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April 28, 2021

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 <under Japanese GAAP>

Company name: **DTS CORPORATION**
Stock listing: Tokyo Stock Exchange, First Section
Stock code: 9682
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Representative: Tomoaki Kitamura, Representative Director and President
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Scheduled date of General Shareholders' Meeting: June 24, 2021
Scheduled date to commence dividend payments: June 25, 2021
Scheduled date to file annual securities report: June 25, 2021
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Million yen with fractional amounts discarded, unless otherwise noted)

## 1. Consolidated financial results for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| Fiscal year ended | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| March 31, 2021 | 90,493 | (4.4) | 10,817 | 1.3 | 11,131 | 2.6 | 7,593 | 3.8 |
| March 31, 2020 | 94,618 | 9.1 | 10,674 | 9.0 | 10,849 | 9.3 | 7,317 | 7.3 |

Note: Comprehensive income
Fiscal year ended March 31, 2021: ¥8,036 million [17.3%]
Fiscal year ended March 31, 2020: ¥6,851 million [(0.3)%]

| | Basic earnings per share | Diluted earnings per share | Return on equity | Ordinary profit on total assets | Operating profit on net sales |
|---|---|---|---|---|---|
| Fiscal year ended | Yen | Yen | % | % | % |
| March 31, 2021 | 165.49 | – | 13.3 | 15.3 | 12.0 |
| March 31, 2020 | 158.01 | – | 13.8 | 15.8 | 11.3 |

Reference: Equity in earnings (losses) of associates:
Fiscal year ended March 31, 2021: ¥– million Fiscal year ended March 31, 2019: ¥– million

### (2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| As of | Million yen | Million yen | % | Yen |
| March 31, 2021 | 75,172 | 59,409 | 78.8 | 1,293.61 |
| March 31, 2020 | 70,598 | 55,089 | 78.0 | 1,190.71 |

Reference: Equity
As of March 31, 2021: ¥59,269 million As of March 31, 2020: ¥55,083 million

### (3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|---|---|---|---|---|
| Fiscal year ended | Million yen | Million yen | Million yen | Million yen |
| March 31, 2021 | 9,366 | (694) | (3,848) | 43,327 |
| March 31, 2020 | 7,551 | (1,360) | (3,047) | 38,276 |

## 2. Dividends

| | Annual dividends | | | | | Total dividend payments | Dividend payout ratio (Consolidated) | Dividend on equity (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal year ended March 31, 2020 | – | 20.00 | – | 35.00 | 55.00 | 2,544 | 34.8 | 4.8 |
| Fiscal year ended March 31, 2021 | – | 25.00 | – | 35.00 | 60.00 | 2,749 | 36.3 | 4.8 |
| Fiscal year ending March 31, 2022 (Forecasts) | – | 30.00 | – | 35.00 | 65.00 | | 38.6 | |

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Fiscal year ending March 31, 2022 | 95,000 | 5.0 | 11,000 | 1.7 | 11,200 | 0.6 | 7,650 | 0.7 | 168.20 |

## * Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
b. Changes in accounting policies due to other reasons: None
c. Changes in accounting estimates: None
d. Restatement of prior period financial statements after error corrections: None

(3) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury shares)

| | |
|---|---|
| As of March 31, 2021 | 50,444,532 shares |
| As of March 31, 2020 | 50,444,532 shares |

b. Number of treasury shares at the end of the period

| | |
|---|---|
| As of March 31, 2021 | 4,627,487 shares |
| As of March 31, 2020 | 4,183,214 shares |

c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

| | |
|---|---|
| Fiscal year ended March 31, 2021 | 45,885,600 shares |
| Fiscal year ended March 31, 2020 | 46,311,057 shares |

## (Reference) Non-consolidated financial results

### 1. Non-consolidated financial results for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

### (1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|---|---|---|---|---|---|---|---|---|
| Fiscal year ended | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| March 31, 2021 | 65,430 | (3.4) | 8,702 | 0.8 | 9,396 | 1.8 | 6,596 | 1.5 |
| March 31, 2020 | 67,700 | 10.1 | 8,632 | 12.5 | 9,228 | 14.0 | 6,495 | 12.6 |

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| Fiscal year ended | Yen | Yen |
| March 31, 2021 | 143.76 | – |
| March 31, 2020 | 140.27 | – |

### (2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| As of | Million yen | Million yen | % | Yen |
| March 31, 2021 | 66,662 | 55,966 | 84.0 | 1,221.53 |
| March 31, 2020 | 63,231 | 52,842 | 83.6 | 1,142.25 |

Reference: Equity
As of March 31, 2021: ¥55,966 million As of March 31, 2020: ¥52,842 million

* **Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.**

* **Proper use of earnings forecasts, and other special matters**
The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to '(1) Overview of operating results for the fiscal year under review in 1. Overview of Operating Results and Others' on page 2 of the attached materials.

**Attached Materials**

**Contents**

## 1. Overview of Operating Results and Others

### (1) Overview of operating results for the fiscal year under review

1) Operating results for the fiscal year under review

In the fiscal year under review, the Japanese economy remained in a difficult situation due to the impact of the novel coronavirus disease (COVID-19). However, as measures to prevent the spread of infection are being taken and the level of socio-economic activity has been increasing, the economy is expected to continue to be on a trend of picking up while gaining support from the effects of various policies and improvements in overseas economies. However, the impact of infection trends on the Japanese and global economies requires careful attention.

In this environment, the DTS Group has established a vision for its medium-term management plan (April 2019 to March 2022) of becoming a "Next Value Creator, providing new value to the society of tomorrow," as well as has drawn up the three basic policies of "realization of a sustainable society," "evolution into a new system integrator," and "transformation into self-driven employees," and has continued related initiatives. The Group has been promoting the five key activities of "strengthening marketing capability and SI capability," "creating new business," "strengthening the Group's management foundation," "innovating in-house information systems and administrative processes," and "carrying out work-style reforms."

Net sales for the fiscal year under review were ¥90,493 million (a decrease of 4.4% year on year), but the operating profit reached a record-high of ¥10,817 million, and the operating margin was 12.0% to achieve an operating margin of 10% or more for five consecutive fiscal years.

■ COVID-19 response

In promoting operations, the Group has been working on the following countermeasures while prioritizing the safety and security of employees, and figuring out customers' intentions.

- Daily observation of employees, business partners and customer information
- Systematization of telework and staggered working hours
- Introduction of video conferencing, move toward doing job interviews remotely
- Move toward doing various types of training online
- Recommending that paid vacation be taken over New Year period
- Limit on travel and business trips
- Refraining from social gatherings

■ Strengthening marketing capability and SI capability

In accordance with the transformation to a new society referred to as the "New Normal" which is digital, online, remote, touchless, and labor-saving, we are promoting a combination of remote and face-to-face sales style using web communication tools and other promotional activities such as online exhibitions. Furthermore, in order to enhance the value that we propose, we have begun initiatives aimed at a systematic strengthening of the sales activities.

Specifically, we have been sharing information, gathered through the use of the SFA system, regarding customer trends and sales activities, including the impact of the spread of COVID-19, with those related, including management, in a timely manner. Going forward, we will devise a strategy using this data to respond to the business situation and improve business efficiency.

In September 2020, we were certified as an Advanced Consulting Partner after meeting the knowledge and systems integration performance requirements for Amazon Web Services (AWS). In addition, we are strongly promoting a cloud-first approach across the entire company and newly established Digital Solution Sector in April 2021 to expand and develop cloud-based business.

In addition, DTS's in-house development standards (PMS: Project Management Strategy) have been implemented in Nelito Systems Limited, with the Financial Business Headquarters providing guidance on project status monitoring and risk management.

■ Carrying out initiatives for new business

As the state of society is changing due to the spread of COVID-19, we will accelerate and strengthen measures to adapt to this new generation known as the New Normal. In the fiscal year under review, we have brought forward by one year our medium-term management plan targets of reaching a proportion of net sales accounting for with DX-related sales of 25% and the training of 500 DX employees, and as a result of undertaking these targets for the fiscal year ended March 31, 2021, the targets were exceeded with DX-related sales reaching a ratio of roughly 30.5% and the training of 584 DX employees.

Furthermore, we launched internal cross-divisional projects in order to accelerate business proposals utilizing AI. In addition to continuously generating business ideas based on market research and customer needs and engaging in proposal activities such as trial projects, we are promoting the training of engineers through hands-on learning.

■ Strengthening the Group's management foundation

Regarding initiatives for ESG, we appointed an ESG Promotion Member to each organization from the fiscal year under review, and are strengthening that promotion system. Additionally, the scope of surveys for the contribution to SDGs, which were implemented for all of the Company's projects, has been expanded to the entire Group. Using the results of these surveys, we have worked to strengthen group-wide activities. In the fiscal year under review, we produced the DTS Group REPORT 2020 in the interest of providing a constructive dialogue with stakeholders.

In terms of the environment, we are making progress in reducing paper usage through the spread of telework and web conferencing, and we were able to achieve a roughly fifty percent reduction year on year after reviewing the initial full-year target and striving for further improvement. Going forward, we will continue to promote reductions in CO2 emissions, etc. to reduce the environmental load.

Furthermore, DTS SOFTWARE VIETNAM CO., LTD., Dalian SuperElectronics Co., Ltd. and Japan SuperElectronics Co., Ltd. were made into consolidated subsidiaries in the fiscal year under review, and all business companies became consolidated. We will unite the Group and expand our business in Japanese and overseas markets.

Furthermore, in June 2020, we started consolidating the Shiba Development Center and the Daimon Development Center, and established the Monzen-Nakacho Development Center with the aim of strengthening links between organizations and improving productivity.

