



Consolidated Financial Results for the Fiscal Year Ended January 31, 2022

March 11, 2022

Company Name: Computer Engineering & Consulting, Ltd. Stock Listing: Tokyo Stock Exchange
 Stock Code: 9692 URL <https://www.cec-ltd.co.jp/en/>
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 (Title) General Manager,
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 Scheduled Date of the General Meeting of Shareholders: April 22, 2022 Scheduled Date of Dividend Payments: April 25, 2022
 Scheduled Date of Filing of Annual Securities Report: April 22, 2022
 Supplemental Materials Prepared for Financial Results: Yes
 Briefing Held for Financial Results: Yes (for institutional investors and analysts)

(Figures are rounded down to nearest million yen.)

1. Consolidated Performance for the Year Ended January 31, 2022 (February 1, 2021 to January 31, 2022)

(1) Consolidated Operating Results

(Percentages indicate year-on-year increase/decrease.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended Jan. 2022	45,220	(5.8)	4,206	(16.7)	4,282	(17.0)	3,039	(24.7)
FY ended Jan. 2021	48,003	(7.5)	5,048	(14.9)	5,158	(14.7)	4,036	10.9

(Note) Comprehensive income FY ended Jan. 2022: 2,727 million yen (38.4%) FY ended Jan. 2021: 4,423 million yen 12.5%

	Net income per share	Net income per share after dilution	Return on equity	Ordinary income-to-total assets ratio	Operating income-to-net sales ratio
	Yen	Yen	%	%	%
FY ended Jan. 2022	86.85	86.19	8.7	9.6	9.3
FY ended Jan. 2021	115.37	114.52	12.4	12.1	10.5

(Reference) Equity in earnings of affiliates FY ended Jan. 2022: negative million yen FY ended Jan. 2021: negative 4 million yen

(2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended Jan. 2022	45,147	35,736	78.7	1,015.48
FY ended Jan. 2021	43,789	34,379	78.1	977.55

(Reference) Total shareholders' equity FY ended Jan. 2022: 35,534 million yen FY ended Jan. 2021: 34,207 million yen

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of FY
	Million yen	Million yen	Million yen	Million yen
FY ended Jan. 2022	3,151	(340)	(1,411)	22,430
FY ended Jan. 2021	5,350	(470)	(1,410)	21,020

2. Dividends

	Dividends per share					Total dividends (for the entire FY)	Payout ratio (Consolidated)	Dividends-to-net assets ratio (Consolidated)
	1Q-end	2Q-end	3Q-end	FY-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended Jan. 2021	—	20.00	—	20.00	40.00	1,399	34.7	4.3
FY ended Jan. 2022	—	20.00	—	20.00	40.00	1,399	46.1	4.0
FY ending Jan. 2023 (Forecast)	—	20.00	—	20.00	40.00		41.2	

3. Forecasts for Fiscal Year Ending January 31, 2023 (February 1, 2022 to January 31, 2023)

(Percentages indicate year-on-year increase/decrease.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	23,300	3.8	2,300	3.6	2,320	3.1	1,550	0.8	44.29
Full year	48,000	6.1	5,000	18.9	5,050	17.9	3,400	11.9	97.16

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. will be applied from the beginning of the fiscal year ending January 31, 2023, and the consolidated earnings forecast above represents the amounts based on the said accounting standard.

Note

(1) Significant changes in subsidiaries during the FY ended January 2022 (Transfer of particular subsidiaries following a change in the scope of consolidation): None

Additions: None Deletions: None

(2) Changes in accounting rules, procedures, or method of presentation relating to the preparation of the consolidated financial statements:

- 1) Changes based on revision of accounting standards: None
- 2) Changes other than 1) above: None
- 3) Changes in Accounting Estimates: None
- 4) Restatements: None

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

1) Number of shares issued and outstanding (including treasury stock)	FY ended Jan. 2022	37,600,000 shares	FY ended Jan. 2021	37,600,000 shares
2) Number of treasury stock	FY ended Jan. 2022	2,606,760 shares	FY ended Jan. 2021	2,606,720 shares
3) Average number of shares for each period	FY ended Jan. 2022	34,993,255 shares	FY ended Jan. 2021	34,986,321 shares

