAAP. Under IFRS, finance-related profits or losses are recorded as 'Finance income' and 'Finance costs'. Other items are presented as 'Other income', 'Other expenses' and 'Share of profit (loss) of investments accounted for using equity method'

(2) Recognition and measurement differences

① Revenue and cost of sales

Revenue from certain transactions was previously recognized upon shipment under Japanese GAAP. It is now recognized upon delivery to customers under IFRS. Revenue from certain transactions was previously recognized on a monthly basis, etc. over a period of time under Japanese GAAP. It is now recognized at a point in time. Revenue from certain transactions was previously recognized on an inspection basis under Japanese GAAP. An amount equivalent to costs expected to be recovered out of incurred costs is now recognized as revenue in a case where it is not possible to measure reasonably total costs which are needed by completion (pursuant to the cost recovery method).

② Goodwill amortization cost and share of loss of investments accounted for using equity method

Goodwill and goodwill included in investments accounted for using equity method were amortized, under Japanese GAAP. These are not amortized under IFRS. The Company group does not amortize on the date of transition and thereafter.

③ Employee Benefit

Actuarial gains and losses from retirement benefits predicated upon a defined benefit plan were recognized in other comprehensive income as incurred and were amortized from the following fiscal year of the incurrence on a straight-line basis over a certain number of years within the average remaining service period of employees, under Japanese GAAP. Under IFRS, actuarial gains and losses are not accounted for as costs. These are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings. Unused paid absences which do not need to be accounted for under Japanese GAAP are now recorded as liabilities under IFRS.

④ Finance income and finance costs

Loss or gains on sales of investment securities or impairment losses of investment securities were classified in profit or loss, under Japanese GAAP. With respect to investments in equity instruments designated at fair value through other comprehensive income, under IFRS, changes in fair value are recognized as other comprehensive income, and are reclassified to retained earnings in a case where the Company group ceases such recognitions.

⑤ Income tax

The Company group is reconsidering recoverability of all deferred tax assets in light of applying IFRS.

Reconciliation to the Consolidated Cash Flow Statements of the Full Year of the Previous Fiscal Year

Lease payments paid under operating lease transactions, among leases for which the Company group was a lessee, were classified in cash flows from operating activities, under Japanese GAAP. Under IFRS Article 16, lease liabilities are to be recognized for all lease transactions in principle, to the extent that the Company group is a lessee. Therefore, lease payments are included in cash flows from financial activities. As a result, cash flows from financial activities for the full year of the previous fiscal year decreased by ¥8,123 million. On the other hand, cash flows from sales activities increased by the same amount.