■ Innovating in-house information systems and administrative processes

In preparation for work-style reforms and improvements to business efficiency, we have been working on rationalization through the reviewing of work processes, as well as the rebuilding of in-house systems.

As a first step, we have commenced operations of a base system for internal information searching to integrate internal information and improve the effectiveness of searching for information by utilizing BI. Going forward, we will continuously add and improve functions as well as adopt DX-related technology and new development methods, and utilize this as a chance for employees to gain practical experience.

Furthermore, we expanded the operation and application of the internal thin client environment, and created an environment where it is possible to carry out development that responds to customers' needs even when teleworking.

In July 2020, aiming to improve employee satisfaction, the company's internal public relations paper was moved to the web in order to facilitate access to company information.

Regarding compliance with the accounting standards for revenue recognition, we conducted and disclosed the final confirmation, which also serves as operational training, to ensure a smooth response to the operational changes resulting from the renovation of the internal system.

■ Work-style reforms

In order to promote the transformation into self-driven employees and cultivate a company culture where employees can proactively take on new challenges, we reviewed the target management system and introduced a new system from the fiscal year under review. We will strive to disseminate it and continue to work on the personnel system reform that values challenges and reforms.

In September 2020, the Company obtained the "Company of Health Excellence Certification (Gold Certification)" (Note 1) as a company that has achieved a certain level of results in its health management initiatives. In addition, the Company was certified as "Health & Productivity Management Outstanding Organization (Note 2) (Large Enterprise Category)" certification in March 2021 for the second year in a row.

In the fiscal year under review, we provided guidance on paying attention to safety, which was given by an occupational doctor to people exhibiting high stress based on the results of the stress check, carried out as part of health management promotion. Going forward, we will work with occupational doctors and public health nurses make improvements to the provision of advice for workplace visits and problem solving and other areas.

In addition, based on the situation of telework, which started operating in March 2020, we renewed our telework and staggered work system in October of the same year. We will continue to promote work-life balance initiatives to improve employee satisfaction and corporate value.

■ Other, including shareholder returns

In May to June 2020, we acquired 444,100 treasury shares in order to improve capital efficiency and to further improve returns for our shareholders.

As a result of the above, the Group reported net sales of ¥90,493 million for the fiscal year under review, a decrease of 4.4% year on year.

Although the product business was strong within the infrastructure product field, it resulted in a decline in sales due to the impact of reduced investment by mega banks and COVID-19 in addition to the impact of the change in the fiscal year end at DIGITAL TECHNOLOGIES CORPORATION in the previous fiscal year.

Gross profit fell by 3.5% year on year to ¥18,054 million due to the fall in net sales.

Selling, general and administrative expenses fell by 9.9% year on year to ¥7,237 million due to the end of the impact of the change in fiscal-year end date in the previous fiscal year as well as the decline in travel and transportation expenses and exhibition expenses because of the impact of COVID-19. As a result, operating profit increased to ¥10,817 million (up 1.3% year on year), and the ordinary profit increased to ¥11,131 million (up 2.6% year on year). Profit attributable to owners of parent was ¥7,593 million, up 3.8% year on year, due mainly to the increase in operating profit.

(Million yen)

| | Consolidated | Year-on-year change (%) | Non-consolidated (Reference) | Year-on-year change (%) |
|---|---|---|---|---|
| Net sales | 90,493 | (4.4) | 65,430 | (3.4) |
| Operating profit | 10,817 | 1.3 | 8,702 | 0.8 |
| Ordinary profit | 11,131 | 2.6 | 9,396 | 1.8 |
| Profit attributable to owners of parent | 7,593 | 3.8 | – | – |
| Profit (Non-consolidated) | – | – | 6,596 | 1.5 |

<Breakdown of net sales>

(Million yen)

| | Consolidated | Year-on-year change (%) |
|---|---|---|
| Finance and Society | 28,444 | (7.8) |
| Corporate Solutions | 26,365 | (4.6) |
| Operational Infrastructure BPO | 25,238 | 1.4 |
| Regional, Overseas, Etc. | 10,444 | (7.2) |
| Total | 90,493 | (4.4) |

Summaries of the operational conditions of each segment are as follows.

**Finance and Society Segment**

Net sales came to ¥28,444 million, down 7.8% year on year due to a decline in investment at megabanks, despite steady growth in public sector system development.

Meanwhile, in terms of projects that have been utilizing new technologies and new development techniques, we have been working to strengthen the DX-related business through development utilizing automated application generation tools such as “GeneXus,” expansion of the installation of RPA and its support, and exhibiting “AMLion” and “DAVinCI LABS” at “FIT2020 online,” a financial information and technology expo.

In addition to implementing Salesforce, we also provide business and system analysis support to promote the use of Salesforce for issues such as sales process management for our customers.

Furthermore, we developed an application to support exercise for the promotion of health, which is undergoing verification testing together with a life insurance company. We will continue to promote active proposals.

**Corporate Solutions Segment**

Despite steady growth in solution projects utilizing SAP and cloud environment construction projects, due to various factors such as sluggish performance in the embedding-related businesses and development projects related to residential housing, net sales came to ¥26,365 million, down 4.6% year on year.

As a new solution for the fiscal year under review, sales of the IoT Platform “Pasteriot,” which supports digitization of manufacturing sites, commenced in April 2020. This enables visualization of the entire factory in real time, and productivity is improved, and management costs reduced by constraining with rules and AI. During the fiscal year under review, we utilized the start and completion information for multiple facilities within a factory to achieve the visualization of the status at the worker level and the capacity utilization status.

We are also working on projects based on virtualization technology, such as building a network infrastructure utilizing SDN. We aim to expand our business by accumulating this expertise.

Furthermore, in collaboration with solution vendors, we are offering flexible proposals tailored to customers’ needs such as our initiative to provide SI as a one-stop service with a fast delivery time that includes cloud platform architecture.

**Operational Infrastructure BPO Segment**

The product business was strong within the infrastructure products area, the segment covered the impact of the change in the fiscal year end at DIGITAL TECHNOLOGIES CORPORATION in the previous fiscal year, and net sales were ¥25,238 million, an increase of 1.4% year on year.

We have also worked to expand sales of “ReSM plus,” which is a service to support internal help desk operations through digital technology, and acquire SI projects for “ServiceNow,” which is utilized as a platform for ReSM plus. In the fiscal year under review, we added a feature to the ReSM plus which visualizes the health status of employees. In addition, for customers who are considering implementation, we are offering support in the form of trial systems, and for customers who have already implemented the system, we will propose ways to improve their services using the accumulated data.

**Regional, Overseas, Etc. Segment**

Although revenue increased due to the consolidation of DTS SOFTWARE VIETNAM CO., LTD., Dalian SuperElectronics Co., Ltd., and Japan SuperElectronics Co., Ltd. in the overseas segment, net sales were down 7.2% year on year to ¥10,444 million due to the impact of the prolongation and downsizing of projects for regional banks in the regional segment.

We aim to expand the number of education solution projects, such as the transition of packaged software to the cloud, automation of inquiry response utilizing “kotosora” (Note 3) and portal site architecture for a historical character database (Note 4).

Moreover, as a solution for the coronavirus era, we developed a travel guide board which uses a non-contact touch panel and carried out verification testing at the Kyoto Botanical Gardens. Going forward, we plan to continue to contribute to regional development through previously cultivated know-how and the latest DX technologies.

Note 1: A certification system by the Tokyo Promotion Council for Declaration of Healthy Company, which is consists of members of Tokyo Metropolitan Government’s Health Insurance Association and other organizations, to recognize companies that declare their commitment to improving their overall health and achieve a certain level of results.

Note 2: The Health and Productivity Management Outstanding Organization awards are a system for recognizing large and small-to-medium enterprises that are implementing particularly outstanding health management practices based on initiatives in accordance with regional health issues and health promotion initiatives advanced by Nippon Kenko Kaigi.

Note 3: “kotosora” is a solution for FAQs that uses an AI chat engine to enable natural conversations feel like those of a real person.

Note 4: DTS WEST provided the architecture of a portal site that allows single kanji characters to be searched across multiple institutions and displayed using a database of character images that have been mapped to international standards based on historical character data, which is curated and managed by academic research institutes in Japan and overseas.

2) Outlook for the next fiscal year

In order to contribute to the realization of a sustainable society, the Group developed the medium-term management plan (April 2019 to March 2022), aiming to create new value through ESG initiatives, and in order to achieve this objective, the Group has been promoting the five key activities of “strengthening marketing capability and SI capability,” “innovating in-house information systems and administrative processes,” “creating new business,” “carrying out work-style reforms,” and “strengthening the Group’s management foundation.”

Moreover, in anticipation of a recovery from the impact of COVID-19, etc., we are planning to achieve record-high net sales of ¥95,000 million, operating profit of ¥11,000 million, and an operating margin of 10% or higher for six consecutive fiscal years.

Going forward, we will continue to strive to increase both revenue and profits and adapt to investment flows for the development of digital business and innovation that utilizes new technologies such as CAMBRIC (Cloud Computing, AI, Mobility, Big Data, Robotics, IoT and Cybersecurity) and for the shift from legacy systems.

In light of the above-mentioned outlook and policies, consolidated earnings forecasts for the fiscal year ending March 2022 are as follows.