(Reference) Non-Consolidated Financial Results

1. Non-Consolidated Performance for the Year Ended January 31, 2022 (February 1, 2021 to January 31, 2022)

(1) Non-Consolidated Operating Results

(Percentages indicate year-on-year increase/(decrease).)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended Jan. 2022	34,429	0.0	2,969	(22.3)	3,409	(21.2)	2,583	(28.5)
FY ended Jan. 2021	34,424	(11.9)	3,821	(17.4)	4,325	(9.6)	3,613	29.2

	Net income per share	Net income per share after dilution
	Yen	Yen
FY ended Jan. 2022	73.82	73.25
FY ended Jan. 2021	103.27	102.51

(2) Non-Consolidated Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended Jan. 2022	36,780	29,732	80.3	843.88
FY ended Jan. 2021	35,082	28,864	81.8	819.97

(Reference) Total shareholders' equity FY ended Jan. 2022: 29,530 million yen FY ended Jan. 2021: 28,693 million yen

Note

• The financial results are not subject to audit by certified public accountants or auditing firms.

• Proper use of forward-looking statements and cautionary statement:

(Matters to be noted for statement about the future)

Forecasts are made based on information available as of the release date of this document. Actual results may vary from forecasts due to a variety of factors. Please see Page 4 in the accompanying material for the underlying assumptions for forecasts and related information.

(Method of obtaining supplementary briefing material on financial results)

The Company will hold a financial results briefing for institutional investors and analysts on March 17, 2022 (Thursday) in the form of a web conference. The supplementary briefing materials on financial results and video on-demand are available on the Company's website on Wednesday March 23, 2022.

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1. Summary of Operating Results

(1) Summary of Operating Results for the Fiscal Year Ended January 2022

The prospects for Japan's economy during the current consolidated fiscal year (from February 1, 2021 to January 31, 2022) continued to be unpredictable amid the spread of resumed investment against a background of gradual economic recovery thanks to an increase in the number of people vaccinated against COVID-19. Meanwhile, there is currently concern about the spread of the infection due to a new variant, an insufficient supply of semiconductors, and a sharp rise in raw material prices.

In the information service industry, while demand for the improvement of a telework environment from last year did the rounds, companies resumed investment in ICT that had been restrained for reasons of deteriorated financial results. In particular, there is a growing demand for digital transformation (DX) that promotes strengthening and change of business.

Under these circumstances, the Company's Group carried on with business activities in response to the era of COVID-19, such as promotion of development and sales activities in a remote environment and securing of social distancing in offices while it continued to give precedence to the safety of employees and customers. In the digital industry business, in which we provide services especially to customers in the manufacturing industry, we seized the demand for promotion of digitization in the manufacturing industry, such as mobility and IoT, and worked on the development of new products and pursuit of new business talks, while a situation where customer companies showed a strong tendency to selectivity in investment in ICT continued. In the service integration business that supports the whole life cycle of information systems, while business talks were manifestly at a standstill due to an insufficient supply of semiconductors in the infrastructure construction business, in the system development business, we continued to engage in active business talks as we had seized the demand for companies' change to DX. Furthermore, we worked on seeking new business talks and finding new demands from existing customers with the aim of strengthening digital promotion amid telework taking root.

As a result of these efforts, in our business performance during the current consolidated fiscal period, although the orders received showed a tendency for improvement, there was the influence of a decrease in reaction to a fall in special procurement projects in the previous period, which resulted in net sales of 45,220 million yen, a decrease of 2,782 million yen (5.8%) from the previous period. In terms of profit, the influence of unprofitable projects besides a decrease in profits due to lower sales meant that operating income decreased by 841 million yen (16.7%) from a year earlier to 4,206 million yen and that ordinary income decreased by 876 million yen (17.0%) from a year earlier to 4,282 million yen. Net income attributable to owners of parent decreased by 997 million yen (24.7%) from a year earlier to 3,039 million yen owing to the posting of extraordinary loss¹ from unprofitable projects and a decrease in reaction to a fall in extraordinary income in the previous period, though gain on sale of investment securities² was posted as extraordinary income.

¹ As we agreed that we should bear the cost of maintaining customers' existing systems from April to September 2022 owing to delays in delivery in some system development projects, that cost of 414 million yen was posted as a provision for compensation allowance for loss.

² We sold our investment securities and those of our subsidiaries and recorded the gain on that sale of 563 million yen as extraordinary income.

The following sections show the financial results of respective segments.

(Digital Industry Business)

In the digital industry business, besides the mobility-related business and the existing system development business in the Chubu district, the smart factory business was at the same level as the previous period. Although our income decreased in Western Japan and the product development support service business, our business performance showed a tendency for improvement after bottoming out in the second quarter of the fiscal period thanks to recovery in the business environment, which resulted in net sales of 15,897 million yen, a decrease of 400 million yen (2.5%) from the previous period. Operating income decreased by 218 million yen (6.5%) from the previous period to 3,153 million yen owing to a decrease in income and the influence of some unprofitable system development projects.

(Service Integration Business)

In the service integration business, the whole system development business, including the business in cooperation with Microsoft Japan and migration services, grew thanks to the fact that investment in ICT such as promotion of DX and cloud computing systems became active. On the other hand, the security service business performed well in the latter half of the fiscal year, but its income decreased owing to the influence of a fall in special procurement in the previous period in the first half of the fiscal year. In addition to the above, the fact that the infrastructure construction business was at a standstill due to an insufficient supply of semiconductors and a decrease in reaction to a fall in special procurement projects in the previous period in the Company's Group subsidiaries resulted in net sales of 29,322 million yen, a decrease of 2,381 million yen (7.5%) from the previous period. A decrease in income and the influence of some unprofitable system development projects resulted in an operating income of 4,546 million yen, a decrease of 536 million yen (10.6%) from the previous period.

(2) Summary of Financial Conditions for the Fiscal Year Ended January 2022

(Total assets)

Total assets as of the end of the fiscal year ended January 2022 were 45,147 million yen, an increase of 1,358 million yen from a year earlier. This was mainly due to an increase of 1,410 million yen in cash and deposits.

(Liabilities)

Total liabilities amounted to 9,411 million yen, up 0 million yen from the end of the previous fiscal year. This was mainly due to an increase of 411 million yen in allowance for compensation for loss, an increase of 385 million yen in allowance for loss on orders received, and a decrease of 612 million yen in accounts payable.

(Net assets)

Net assets increased 1,357 million yen from the end of the prior fiscal year to 35,736 million yen. This was mainly due to an increase of 1,639 million yen in retained earnings.

(3) Summary of Cash Flows for the Fiscal Year Ended January 2022

Cash and cash equivalents ("funds") as of the end of the fiscal year ended January 2022 were 22,430 million yen, an increase of 1,410 million yen from a year earlier.

(Cash flow from operating activities)

An increase in the funds from operating activities was 3,151 million yen (a decrease in income of 2,198 million yen from the previous period). This was due mainly to profit before income taxes of 4,373 million yen.

(Cash flow from investing activities)

A decrease in the funds from investing activities was 340 million yen (a decrease in spending of 129 million yen from the previous period). This was due mainly to an expenditure of 1,134 million yen for the acquisition of fixed assets and an income of 805 million yen from the sale of investment securities.

(Cash flow from financial activities)

A decrease in the funds from financial activities was 1,411 million yen (an increase in spending of 1 million yen from the previous period). This was due mainly to a payment of 1,398 million yen for dividends.

(Reference) Changes in indicators related to cash flow

	FY ended January 2020	FY ended January 2021	FY ended January 2022
Equity ratio (%)	75.3	78.1	78.7
Equity ratio based on market value (%)	174.7	112.4	82.5
Cash flow-to-interest-bearing liabilities ratio (annual)	0.1	0.1	0.1
Interest coverage ratio (times)	1427.1	1657.4	1070.3

(Note)

- The calculation method for each indicator is as follows.
Equity ratio: total shareholders' equity / total assets
Equity ratio based on market value: market capitalization / total assets
Cash flow-to-interest-bearing liabilities ratio: interest-bearing liabilities / cash flow from operating activities
Interest coverage ratio: cash flow from operating activities / interest payments
- Each indicator is calculated using consolidated financial figures.
- Market capitalization is calculated using the following formula: stock price at end of fiscal year × (number of shares issued and outstanding at end of fiscal year - number of treasury stock at end of fiscal year).
- Operating cash flow is cash flow from operating activities as reported in the Consolidated Statement of Cash Flows.
- Interest-bearing liabilities are all liabilities reported on the Consolidated Balance Sheet for which interest is being paid. Furthermore, interest payments are "interest expenses" reported on the Consolidated Profit-and-Loss Statement.