(Million yen)

| | Consolidated | Year-on-year change (%) |
|---|---|---|
| Net sales | 95,000 | 5.0 |
| Operating profit | 11,000 | 1.7 |
| Ordinary profit | 11,200 | 0.6 |
| Profit attributable to owners of parent | 7,650 | 0.7 |

<Breakdown of net sales>

(Million yen)

| | Consolidated | Year-on-year change (%) |
|---|---|---|
| Finance and Society | 29,500 | 3.7 |
| Corporate Solutions | 28,600 | 8.5 |
| Operational Infrastructure BPO | 26,200 | 3.8 |
| Regional, Overseas, Etc. | 10,700 | 2.4 |
| Total | 95,000 | 5.0 |

Net sales are forecast to be ¥95,000 million, up 5.0% year on year. In the Finance and Society Segment, the Group is forecasting sales of ¥29,500 million, up 3.7% year on year, due to the acquisition of public sector projects. In the Corporate Solutions Segment, the Group expects sales of ¥28,600 million, up 8.5% year on year, due to the expansion of cloud infrastructure projects, etc. In the Operational Infrastructure BPO Segment, the Group is forecasting sales of ¥26,200 million, up 3.8% year on year, due to the strengthening of the service provision-based businesses, etc. In Regional, Overseas, etc. segment, the Group expects sales of ¥10,700 million, up 2.4% year on year, supported by sales activities at each local group company who utilizes its local strength, and by conducting initiatives to strengthen overseas local business at each overseas Group company.

The Group forecasts operating profit of ¥11,000 million and an operating margin of 11.6% to aim to achieve an operating margin of 10% or higher for six consecutive fiscal years. The Group plans to achieve ordinary profit of ¥11,200 million and profit attributable to owners of parent of ¥7,650 million.

Note: The forecasts for net sales and profits provided in this financial results report are made on the basis of projections derived from information currently available to the Company including industry trends and other economic conditions, as well as trends among customers, all of which are subject to the influence of a variety of uncertain factors. Consequently, actual net sales and profits may differ from the forecasts provided in this financial results report.

## (2) Overview of financial position for the fiscal year under review

1) Overview of assets, liabilities and net assets

Total assets as of March 31, 2021 were ¥75,172 million. Notes and accounts receivable - trade decreased by ¥280 million, and the investments in capital included within other under investments and other assets decreased by ¥208 million. However, total assets increased by ¥4,574 million compared to the end of the previous consolidated fiscal year due to the increase in cash and deposits of ¥5,226 million.

Liabilities were ¥15,763 million. The provision for bonuses decreased by ¥293 million, but liabilities increased by ¥253 million compared to the end of the previous fiscal year due to a ¥344 million increase in income taxes payable and a ¥165 million increase in advances received included within other under current liabilities.

Net assets were ¥59,409 million. There was a decrease of ¥2,764 million due to the dividends of surplus, and treasury shares increased by ¥1,000 million. However, net assets increased by ¥4,320 million compared to the end of the previous fiscal year according to an increase in retained earnings of ¥7,593 million due to profit attributable to owners of parent.

2) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter, "cash") as of March 31, 2021 was ¥43,327 million, an increase of ¥5,050 million from ¥38,276 million as of the previous fiscal year-end. The respective cash flow positions in the fiscal year under review and comparisons with the previous fiscal year are as follows.

Net cash provided by operating activities was ¥9,366 million. There was an increase in cash provided of ¥1,815 million compared with the previous fiscal year. This mainly reflected factors such as a decrease in income taxes paid of ¥673 million, a decrease in expenditures of ¥448 million due to an increase in trade payables, which had previously been decreasing, an increase in revenue of ¥348 million due to a decrease of trade receivables, which had previously been increasing and an increase of ¥326 million in revenue due to an increase in profit before income taxes.

Net cash used in investing activities was ¥694 million. There was a decrease in cash used of ¥666 million compared with the previous fiscal year. This mainly reflected factors such as a decrease of ¥456 million in the purchase of shares of subsidiaries resulting in change in scope of consolidation, a decrease of ¥283 million in the purchase of investment securities, and a decrease of ¥233 million in the purchase of property, plant and equipment while proceeds from the redemption of investment securities decreased by ¥400 million.

Net cash used in financing activities was ¥3,848 million. There was an increase in cash used of ¥800 million compared with the previous fiscal year. This mainly reflected factors such as an increase of dividends paid of ¥438 million, and an increase of purchase of treasury shares of ¥200 million.

The following table shows trends in cash flow indicators for the DTS Group.

| | Fiscal year ended March 31, 2018 | Fiscal year ended March 31, 2019 | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|---|---|---|---|---|
| Equity ratio (%) | 76.5 | 76.7 | 78.0 | 78.8 |
| Market value equity ratio (%) | 140.6 | 142.3 | 123.2 | 154.0 |
| Interest-bearing debt to cash flow ratio (%) | – | – | 1.2 | 0.3 |
| Interest coverage ratio (times) | 5,285.4 | 179,038.0 | 463.6 | 560.0 |

Notes: 1. Equity ratio: Equity / Total assets
Market value equity ratio: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Interest payment

- * All calculations are made using consolidated financial figures.
- * For the calculation of market capitalization, the total number of issued shares less treasury shares is used.
- * Cash flow from operating activities is used for cash flow.
- * Interest-bearing debt includes all debt reported on the consolidated balance sheets on which interest is paid.
- * For interest payment, interest expenses paid on the consolidated statements of cash flows is used.

2. The Group has applied the "Partial Amendments to Accounting Standards for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the fiscal year ended March 31, 2019, and cash flow indicators for the fiscal year ended March 31, 2018 show the values, etc., to which the said accounting standards have also been retrospectively applied.

### (3) Basic policy for profit sharing and dividends for the fiscal year under review and next fiscal year

The Company regards the return of profits to shareholders as one of the priority issues of management, and believes that medium- to long-term growth in corporate value is the largest source of profit return. The Company is working to pay stable dividends on an ongoing basis and implement a flexible capital policy such as purchase of treasury shares, aiming to ensure the return of profits to shareholders in the medium- and long-term, after making a comprehensive consideration of results trends, its financial position and other factors as well as cash reserves needed for business expansion.

The Company intends to make use of cash reserves for forward-looking investment to boost corporate value in the medium- to long-term, including development investment in new information technology, capital alliances for operational expansion and new business development, investment in employee training, and investment to strengthen managerial functions.

Regarding the year-end dividend for the fiscal year under review, in addition to achieving a record-high operating profit, the profit attributable to owners of parent also achieved a record high and exceeded the initial earnings forecast, so the dividend is scheduled to increase by ¥5 from the start-of-year dividend forecast to pay a year-end dividend of ¥35 per share. As a result, the planned annual dividend is ¥60 per share, including the interim dividend of ¥25 per share already paid.

For annual dividend in the next fiscal year, the Company plans to pay ¥65 per share (interim dividend of ¥30 and a year-end dividend of ¥35).

### (4) Business and other risks

Risks that may have an impact on the operating results and financial position of the DTS Group are as follows. Forward-looking statements mentioned in this discussion of risks reflect the judgment of the DTS Group (the Company and its consolidated subsidiaries) as of March 31, 2021.

1) Changes of business environment

In the information services industry, the Group expects strong IT investment from all industries due to the expansion of digital business, etc.

Since the Group has been providing IT services according to the needs of customers in a wide range of industries and types of business on the basis of quality that relies on business expertise and information technology, its businesses employ a structure that is unlikely to be affected by trends of investment in specific industries.

However, if there arises a change in the trends of IT investment from customers caused by the changes of social and economic conditions, then it may affect the results of the Group.

2) Price competition

In the information services industry, to which the DTS Group belongs, customers are becoming increasingly demanding with regard to investment in information technology. As such, customers constantly compare the relative merits of the DTS Group with those of industry competitors both in terms of price and service quality.

In particular, the Company expects more intense competition with regard to prices as a result of new entrants from other industries, entry into Japan by overseas companies and the expanded selection of software packages.

Amid this market environment, the Company is endeavoring to minimize the effects of price competition from cost cutting by thoroughly promoting project profit management and working to improve productivity and train DX employees, as well as providing high-value added services that use new technology.

Nevertheless, the results of the DTS Group may be affected if any external factor causes downward price pressure in excess of that anticipated by the Company.

3) Business overseas

As a part of the Group's overseas business strategy, the Group will promote expansion of overseas businesses, such as by expanding overseas dealings and promoting establishment and capital tie-ups of overseas subsidiaries, and will also strengthen governance.

In carrying out overseas operations, the DTS Group anticipates exposure to a wide variety of risks. With respect to overseas business transactions, risks may include problems arising from insufficient understanding or research regarding country and local laws such as export control laws, and trade customs, or differences between such laws and customs, and with respect to establishment, share acquisition and operation of overseas subsidiaries, risks may include an inability to comply properly with local laws, accounting treatments, labor management practices, contracts and project management. The DTS Group is aware of such risks and is strengthening risk management by putting a business division in charge of handling risks.

Nevertheless, the results of the DTS Group may be affected if an inability to comply appropriately with local legal regulations, etc. causes it to become subject to various litigation or liable for compensation for damages.

4) Business models and technological innovation

The information services industry is entering a period in which there is a shift away from traditional business models such as contracted out system development and operation, and market growth is anticipated for the service and solution provision business models. To respond to such markets and various customer needs, the Group is required to have the capacity to adapt to DX, and recognizes that as an important issue.

To enable it to provide solutions using new technologies such as CAMBRIC, the Group has been working on employee training, demonstration experiments utilizing new technology, and investment in and partnerships with domestic/overseas companies.

However, if the adaptation of the Group to any rapid change of customer needs, or to technological innovation is behind schedule, then it may affect the results of the Group.

5) Legal regulation

The Group promotes businesses with the highest priority on compliance with laws and regulations such as the Companies Act, the Financial Instruments and Exchange Act and the Personal Information Protection Act.

Not only has the Group created the Group's compliance basic principles, code of conduct, etc., but also it has been providing compliance training and awareness programs to the Group corporate officers and employees as well as partner company employees, and it is continuing to comply with laws and regulations.