(4) Future Prospects

The Company's Group will push forward with a new medium-term management plan covering the three-year period from the fiscal year ending January 31, 2023 to the fiscal year ending January 31, 2025, aiming to solve social and industrial issues through our business activities and to continuously improve our corporate value. Our forecast for the next fiscal year calls for net sales of 48,000 million yen, operating income of 5,000 million yen, ordinary income of 5,050 million yen, and net income attributable to owners of parent of 3,400 million yen.

(5) Basic Policy Regarding Profit Distribution and Dividends for This Fiscal Year and Next Fiscal Year

The basic policy regarding profit distribution is to continuously pay stable dividends after taking into consideration, from a long-term perspective, such factors as the securing of internal reserves and future management conditions. The basic policy is for retained earnings to be distributed twice: interim dividend and year-end dividend. The decision-making body for dividends is the Board of Directors for the interim dividend and the General Meeting of Shareholders for the year-end dividend. The Articles of incorporation stipulate that the Company can make interim dividend payments.

The Company has paid 20 yen per share as the interim dividend for the fiscal year ended January 2022. The Company is scheduled to pay 20 yen per share as the year-end dividend, which will be discussed at the 54th ordinary shareholders' meeting scheduled to take place on April 22, 2022.

The Company is scheduled to pay a total of 40 yen annually, consisting of an interim dividend of 20 yen per share and a year-end dividend of 20 yen per share in the next term.

2. Basic Philosophy on Selection of Accounting Standards

The Company's Group will maintain its current policy in preparing consolidated financial statements in accordance with Japanese GAAP for some time to come, given the comparability among different entities within the Company's Group as well as different financial periods.

The Company's Group will consider its future accounting treatment appropriately, in view of the trend toward the adoption of IFRS both at home and abroad.

3. Consolidated Financial Statements and Remarks

(1) Consolidated Balance Sheet

(Unit: Thousands of yen)

	Previous Consolidated Fiscal Year (January 31, 2021)	Current Consolidated Fiscal Year (January 31, 2022)
Assets		
Current assets		
Cash and deposits	21,020,684	22,430,915
Notes and accounts receivable - trade	10,452,560	9,943,170
Product	155,099	175,365
Work in progress	548,030	567,946
Other accounts receivable	8,915	55,208
Others	911,438	893,784
Allowance for doubtful accounts	(10,467)	(6,025)
Total current assets	33,086,261	34,060,367
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,429,357	9,430,295
Accumulated depreciation	(6,040,400)	(6,317,787)
Buildings and structures, net	3,388,957	3,112,508
Land	2,004,644	2,004,644
Construction in progress	—	606,540
Others	3,526,830	3,736,627
Accumulated depreciation	(2,773,333)	(2,892,831)
Other, net	753,496	843,795
Total property, plant and equipment	6,147,098	6,567,488
Intangible assets		
Software	144,747	204,533
Software in progress	76,739	445
Others	39,365	39,296
Total intangible assets	260,851	244,274
Investments and other assets		
Investment securities	2,407,986	1,666,875
Deferred tax assets	238,095	582,487
Net defined benefit asset	392,353	744,379
Others	1,309,125	1,296,663
Allowance for doubtful accounts	(52,058)	(14,784)
Total investments and other assets	4,295,503	4,275,621
Total non-current assets	10,703,453	11,087,384
Total assets	43,789,715	45,147,751

(Unit: Thousands of yen)

	Previous Consolidated Fiscal Year (January 31, 2021)	Current Consolidated Fiscal Year (January 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	3,151,065	2,538,726
Short-term loans payable	350,000	350,000
Current portion of long-term loans payable	13,600	13,600
Income taxes payable	699,348	992,300
Allowance for bonuses	501,479	523,301
Allowance for loss on order received	5,950	391,877
Allowance for loss compensation	—	411,484
Asset retirement obligations	875	1,255
Others	3,548,500	3,088,256
Total current liabilities	8,270,819	8,310,802
Non-current liabilities		
Long-term loans payable	41,000	27,400
Long-term accounts payable - other	487,095	487,095
Deferred tax liabilities	9,941	172
Provision for directors' retirement benefits	25,219	16,256
Net defined benefit liability	114,310	98,282
Asset retirement obligations	462,325	471,003
Total non-current liabilities	1,139,892	1,100,210
Total liabilities	9,410,712	9,411,012
Net assets		
Shareholders' equity		
Capital stock	6,586,000	6,586,000
Capital surplus	6,733,706	6,733,706
Retained earnings	21,799,669	23,439,194
Treasury shares	(1,663,477)	(1,663,539)
Total shareholders' equity	33,455,898	35,095,361
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	583,714	237,918
Foreign currency translation adjustment	(12,071)	524
Remeasurements of defined benefit plans	180,130	201,174
Total accumulated other comprehensive income	751,773	439,616
Subscription rights to shares	171,331	201,761
Total net assets	34,379,003	35,736,739
Total liabilities and net assets	43,789,715	45,147,751

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated statement of income)

(Unit: Thousands of yen)

	Previous Consolidated Fiscal Year (From February 1, 2020 to January 31, 2021)	Current Consolidated Fiscal Year (From February 1, 2021 to January 31, 2022)
Net sales	48,003,297	45,220,567
Cost of sales	36,514,886	34,375,622
Gross profit	11,488,410	10,844,944
Selling, general and administrative expenses	6,439,718	6,638,087
Operating income	5,048,692	4,206,856
Non-operating income		
Interest income	2,478	3,299
Dividend income	51,175	55,741
Foreign exchange gains	885	—
Reversal of allowance for doubtful accounts	435	—
Dividends from insurance	11,626	—
Insurance claim income	20,000	—
Miscellaneous income	32,858	26,014
Total non-operating income	119,459	85,055
Non-operating expenses		
Interest expenses	3,228	2,944
Foreign exchange loss	—	5,559
Share of loss of entities accounted for using equity method	4,275	—
Miscellaneous loss	1,794	791
Total non-operating expenses	9,298	9,296
Ordinary income	5,158,853	4,282,615
Extraordinary income		
Gain on sale of investment securities	865	563,453
Gain on sale of non-current assets	—	6
Special proceeds	530,698	—
Total extraordinary income	531,564	563,460
Extraordinary loss		
Loss on retirement of non-current assets	2,627	3,797
Impairment loss	—	18,640
Loss on sales of marketable securities	4,590	1,269
Loss on termination of retirement benefit plan	—	34,699
Provision for compensation allowance for loss	—	414,643
Loss on write-down of golf club membership	3,500	—
Settlement payment	50,000	—
Total extraordinary loss	60,717	473,050
Profit before income taxes	5,629,700	4,373,024
Income taxes - current	1,361,076	1,544,494
Income taxes - deferred	232,352	(210,725)
Total income taxes	1,593,429	1,333,769
Net income	4,036,271	3,039,255
Net income attributable to owners of parent	4,036,271	3,039,255

(Consolidated statement of comprehensive income)

(Unit: Thousands of yen)

	Previous Consolidated Fiscal Year (From February 1, 2020 to January 31, 2021)	Current Consolidated Fiscal Year (From February 1, 2021 to January 31, 2022)
Net income	4,036,271	3,039,255
Other comprehensive income		
Valuation difference on other securities	304,287	(345,795)
Foreign currency translation adjustment	667	12,595
Remeasurements of defined benefit plans, net of tax	82,599	21,043
Total other comprehensive income	387,555	(312,156)
Comprehensive income	4,423,826	2,727,098
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,423,826	2,727,098

(3) Consolidated Statement of Changes in Equity

Consolidated Previous Fiscal Year (From February 1, 2020 to January 31, 2021)

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,586,000	6,733,706	19,166,772	(1,707,818)	30,778,661
Changes of items during the period					
Dividends of surplus			(1,398,341)		(1,398,341)
Net income attributable to owners of parent			4,036,271		4,036,271
Disposition of treasury shares			(5,033)	44,341	39,307
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	2,632,896	44,341	2,677,237
Balance at end of period	6,586,000	6,733,706	21,799,669	(1,663,477)	33,455,898

	Accumulated other comprehensive income				Subscription rights to shares	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	279,426	(12,739)	97,530	364,218	179,762	31,322,642
Changes of items during the period						
Dividends of surplus						(1,398,341)
Net income attributable to owners of parent						4,036,271
Disposition of treasury shares						39,307
Net changes of items other than shareholders' equity	304,287	667	82,599	387,555	(8,431)	379,123
Total changes of items during period	304,287	667	82,599	387,555	(8,431)	3,056,360
Balance at end of period	583,714	(12,071)	180,130	751,773	171,331	34,379,003