However, if a serious compliance violation or an event that conflicts with laws and regulations occurs, then that may deteriorate the social credibility of the Group and affect the results of the Group.

6) Litigation, etc.

The Group is not currently subject to any lawsuits that could affect its financial position or results. However, the Group could become the subject of litigation including claims for compensation for damages with regard to faults, defects, or delivery delays in the services provided by the Group, infringement of the rights of third parties, customer information leaks including personal information, defamation, inappropriate labor management, or other matters.

The Group recognizes that strengthening and enhancement of corporate governance is an important management priority, and has established the necessary systems for compliance, information security, and quality management, etc. However, depending on the details and results, such litigation, etc., could affect the results of the Group.

7) Intellectual property right, etc.

The Group, in its business activities, always makes sure not to infringe on any intellectual property rights owned by third parties, including patent right, trademarks, and copyrights.

The Group has tried to improve employees' awareness regarding intellectual property rights through training, etc., The Group also files applications and registers patents and trademarks for the technologies and business models that it needs.

However, there is a possibility that the Group's business may receive a claim for infringement on the intellectual property right of another company, and there is a possibility that a third party may infringe on the intellectual property right of the Group, if either case arose, that may affect the business, the results, etc. of the Group.

8) Human Resources, etc.

One of essential factors for sustainable growth of the Group is the securing and development of employees having high technical skills and expertise.

For this reason, the Group respects individuality and diversity, and focuses on the promotion of a proper balance between work and private life and the improvement of working environments, including the introduction of various systems for work-style reforms, proper working time management, active leave acquisition, etc.

In addition, regarding securing of employees, the Group hires new graduates from a medium- to long-term perspective and career employees with excellent expertise, and also focuses on the development of employees, including learning of new techniques in the DX area, support for acquiring professional qualifications, etc.

However, if the securing of employees is not as successful as expected, or if an exodus of employees or the decrease of productivity caused by the deterioration of working environments occurs, then it may affect the results or the business development of the Group.

9) Management of software development projects

In order to secure competitive advantages for themselves, customers are becoming increasingly demanding with regard to shortening system development turnaround times. As a result, project management and quality management are becoming even more important than before.

The Group is striving to disseminate its own development standards within the company. Moreover, we are engaged in the prevention of unprofitable projects by ascertaining the status of projects through the establishment of the Project Promotion Committee, which aims to deliberate on whether or not to accept projects with an order value exceeding a certain level or deemed necessary, and to periodically monitor the status of project progress. At the current time, there are no unprofitable projects which risk posing a significant impact on the Group.

Nevertheless, the results of the DTS Group may be affected if projects with a negative impact on profitability occur due to unforeseen circumstances, notwithstanding the measures taken to prevent such occurrences.

10) Security

Companies operating in the information service business, an area of strength for the DTS Group, come into contact with important information of various customers due to the nature of the business. As a consequence, security management is an important operational issue.

The Company has developed internal rules on the handling and management of information. It as also examined whether internal networks and major systems are free from security vulnerabilities and considered and implemented enhanced measures as necessary, including zero trust security.

The Company has also obtained the "Privacy Mark" certification as one of its activities for the protection of personal information, and carries out training to enhance awareness about handling information among employees of the Company and employees of business partners. In addition, the Company has obtained certification for its Information Security Management System (ISMS) and is working to strengthen its security management structure further. The DTS Group has formulated a Compliance Guide to be followed by the entire DTS Group, including group companies in Japan and overseas, and is working to develop internal rules at each group company and raise employees' awareness regarding the handling of security information.

Nevertheless, the results of the DTS Group may be affected in the unlikely event of a serious leakage of information, as such a leak would expose the Company to the possibility of being held liable for compensation for damages, in addition to other problems such as customer cancellations caused by loss of trust in the Company.

11) Business Continuity

Many bases including the corporate headquarters are concentrated in greater metropolitan areas, and therefore, the Group needs to change this just in case of the outbreak of a large-scale natural disaster, the spread of a contagious disease, etc.

The Group has been working on business continuity while utilizing working systems including telework and staggered working hours, prioritizing the safety and security of employees, and figuring out customers' intentions.

However, if an unexpected event occurs, then it may affect the results of the Group because of service provision delayed by restoration.

12) Impact of COVID-19

The prolonging of the impact of COVID-19 may affect the Group's businesses. Orders may not proceed as anticipated due to the impact of IT investment controls or postponements associated with a customer downturn resulting from a drop in consumption.

In order to contribute to the advance of digitization in the coronavirus era, the Group will meet the needs of customers in a wide range of industries and categories by promoting digital business.

## 2. Status of the Corporate Group

The corporate group consists of the Company (DTS CORPORATION), twelve consolidated subsidiaries, and one non-consolidated subsidiary, and is primarily engaged in the information service business. Taking into account the industries to which customers belong and the nature of services provided, the Group classifies its reportable segments into “Finance and Society,” “Corporate Solutions,” “Operational Infrastructure BPO,” and “Regional, Overseas, Etc.,” and engages in its business activities accordingly.

The contents of the corporate group’s businesses and the relationships among each of the companies in the group are as follows.

[Finance and Society]

To customers in the financial sector, which includes the banking, insurance and securities industries, and the public sector, which includes medical welfare, pensions, local governments and communications, the Group provides the following services.

- Consulting in relation to the deployment of information systems
- Design, development, operation and maintenance etc. of systems (including design and construction of platforms and networks and so on)
- Deployment, operation and maintenance etc. of in-house developed solutions

[Corporate Solutions]

To customers in the information services, manufacturing, retail, distribution, air transport and other industries, the Group provides the following services.

- Consulting in relation to the deployment of information systems
- Design, development, operation and maintenance etc. of systems (including design, construction and embedding of platforms and networks and so on)
- Deployment, operation and maintenance of in-house developed solutions and ERP solutions etc.

[Operational Infrastructure BPO]

To customers, the Group provides the following services.

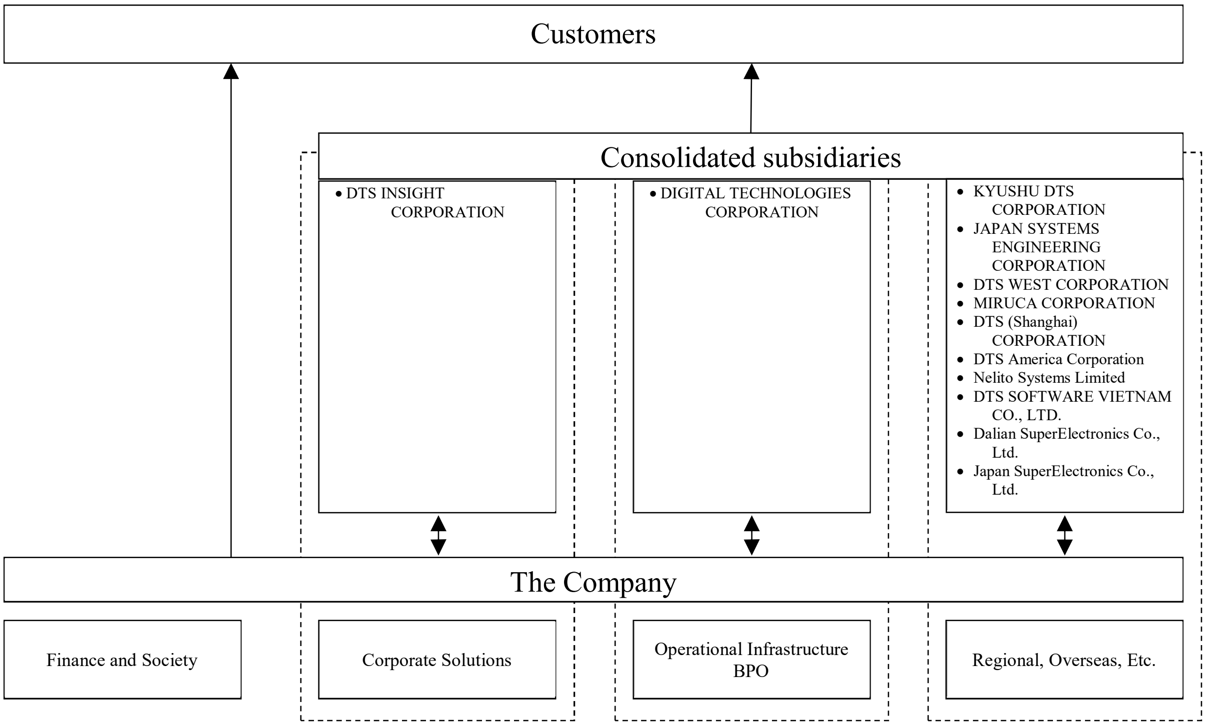
- Operational design and maintenance of total information systems, including cloud-related services and virtualization systems
- System operation either through permanently station personnel or remote access, monitoring operations
- System operational diagnosis and optimization services, primarily for IT infrastructure
- Sales of system equipment, etc.

[Regional, Overseas, Etc.]

To customers such as regional companies and overseas companies developing globally, the Group provides the following services.

- Design, development and maintenance of systems, and deployment of solutions including in-house developed solutions
- Educational services in the IT field, etc.
- Outsourcing services, and design, development, operations, maintenance etc. of software

An organizational chart of the businesses in the DTS Group is as follows.