Consolidated Current Fiscal Year (From February 1, 2021 to January 31, 2022)

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,586,000	6,733,706	21,799,669	(1,663,477)	33,455,898
Changes of items during the period					
Dividends of surplus			(1,399,730)		(1,399,730)
Net income attributable to owners of parent			3,039,255		3,039,255
Purchase of treasury shares				(62)	(62)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	1,639,525	(62)	1,639,462
Balance at end of period	6,586,000	6,733,706	23,439,194	(1,663,539)	35,095,361

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on other securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	583,714	(12,071)	180,130	751,773	171,331	34,379,003
Changes of items during the period						
Dividends of surplus						(1,399,730)
Net income attributable to owners of parent						3,039,255
Purchase of treasury shares						(62)
Net changes of items other than shareholders' equity	(345,795)	12,595	21,043	(312,156)	30,430	(281,726)
Total changes of items during period	(345,795)	12,595	21,043	(312,156)	30,430	1,357,735
Balance at end of period	237,918	524	201,174	439,616	201,761	35,736,739

(4) Consolidated Statement of Cash Flows

(Unit: Thousands of yen)

	Previous Consolidated Fiscal Year (From February 1, 2020 to January 31, 2021)	Current Consolidated Fiscal Year (From February 1, 2021 to January 31, 2022)
Cash flows from operating activities		
Profit before income taxes	5,629,700	4,373,024
Depreciation	688,178	683,521
Increase (decrease) in provision for bonuses	3,886	20,377
Impairment loss	—	18,640
Increase (decrease) in provision for loss on order received	4,326	385,926
Increase (decrease) in provision for directors' retirement benefits	4,640	(8,963)
Increase (decrease) in net defined benefit liability	(174,609)	(16,028)
Decrease (increase) in net defined benefit asset	(136,924)	(321,802)
Increase (decrease) in allowance for doubtful accounts	(205,752)	(41,714)
Interest and dividend income	(53,653)	(59,040)
Increase (decrease) in provision for loss on litigation and/or claims	(300,000)	—
Interest expenses	3,228	2,944
Share of (profit) loss of entities accounted for using equity method	4,275	—
Retirement loss on fixed assets	2,627	3,797
Loss (gain) on sales of non-current assets	—	(6)
Decrease (increase) in advance payments	97	132
Loss (gain) on sale of investment securities	3,724	(562,184)
Increase (decrease) in advances received	39,579	332,921
Increase (decrease) in provision for compensation allowance for loss	—	411,484
Decrease (increase) in notes and accounts receivable - trade	1,089,296	512,640
Decrease (increase) in inventories	27,137	(40,899)
Loss on termination of retirement benefit plan	—	34,699
Decrease (increase) in other accounts receivable	9,811	(46,293)
Decrease (increase) in other current assets	54,338	20,049
Increase (decrease) in notes and accounts payable - trade	59,834	(612,778)
Increase (decrease) in accrued consumption taxes	298,835	(394,567)
Increase (decrease) in accounts payable - other	278,780	(386,760)
Increase (decrease) in accrued expenses	(29,474)	17,268
Increase (decrease) in long-term accounts payable - other	(26,507)	—
Increase (decrease) in other current liabilities	(514,008)	(20,688)
Others	72,039	42,233
Subtotal	6,833,406	4,347,935
Interest and dividend income received	53,653	59,040
Interest expenses paid	(3,221)	(2,927)
Income taxes paid	(1,533,174)	(1,252,260)
Cash flows from operating activities	5,350,662	3,151,787

(Unit: Thousands of yen)