Consolidated subsidiaries

| Name | Share capital | Ratio of voting rights held | Main business lines |
|---|---|---|---|
| KYUSHU DTS CORPORATION | ¥100 million | 100.00% | Information Service |
| JAPAN SYSTEMS ENGINEERING CORPORATION | ¥310 million | 100.00% | Information Service |
| DTS WEST CORPORATION | ¥100 million | 100.00% | Information Service |
| MIRUCA CORPORATION | ¥100 million | 100.00% | Information Service |
| DIGITAL TECHNOLOGIES CORPORATION | ¥100 million | 100.00% | Information Service |
| DTS (Shanghai) CORPORATION | CNY 14 million | 100.00% | Information Service |
| DTS America Corporation | US $200,000 | 100.00% | Information Service |
| DTS INSIGHT CORPORATION | ¥200 million | 100.00% | Information Service |
| DTS SOFTWARE VIETNAM CO., LTD. | US $1.2 million | 100.00% | Information Service |
| Nelito Systems Limited | INR 20.6 million | 98.80% | Information Service |
| Dalian SuperElectronics Co., Ltd. (Note) | CNY 10.3 million | 51.00% (51.00%) | Information Service |
| Japan SuperElectronics Co., Ltd. (Note) | ¥20 million | 51.00% (51.00%) | Information Service |

Note: The number within the ( ) of the ratio of voting rights held is the ratio of voting rights which are indirectly held.

## 3. Management Policies

### (1) Basic management policies

The DTS Group believes that it is vitally important to strive to strengthen its business performance and secure a certain level of results as a group of enterprises with a long track record in the information services industry, while also returning profits to stakeholders on the basis of that performance and working to increase medium- and long-term corporate value. Furthermore, the DTS Group's corporate philosophy is to utilize "potential to bring joy to people and affluence to society" as one of the "skills" of the Group, and to "utilize its skills to build up the trust of customers, expand corporate value, enhance the lives of employees, and contribute to society." Based on this philosophy, the DTS Group aims to be a group of enterprises that is trusted by all its stakeholders and provides a sense of reassurance, and will work to enhance its presence in the information services industry as a group of independent, comprehensive information service providers that is always at the forefront of the industry. The DTS Group also intends to achieve further development by establishing a sound and strong management foundation.

### (2) Targeted management indicators

Under the medium-term management plan (April 2019 to March 2022), which is the final stage of the management vision "Made by DTS Group, creating new value," the DTS Group is aiming for the targets of consolidated net sales of ¥95,000 million, operating profit of ¥11,000 million and striving to achieve an operating margin of 10% or higher, an ROE of 12% or higher, and a total return ratio of 45% or higher.

### (3) Medium- to long-term management strategies and issues to be addressed

The information services industry is entering a period in which there is a shift away from traditional business models such as contracted out system development and operation, creating an environment that is not conducive to large-scale future business growth. On the other hand, market growth is anticipated for service and solution provision business models.

Under the medium-term vision "Next Value Creator, providing new value to the society of tomorrow," the Group is aiming to create new value for the realization of a sustainable society through ESG initiatives.

The Group, holding up the policies of "realization of a sustainable society," "evolution into a new system integrator," and "transformation into self-driven employees" mentioned below, will try to improve corporate value.

■ **"Realization of A Sustainable Society"**

In order to solve environmental social problems, the Group will utilize SDGs to achieve business targets. In terms of ESG initiatives, the ESG Promotion Office, which has been set up within the General Affairs Department, surveys all of the Company's projects for SDGs. The Group will clarify each social value and proceed with reforms effective for business promotion by figuring out what kind of social problem a targeted project can be associated with in order to solve it.

In addition, in order to encourage employees to comprehend SDGs, the Group has conducted PR activities and has provided education/training, etc. We will continue trying to disseminate information on SDGs across the Group, and realize reforms for ESG management.

■ **"Evolution into A New System Integrator"**

In the information services industry that the Group belongs to, information technology has been radically evolving, and in order to accommodate various needs from customers, we are required to adapt to DX, and we recognize it as an important issue.

In order to promote the Group's adaption to DX, we adopted growth of DX-related net sales and development of employees as KPI (key performance indicators). We are promoting the provision of total solutions tailored to the issues faced by society and customers.

In addition, we will focus on digital business utilizing so-called CAMBRIC technology (a general term for Cloud Computing, AI, Mobility, Big Data, Robotics, IoT and Cybersecurity).

The Group will work on the creation of solutions by the development of employees, demonstration experiments utilizing new technology, and investment in and partnerships with domestic/overseas companies.

■ **“Transformation into Self-driven Employees”**

In order to promote the transformation into self-driven employees and cultivate a company culture where employees can proactively take on new challenges, the Group has undertaken a personnel system reform and is working on the “work-style reforms” to improve the environment where employees can work enthusiastically.

In the personnel system reform, we will promote the improvement of an environment for realizing a reform to various treatment systems according to market value, the dissemination and thorough operation of an evaluation system that promotes challenges, and strategic personnel placement.

In the “work-style reforms,” in order to improve business efficiency and support balance between work and private life, the Group will secure the innovation of in-house information systems and administrative processes, and build the environment where all employees can play active roles.

## 4. Basic Concept Regarding Selection of Accounting Standard

At the moment, the DTS Group’s fund procurement activities are limited to domestic capital markets. The Company will continue to use the generally accepted accounting standards in Japan (Japanese GAAP) for the time being, but given this limitation, it will consider adopting International Financial Reporting Standards (IFRS) while monitoring trends in IFRS adoption by other Japanese companies.

## 5. Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated balance sheets

(Thousand yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 38,478,978 | 43,705,164 |
| Notes and accounts receivable - trade | 16,349,995 | 16,069,449 |
| Securities | 17,407 | 601,377 |
| Merchandise and finished goods | 286,200 | 282,023 |
| Work in process | 567,630 | 415,280 |
| Raw materials and supplies | 22,203 | 23,863 |
| Other | 1,197,144 | 938,076 |
| Allowance for doubtful accounts | (20,245) | (8,154) |
| Total current assets | 56,899,314 | 62,027,080 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 2,602,466 | 2,617,071 |
| Accumulated depreciation | (1,450,867) | (1,496,125) |
| Buildings and structures, net | 1,151,598 | 1,120,945 |
| Land | 2,045,239 | 2,045,239 |
| Other | 1,934,347 | 1,957,491 |
| Accumulated depreciation | (1,240,324) | (1,349,927) |
| Other, net | 694,023 | 607,563 |
| Total property, plant and equipment | 3,890,861 | 3,773,749 |
| Intangible assets | | |
| Goodwill | 127,036 | 84,690 |
| Software | 812,642 | 746,518 |
| Other | 7,287 | 7,195 |
| Total intangible assets | 946,966 | 838,404 |
| Investments and other assets | | |
| Investment securities | 5,743,081 | 5,876,344 |
| Deferred tax assets | 1,524,760 | 1,335,704 |
| Other | 1,600,693 | 1,328,432 |
| Allowance for doubtful accounts | (6,817) | (6,817) |
| Total investments and other assets | 8,861,718 | 8,533,664 |
| Total non-current assets | 13,699,546 | 13,145,817 |
| Total assets | 70,598,860 | 75,172,898 |

(Thousand yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 5,079,429 | 5,157,861 |
| Accounts payable - other | 1,099,132 | 1,125,664 |
| Income taxes payable | 2,025,489 | 2,370,168 |
| Provision for bonuses | 3,191,854 | 2,898,131 |
| Provision for bonuses for directors (and other officers) | 58,270 | 99,190 |
| Provision for loss on order received | 2,680 | 51,450 |
| Other | 2,829,502 | 2,925,338 |
| Total current liabilities | 14,286,358 | 14,627,803 |
| Non-current liabilities | | |
| Retirement benefit liability | 919,223 | 864,468 |
| Other | 304,208 | 271,272 |
| Total non-current liabilities | 1,223,432 | 1,135,741 |
| Total liabilities | 15,509,790 | 15,763,545 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 6,113,000 | 6,113,000 |
| Capital surplus | 6,215,781 | 6,215,781 |
| Retained earnings | 46,336,183 | 51,112,873 |
| Treasury shares | (4,185,444) | (5,185,654) |
| Total shareholders' equity | 54,479,521 | 58,256,000 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 667,248 | 960,319 |
| Foreign currency translation adjustment | (37,286) | (32,605) |
| Remeasurements of defined benefit plans | (25,727) | 85,818 |
| Total accumulated other comprehensive income | 604,234 | 1,013,533 |
| Non-controlling interests | 5,314 | 139,818 |
| Total net assets | 55,089,070 | 59,409,352 |
| Total liabilities and net assets | 70,598,860 | 75,172,898 |

## (2) Consolidated statements of income and consolidated statements of comprehensive income

### Consolidated statements of income

(Thousand yen)

| | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|---|---|---|
| Net sales | 94,618,831 | 90,493,206 |
| Cost of sales | 75,913,769 | 72,438,761 |
| Gross profit | 18,705,062 | 18,054,444 |
| Selling, general and administrative expenses | | |
| Salaries and allowances | 2,702,089 | 2,708,597 |
| Provision for bonuses | 447,004 | 387,543 |
| Amortization of goodwill | 109,062 | 42,345 |
| Other | 4,772,830 | 4,098,894 |
| Total selling, general and administrative expenses | 8,030,987 | 7,237,380 |
| Operating profit | 10,674,075 | 10,817,063 |
| Non-operating income | | |
| Interest income | 23,686 | 35,244 |
| Dividend income | 77,776 | 79,819 |
| Gain on investments in investment partnerships | 20,449 | 92,759 |
| Subsidy income | 23,180 | 74,278 |
| Other | 69,911 | 71,488 |
| Total non-operating income | 215,003 | 353,591 |
| Non-operating expenses | | |
| Interest expenses | 33,515 | 31,027 |
| Other | 5,896 | 8,070 |
| Total non-operating expenses | 39,411 | 39,098 |
| Ordinary profit | 10,849,667 | 11,131,556 |
| Extraordinary income | | |
| Gain on step acquisitions | 66,731 | – |
| Total extraordinary income | 66,731 | – |
| Extraordinary losses | | |
| Impairment losses | 133,434 | – |
| Loss on retirement of non-current assets | 737 | 3,471 |
| Loss on valuation of golf club membership | 8,620 | – |
| Office relocation expenses | – | 28,193 |
| Total extraordinary losses | 142,792 | 31,665 |
| Profit before income taxes | 10,773,607 | 11,099,890 |
| Income taxes - current | 3,277,091 | 3,466,034 |
| Income taxes - deferred | 180,720 | 4,226 |
| Total income taxes | 3,457,812 | 3,470,260 |
| Profit | 7,315,795 | 7,629,629 |
| Profit (loss) attributable to non-controlling interests | (1,834) | 36,095 |
| Profit attributable to owners of parent | 7,317,629 | 7,593,533 |

### Consolidated statements of comprehensive income

(Thousand yen)

| | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|---|---|---|
| Profit | 7,315,795 | 7,629,629 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (351,893) | 293,071 |
| Foreign currency translation adjustment | (65,338) | 2,758 |
| Remeasurements of defined benefit plans, net of tax | (46,923) | 111,412 |
| Total other comprehensive income | (464,156) | 407,242 |
| Comprehensive income | 6,851,638 | 8,036,871 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 6,854,260 | 8,002,832 |
| Comprehensive income attributable to non-controlling interests | (2,622) | 34,039 |

### (3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2020

(Thousand yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 6,113,000 | 6,215,781 | 41,342,281 | (3,385,247) | 50,285,815 |
| Changes during period | | | | | |
| Dividends of surplus | | | (2,323,727) | | (2,323,727) |
| Profit attributable to owners of parent | | | 7,317,629 | | 7,317,629 |
| Purchase of treasury shares | | | | (800,196) | (800,196) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | – | 4,993,902 | (800,196) | 4,193,705 |
| Balance at end of period | 6,113,000 | 6,215,781 | 46,336,183 | (4,185,444) | 54,479,521 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 1,019,142 | 27,365 | 21,095 | 1,067,603 | – | 51,353,418 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (2,323,727) |
| Profit attributable to owners of parent | | | | | | 7,317,629 |
| Purchase of treasury shares | | | | | | (800,196) |
| Net changes in items other than shareholders' equity | (351,893) | (64,651) | (46,822) | (463,368) | 5,314 | (458,053) |
| Total changes during period | (351,893) | (64,651) | (46,822) | (463,368) | 5,314 | 3,735,651 |
| Balance at end of period | 667,248 | (37,286) | (25,727) | 604,234 | 5,314 | 55,089,070 |

Fiscal year ended March 31, 2021

(Thousand yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 6,113,000 | 6,215,781 | 46,336,183 | (4,185,444) | 54,479,521 |
| Changes during period | | | | | |
| Dividends of surplus | | | (2,764,573) | | (2,764,573) |
| Profit attributable to owners of parent | | | 7,593,533 | | 7,593,533 |
| Purchase of treasury shares | | | | (1,000,210) | (1,000,210) |
| Change in scope of consolidation | | | (52,270) | | (52,270) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | – | 4,776,690 | (1,000,210) | 3,776,479 |
| Balance at end of period | 6,113,000 | 6,215,781 | 51,112,873 | (5,185,654) | 58,256,000 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 667,248 | (37,286) | (25,727) | 604,234 | 5,314 | 55,089,070 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (2,764,573) |
| Profit attributable to owners of parent | | | | | | 7,593,533 |
| Purchase of treasury shares | | | | | | (1,000,210) |
| Change in scope of consolidation | | | | | | (52,270) |
| Net changes in items other than shareholders' equity | 293,071 | 4,680 | 111,546 | 409,298 | 134,503 | 543,802 |
| Total changes during period | 293,071 | 4,680 | 111,546 | 409,298 | 134,503 | 4,320,281 |
| Balance at end of period | 960,319 | (32,605) | 85,818 | 1,013,533 | 139,818 | 59,409,352 |

### (4) Consolidated statements of cash flows

(Thousand yen)

| | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 10,773,607 | 11,099,890 |
| Depreciation | 473,348 | 534,763 |
| Impairment losses | 133,434 | － |
| Amortization of goodwill | 109,062 | 42,345 |
| Increase (decrease) in provision for bonuses | (246,458) | (298,728) |
| Increase (decrease) in provision for bonuses for directors (and other officers) | 450 | 40,920 |
| Increase (decrease) in provision for loss on order received | (196,117) | 48,434 |
| Increase (decrease) in retirement benefit liability | 114,317 | 120,535 |
| Decrease (increase) in trade receivables | (41,772) | 307,224 |
| Decrease (increase) in inventories | 872,698 | 165,531 |
| Increase (decrease) in trade payables | (324,126) | 124,642 |
| Increase (decrease) in accounts payable - other | (172,468) | (15,371) |
| Other, net | (282,154) | 170,957 |
| Subtotal | 11,213,820 | 12,341,146 |
| Interest and dividends received | 105,279 | 120,627 |
| Interest paid | (16,289) | (16,726) |
| Income taxes paid | (3,751,764) | (3,078,434) |
| Net cash provided by (used in) operating activities | 7,551,046 | 9,366,612 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (376,886) | (143,222) |
| Purchase of intangible assets | (391,162) | (174,898) |
| Purchase of investment securities | (608,120) | (325,000) |
| Proceeds from redemption of investment securities | 400,000 | － |
| Payments for investments in capital of subsidiaries and associates | (68,482) | － |
| Payments into time deposits | (237,526) | (393,795) |
| Proceeds from withdrawal of time deposits | 250,996 | 224,918 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (456,070) | － |
| Proceeds from distributions from investment partnerships | 87,000 | 99,269 |
| Other, net | 39,364 | 18,137 |
| Net cash provided by (used in) investing activities | (1,360,887) | (694,591) |
| Cash flows from financing activities | | |
| Dividends paid | (2,321,050) | (2,759,353) |
| Purchase of treasury shares | (801,796) | (1,002,209) |
| Other, net | 74,992 | (87,220) |
| Net cash provided by (used in) financing activities | (3,047,854) | (3,848,783) |
| Effect of exchange rate change on cash and cash equivalents | (6,627) | (5,382) |
| Net increase (decrease) in cash and cash equivalents | 3,135,676 | 4,817,855 |
| Cash and cash equivalents at beginning of period | 35,140,658 | 38,276,335 |
| Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation | － | 233,074 |
| Cash and cash equivalents at end of period | 38,276,335 | 43,327,264 |

### (5) Notes to consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Changes in presentation)

(Consolidated balance sheets)

Because the "Provision for retirement benefits for directors" under "Non-current liabilities," which was separately presented for the previous fiscal year, has become less quantitatively important, it is included in "Other" for the fiscal year under review. To reflect this change in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, the ¥730 thousand shown in the "Provision for retirement benefits for directors" under "Non-current liabilities" in the consolidated balance sheets for the previous fiscal year has been reclassified as "Other."

(Consolidated statements of income)

Because the "Dividends income of group life insurance" and "Commission for insurance office work" under "Non-operating income" as well as the "Commission for purchase of treasury shares" and "Foreign exchange losses" under "Non-operating expenses," which were separately presented in the previous fiscal year, have become less quantitatively important, they are included in "Other" for the fiscal year under review. To reflect this change in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, the ¥10,616 thousand shown as the "Dividends income of group life insurance" and the ¥7,223 thousand shown as "Commission for insurance office work" under "Non-operating income" in the consolidated statements of income for the previous fiscal year are reclassified as "Other" under "Non-operating income" while the ¥1,599 thousand shown as the "Commission for purchase of treasury shares" and the ¥3,162 thousand shown as "Foreign exchange losses" under "Non-operating expenses" are reclassified as "Other" under "Non-operating expenses."

(Consolidated statements of cash flows)

Because the "Increase (decrease) in provision for retirement benefits for directors (and other officers)" under "Cash flows from operating activities" which was separately presented within the previous fiscal year, have become less quantitatively important, they are included in "Other" for the fiscal year under review. To reflect this change in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, the decrease of ¥34,731 thousand shown as the "Increase (decrease) in provision for retirement benefits for directors (and other officers)" under "Cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year is reclassified as "Other, net" under "Cash flows from operating activities."

(Segment information, etc.)

[Segment Information]

1. Overview of reportable segments

The Group identifies a reportable segment as a component unit that constitutes a business for which discrete financial information is available and is regularly reviewed by the Board of Directors to make decisions on the allocation of management resources to the segments and assess its performance.

The Group classifies its reportable segments by business unit, based on the nature of services provided and the market served, and multiple businesses and group companies that could generate synergy. The Group has four reportable segments: “Finance and Society,” “Corporate Solutions,” “Operational Infrastructure BPO,” and “Regional, Overseas, Etc.”

The contents of each segment’s business activities are as follows.

(1) Finance and Society

To customers in the financial sector, which includes the banking, insurance and securities industries, and the public sector, which includes medical welfare, pensions, local governments and communications, the Group provides the following services.

- Consulting in relation to the deployment of information systems
- Design, development, operation and maintenance etc. of systems (including design and construction of platforms and networks and so on)
- Deployment, operation and maintenance etc. of in-house developed solutions

(2) Corporate Solutions

To customers in the information services, manufacturing, retail, distribution, air transport and other industries, the Group provides the following services.

- Consulting in relation to the deployment of information systems
- Design, development, operation and maintenance etc. of systems (including design, construction and embedding of platforms and networks and so on)
- Deployment, operation and maintenance of in-house developed solutions and ERP solutions etc.

(3) Operational Infrastructure BPO

To customers, the Group provides the following services.

- Operational design and maintenance of total information systems, including cloud-related services and virtualization systems
- System operation either through permanently station personnel or remote access, monitoring operations
- System operational diagnosis and optimization services, primarily for IT infrastructure
- Sales of system equipment, etc.

(4) Regional, Overseas, Etc.

To customers such as regional companies and overseas companies developing globally, the Group provides the following services.

- Design, development and maintenance of systems, and deployment of solutions including in-house developed solutions
- Educational services in the IT field, etc.
- Outsourcing services, and design, development, operations, maintenance etc. of software

2. Method for calculating net sales, profit (loss), assets, liabilities and other items by reportable segment

The accounting method used for the business segments reported is the same as the accounting method employed to prepare the consolidated financial statements. Segment profit of the reportable segments are on an operating profit basis and intersegment revenues and transfers are based on general transactions identical to arm's length transactions.

3. Information about net sales, profit (loss), assets, liabilities and other items by reportable segment

For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Thousand yen)

| | Reportable segment | | | | |
|---|---|---|---|---|---|
| | Finance and Society | Corporate Solutions | Operational Infrastructure BPO | Regional, Overseas, Etc. | Total |
| Net sales | | | | | |
| Sales to external customers | 30,835,667 | 27,649,638 | 24,879,647 | 11,253,878 | 94,618,831 |
| Intersegment sales or transfers | 2,334 | 18,743 | 2,552,822 | 2,366,842 | 4,940,742 |
| Total | 30,838,002 | 27,668,382 | 27,432,469 | 13,620,720 | 99,559,574 |
| Segment profit | 4,004,131 | 3,528,482 | 2,243,436 | 847,292 | 10,623,343 |
| Other | | | | | |
| Depreciation | 81,813 | 222,743 | 58,830 | 114,785 | 478,173 |
| Amortization of goodwill | – | 42,345 | – | 66,717 | 109,062 |

| | Adjustment (Note 1) | Amount reported on the consolidated statements of income (Note 2) |
|---|---|---|
| Net sales | | |
| Sales to external customers | – | 94,618,831 |
| Intersegment sales or transfers | (4,940,742) | – |
| Total | (4,940,742) | 94,618,831 |
| Segment profit | (50,732) | 10,674,075 |
| Other | | |
| Depreciation | (5,939) | 472,234 |
| Amortization of goodwill | – | 109,062 |

Notes: 1. There were no material segment profit adjustments.
2. Segment profit is reconciled to operating profit in the consolidated statements of income.
3. Assets are not allocated to business segments.

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Thousand yen)

| | Reportable segment | | | | |
|---|---|---|---|---|---|
| | Finance and Society | Corporate Solutions | Operational Infrastructure BPO | Regional, Overseas, Etc. | Total |
| Net sales | | | | | |
| Sales to external customers | 28,444,943 | 26,365,506 | 25,238,452 | 10,444,303 | 90,493,206 |
| Intersegment sales or transfers | 4 | 70,039 | 1,012,318 | 2,994,906 | 4,077,268 |
| Total | 28,444,948 | 26,435,546 | 26,250,770 | 13,439,209 | 94,570,475 |
| Segment profit | 3,870,996 | 3,227,388 | 2,665,026 | 1,042,817 | 10,806,227 |
| Other | | | | | |
| Depreciation | 74,173 | 284,375 | 60,939 | 118,453 | 537,941 |
| Amortization of goodwill | – | 42,345 | – | – | 42,345 |

| | Adjustment (Note 1) | Amount reported on the consolidated statements of income (Note 2) |
|---|---|---|
| Net sales | | |
| Sales to external customers | – | 90,493,206 |
| Intersegment sales or transfers | (4,077,268) | – |
| Total | (4,077,268) | 90,493,206 |
| Segment profit | 10,835 | 10,817,063 |
| Other | | |
| Depreciation | (4,336) | 533,605 |
| Amortization of goodwill | – | 42,345 |

Notes: 1. There were no material segment profit adjustments.
2. Segment profit is reconciled to operating profit in the consolidated statements of income.
3. Assets are not allocated to business segments.

[Related Information]

For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

1. Information by product and service

   This information is omitted as it is identical to that in segment information.

2. Information by geographical area

   (1) Net sales

   It is omitted since net sales to external customers in Japan exceeds 90% of net sales on the consolidated statements of income.

   (2) Property, plant and equipment

   It is omitted since the amount of property, plant and equipment held in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

   Information regarding major customers is omitted as net sales to each single external customer amount to less than 10% of consolidated net sales.

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Information by product and service

   This information is omitted as it is identical to that in segment information.

2. Information by geographical area

   (1) Net sales

   It is omitted since net sales to external customers in Japan exceeds 90% of net sales on the consolidated statements of income.

   (2) Property, plant and equipment

   It is omitted since the amount of property, plant and equipment held in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

   Information regarding major customers is omitted as net sales to each single external customer amount to less than 10% of consolidated net sales.

[Information about Impairment Loss on Non-current Assets by Reportable Segment]

For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Thousand yen)

| | Finance and Society | Corporate Solutions | Operational Infrastructure BPO | Regional, Overseas, Etc. | Total |
|---|---|---|---|---|---|
| Impairment loss | – | – | – | 133,434 | 133,434 |

Note: In Regional, Overseas, etc. segment, an impairment loss is recorded on goodwill.

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

No items to report.

[Information about Amortization and Unamortized Balance of Goodwill by Reportable Segment]

For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Thousand yen)

| | Finance and Society | Corporate Solutions | Operational Infrastructure BPO | Regional, Overseas, Etc. | Total |
|---|---|---|---|---|---|
| Amortization | – | 42,345 | – | 66,717 | 109,062 |
| Unamortized balance as of March 31, 2020 | – | 127,036 | – | – | 127,036 |

Note: An impairment loss of ¥133,434 thousand is recorded on goodwill for the fiscal year under review.

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Thousand yen)

| | Finance and Society | Corporate Solutions | Operational Infrastructure BPO | Regional, Overseas, Etc. | Total |
|---|---|---|---|---|---|
| Amortization | – | 42,345 | – | – | 42,345 |
| Unamortized balance as of March 31, 2021 | – | 84,690 | – | – | 84,690 |

[Information about Gain on Bargain Purchase by Reportable Segment]

For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

No items to report.

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

No items to report.

(Per share information)

(Yen)

| | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|---|---|---|
| Net assets per share | 1,190.71 | 1,293.61 |
| Basic earnings per share | 158.01 | 165.49 |

Notes: 1. Diluted earnings per share is not presented since no potential shares exist.

2. Calculation basis of net assets per share is as follows.

| | As of March 31, 2020 | As of March 31, 2021 |
|---|---|---|
| Total net assets (Thousand yen) | 55,089,070 | 59,409,352 |
| Amount subtracted from total net assets (Thousand yen) | 5,314 | 139,818 |
| (Non-controlling interests (Thousand yen)) | 5,314 | 139,818 |
| Net assets at the end of the period related to common stock (Thousand yen) | 55,083,755 | 59,269,534 |
| Number of common stock at the end of the period used for the calculation of net assets per share (Shares) | 46,261,318 | 45,817,045 |

3. Calculation basis of earnings per share is as follows.

| | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|---|---|---|
| Profit attributable to owners of parent (Thousand yen) | 7,317,629 | 7,593,533 |
| Amount not attributable to common shareholders (Thousand yen) | – | – |
| Profit attributable to owners of parent related to common stock (Thousand yen) | 7,317,629 | 7,593,533 |
| Average number of outstanding shares of common stock during the period (Shares) | 46,311,057 | 45,885,600 |

(Significant subsequent events)

Acquisition of treasury shares

The Company resolved at a meeting of the Board of Directors held on April 28, 2021, to acquire its treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, paragraph (3) of the same Act.

1. Reasons for acquisition of treasury shares

   The acquisition of treasury shares is to be implemented for the purpose of improving the Company’s capital efficiency and delivering even greater returns for its shareholders.

2. Details of the acquisition of treasury shares resolved by the Board of Directors

   (1) Class of shares to be acquired

   Common stock of the Company

   (2) Total number of shares to be acquired

   395,000 shares (maximum)

   (Proportion of the total number of issued shares excluding treasury shares: 0.86%)

   (3) Total acquisition price of shares to be acquired

   ¥1,000,000 thousand (maximum)

   (4) Acquisition period

   From April 30, 2021 to June 11, 2021

   (5) Method of acquisition

   Market purchase on the Tokyo Stock Exchange (Discretionary trading by securities company)

## 6. Non-consolidated Financial Statements

### (1) Non-consolidated balance sheets

(Thousand yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 32,537,933 | 36,124,868 |
| Notes receivable - trade | 35,080 | 37,882 |
| Accounts receivable - trade | 10,996,989 | 10,998,348 |
| Merchandise | 13,014 | 17,490 |
| Securities | – | 601,377 |
| Work in process | 345,712 | 267,558 |
| Supplies | 6,425 | 5,017 |
| Advance payments to suppliers | 97,276 | 119,661 |
| Prepaid expenses | 323,319 | 197,722 |
| Short-term loans receivable from subsidiaries and associates | 449,463 | 30,226 |
| Other | 78,960 | 95,635 |
| Allowance for doubtful accounts | (2,783) | (2,175) |
| Total current assets | 44,881,393 | 48,493,612 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 971,341 | 940,360 |
| Tools, furniture and fixtures | 258,120 | 197,251 |
| Land | 1,965,696 | 1,965,696 |
| Total property, plant and equipment | 3,195,158 | 3,103,307 |
| Intangible assets | | |
| Software | 630,678 | 609,472 |
| Other | 892 | 800 |
| Total intangible assets | 631,571 | 610,273 |
| Investments and other assets | | |
| Investment securities | 5,712,536 | 5,845,793 |
| Shares of subsidiaries and associates | 6,511,123 | 6,511,123 |
| Investments in capital of subsidiaries and associates | 327,143 | 327,143 |
| Long-term prepaid expenses | 58,945 | 29,316 |
| Deferred tax assets | 954,063 | 828,402 |
| Other | 964,750 | 919,077 |
| Allowance for doubtful accounts | (5,250) | (5,250) |
| Total investments and other assets | 14,523,314 | 14,455,607 |
| Total non-current assets | 18,350,044 | 18,169,187 |
| Total assets | 63,231,437 | 66,662,800 |

(Thousand yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 3,133,629 | 3,306,670 |
| Accounts payable - other | 839,453 | 852,624 |
| Accrued expenses | 359,664 | 330,230 |
| Income taxes payable | 1,618,550 | 1,805,946 |
| Advances received | 197,871 | 187,903 |
| Deposits received | 101,962 | 109,229 |
| Provision for bonuses | 2,346,017 | 2,122,722 |
| Provision for bonuses for directors (and other officers) | 51,700 | 82,800 |
| Provision for loss on order received | – | 45,108 |
| Asset retirement obligations | – | 4,349 |
| Other | 1,208,540 | 1,224,866 |
| Total current liabilities | 9,857,389 | 10,072,451 |
| Non-current liabilities | | |
| Provision for retirement benefits | 445,856 | 547,040 |
| Asset retirement obligations | 86,020 | 76,475 |
| Other | 42 | 21 |
| Total non-current liabilities | 531,919 | 623,536 |
| Total liabilities | 10,389,309 | 10,695,988 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 6,113,000 | 6,113,000 |
| Capital surplus | | |
| Legal capital surplus | 6,190,917 | 6,190,917 |
| Other capital surplus | 1,223,751 | 1,223,751 |
| Total capital surplus | 7,414,669 | 7,414,669 |
| Retained earnings | | |
| Legal retained earnings | 411,908 | 411,908 |
| Other retained earnings | | |
| General reserve | 11,170,000 | 11,170,000 |
| Retained earnings brought forward | 31,250,745 | 35,082,568 |
| Total retained earnings | 42,832,653 | 46,664,477 |
| Treasury shares | (4,185,444) | (5,185,654) |
| Total shareholders' equity | 52,174,879 | 55,006,492 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 667,248 | 960,319 |
| Total valuation and translation adjustments | 667,248 | 960,319 |
| Total net assets | 52,842,128 | 55,966,812 |
| Total liabilities and net assets | 63,231,437 | 66,662,800 |

## (2) Non-consolidated statements of income

(Thousand yen)

| | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 |
|---|---|---|
| Net sales | 67,700,219 | 65,430,738 |
| Cost of sales | 54,080,016 | 52,053,624 |
| Gross profit | 13,620,202 | 13,377,114 |
| Selling, general and administrative expenses | 4,988,035 | 4,674,138 |
| Operating profit | 8,632,167 | 8,702,975 |
| Non-operating income | | |
| Interest income | 6,943 | 6,796 |
| Interest on securities | 13,426 | 18,349 |
| Dividend income | 503,170 | 534,275 |
| Gain on investments in investment partnerships | 20,449 | 92,759 |
| Other | 54,021 | 43,944 |
| Total non-operating income | 598,011 | 696,123 |
| Non-operating expenses | | |
| Commission for purchase of treasury shares | 1,599 | 1,999 |
| Foreign exchange losses | 497 | 572 |
| Other | – | 123 |
| Total non-operating expenses | 2,097 | 2,695 |
| Ordinary profit | 9,228,080 | 9,396,403 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 53 | 3,457 |
| Loss on valuation of golf club membership | 5,512 | – |
| Office relocation expenses | – | 28,193 |
| Total extraordinary losses | 5,565 | 31,651 |
| Profit before income taxes | 9,222,515 | 9,364,752 |
| Income taxes - current | 2,595,737 | 2,772,037 |
| Income taxes - deferred | 130,806 | (3,681) |
| Total income taxes | 2,726,544 | 2,768,355 |
| Profit | 6,495,971 | 6,596,396 |

## (3) Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2020

(Thousand yen)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | | |
| | | | | | | Other retained earnings | | | |
| | Share capital | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | General reserve | Retained earnings brought forward | Total retained earnings | Treasury shares |
| Balance at beginning of period | 6,113,000 | 6,190,917 | 1,223,751 | 7,414,669 | 411,908 | 11,170,000 | 27,078,501 | 38,660,409 | (3,385,247) |
| Changes during period | | | | | | | | | |
| Dividends of surplus | | | | | | | (2,323,727) | (2,323,727) | |
| Profit | | | | | | | 6,495,971 | 6,495,971 | |
| Purchase of treasury shares | | | | | | | | | (800,196) |
| Net changes in items other than shareholders' equity | | | | | | | | | |
| Total changes during period | – | – | – | – | – | – | 4,172,244 | 4,172,244 | (800,196) |
| Balance at end of period | 6,113,000 | 6,190,917 | 1,223,751 | 7,414,669 | 411,908 | 11,170,000 | 31,250,745 | 42,832,653 | (4,185,444) |

| | Shareholders' equity | Valuation and translation adjustments | | |
|---|---|---|---|---|
| | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | Total net assets |
| Balance at beginning of period | 48,802,831 | 1,019,142 | 1,019,142 | 49,821,974 |
| Changes during period | | | | |
| Dividends of surplus | (2,323,727) | | | (2,323,727) |
| Profit | 6,495,971 | | | 6,495,971 |
| Purchase of treasury shares | (800,196) | | | (800,196) |
| Net changes in items other than shareholders' equity | | (351,893) | (351,893) | (351,893) |
| Total changes during period | 3,372,047 | (351,893) | (351,893) | 3,020,153 |
| Balance at end of period | 52,174,879 | 667,248 | 667,248 | 52,842,128 |

Fiscal year ended March 31, 2021

(Thousand yen)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital surplus | | | Retained earnings | | | | Treasury shares |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | | Total retained earnings | |
| | | | | | | General reserve | Retained earnings brought forward | | |
| Balance at beginning of period | 6,113,000 | 6,190,917 | 1,223,751 | 7,414,669 | 411,908 | 11,170,000 | 31,250,745 | 42,832,653 | (4,185,444) |
| Changes during period | | | | | | | | | |
| Dividends of surplus | | | | | | | (2,764,573) | (2,764,573) | |
| Profit | | | | | | | 6,596,396 | 6,596,396 | |
| Purchase of treasury shares | | | | | | | | | (1,000,210) |
| Net changes in items other than shareholders' equity | | | | | | | | | |
| Total changes during period | – | – | – | – | – | – | 3,831,823 | 3,831,823 | (1,000,210) |
| Balance at end of period | 6,113,000 | 6,190,917 | 1,223,751 | 7,414,669 | 411,908 | 11,170,000 | 35,082,568 | 46,664,477 | (5,185,654) |

| | Shareholders' equity | Valuation and translation adjustments | | Total net assets |
|---|---|---|---|---|
| | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at beginning of period | 52,174,879 | 667,248 | 667,248 | 52,842,128 |
| Changes during period | | | | |
| Dividends of surplus | (2,764,573) | | | (2,764,573) |
| Profit | 6,596,396 | | | 6,596,396 |
| Purchase of treasury shares | (1,000,210) | | | (1,000,210) |
| Net changes in items other than shareholders' equity | | 293,071 | 293,071 | 293,071 |
| Total changes during period | 2,831,612 | 293,071 | 293,071 | 3,124,684 |
| Balance at end of period | 55,006,492 | 960,319 | 960,319 | 55,966,812 |

## 7. Others

### Results of production, orders and sales

### (1) Production

Production in the fiscal year under review is as follows.

| Segment | Production (Thousand yen) | Year-on-year change (%) |
|---|---|---|
| Finance and Society | 28,444,943 | (7.8) |
| Corporate Solutions | 26,365,506 | (4.6) |
| Operational Infrastructure BPO | 25,238,452 | 1.4 |
| Regional, Overseas, Etc. | 10,444,303 | (7.2) |
| Total | 90,493,206 | (4.4) |

Note: The amounts presented above are selling prices, and do not include consumption taxes. Inter-segment transactions have been eliminated.

### (2) Orders

Orders in the fiscal year under review are as follows.

| Segment | Order volume (Thousand yen) | Year-on-year change (%) | Order backlog (Thousand yen) | Year-on-year change (%) |
|---|---|---|---|---|
| Finance and Society | 27,993,637 | (6.9) | 14,206,960 | (3.1) |
| Corporate Solutions | 26,892,298 | (3.6) | 8,072,238 | 7.0 |
| Operational Infrastructure BPO | 25,910,239 | (4.0) | 16,066,967 | 4.4 |
| Regional, Overseas, Etc. | 10,230,323 | (8.3) | 2,834,861 | (6.5) |
| Total | 91,026,500 | (5.3) | 41,181,027 | 1.4 |

Note: The amounts presented above are selling prices, and do not include consumption taxes. Inter-segment transactions have been eliminated.

### (3) Sales

Sales in the fiscal year under review are as follows.

| Segment | Sales (Thousand yen) | Year-on-year change (%) |
|---|---|---|
| Finance and Society | 28,444,943 | (7.8) |
| Corporate Solutions | 26,365,506 | (4.6) |
| Operational Infrastructure BPO | 25,238,452 | 1.4 |
| Regional, Overseas, Etc. | 10,444,303 | (7.2) |
| Total | 90,493,206 | (4.4) |

Note: The amounts presented above are selling prices, and do not include consumption taxes. Inter-segment transactions have been eliminated.