	Previous Consolidated Fiscal Year (From February 1, 2020 to January 31, 2021)	Current Consolidated Fiscal Year (From February 1, 2021 to January 31, 2022)
Cash flows from investing activities		
Purchase of non-current assets	(464,559)	(1,134,698)
Payments for asset retirement obligations	(1,621)	(1,857)
Proceeds from sale of non-current assets	—	6
Proceeds from sale of investment securities	5,756	805,010
Proceeds from sales of shares of subsidiaries and associates	8,889	—
Payments for lease and guarantee deposits	(27,672)	(15,306)
Proceeds from collection of lease and guarantee deposits	5,051	6,034
Others	3,553	77
Cash flows from investing activities	(470,602)	(340,734)
Cash flows from financing activities		
Repayment of long-term loans payable	(13,600)	(13,600)
Purchase of treasury shares	—	(62)
Dividend payment amount	(1,396,892)	(1,398,105)
Cash flows from financing activities	(1,410,492)	(1,411,768)
Effect of exchange rate change on cash and cash equivalents	907	10,947
Net increase (decrease) in cash and cash equivalents	3,470,475	1,410,231
Cash and cash equivalents at the beginning of period	17,550,208	21,020,684
Cash and cash equivalents at the end of period	21,020,684	22,430,915

(5) Notes to Consolidated Financial Statements

(Notes to going concern assumption)

Not applicable

(Matters relating to operating segments)

[Segment information]

1. Overview of reportable operating segments

The reportable operating segments of the Company's Group are components of the entity for which separate financial information is available and which are evaluated regularly by the board of directors in determining the allocation of management resources and in assessing operating performance.

The details of each segment reported are as follows.

Segment Name	Business Description
Digital Industry Business	Providing original ICT products and services aimed at supporting the manufacturing industry taking digital approaches. Planning and selling software products designed mainly for assembly manufacturers to improve productivity and quality, and providing system integration services utilizing these products.
Service Integration Business	Providing ICT services throughout the information system's life cycle from development of application in specific fields to construction and operation of the ICT infrastructure. Promoting full outsourcing of the entire ICT sector by utilizing data centers. Expanding the stock business model in the long term as an ICT partner of corporations.

2. Method of calculating net sales, income or loss, assets, liabilities, and other items by reportable segment

Accounting treatments pertaining to the individual reportable business segments are generally consistent with those described under the "Notes to Significant Fundamental Matters in Preparing the Consolidated Financial Statements."

Reportable segment profit refers to operating income.

Inter-segment sales or transfers are based on market prices.

3. Information relating to net sales, income or loss, assets, liabilities, and other items by reportable segment
Consolidated Previous Fiscal Year (From February 1, 2020 to January 31, 2021)

(Unit: thousands of yen)

	Reportable segment			Adjustment ¹	Consolidated Financial Statements Amount recognized ²
	Digital Industry Business	Service Integration Business	Total		
Net sales					
Sales to outside parties	16,298,857	31,704,440	48,003,297	—	48,003,297
Inter-segment sales or transfers	1,984	494,273	496,258	(496,258)	—
Total	16,300,841	32,198,713	48,499,555	(496,258)	48,003,297
Segment profit	3,371,727	5,083,283	8,455,010	(3,406,317)	5,048,692
Segment assets	4,963,749	12,616,335	17,580,085	26,209,630	43,789,715
Others					
Depreciation	10,544	361,987	372,531	315,646	688,178
Increase in the value of tangible as well as intangible assets	7,076	252,438	259,515	205,043	464,559

1. Adjustment details are as follows:

- (1) The adjustment of negative 3,406,317,000 yen made to the segment profit includes primarily corporate expenses that are not allocated to individual reportable segments. Corporate expenses are primarily composed of administrative expenses that are not allocated to individual reportable segments.
- (2) The adjustment of 26,209,630,000 yen posted in segment assets includes primarily corporate assets that are not allocated to individual reportable segments. Corporate assets are primarily composed of administrative assets that are not allocated to individual reportable segments.
- (3) The adjustment of 315,646,000 yen made to depreciation includes primarily corporate expenses that are not allocated to individual reportable segments. Corporate expenses are primarily composed of administrative expenses that are not allocated to individual reportable segments.
- (4) The adjustment of 205,043,000 yen made to the increase in both tangible and intangible assets includes primarily corporate assets that are not allocated to individual reportable segments. Corporate assets are primarily composed of administrative assets that are not allocated to individual reportable segments.

2. Segment profit adjustments are based on operating income reported on the consolidated statement of income.

Consolidated Current Fiscal Year (From February 1, 2021 to January 31, 2022)

(Unit: thousands of yen)

	Reportable segment			Adjustment ¹	Consolidated Financial Statements Amount recognized ²
	Digital Industry Business	Service Integration Business	Total		
Net sales					
Sales to outside parties	15,897,957	29,322,610	45,220,567	—	45,220,567
Inter-segment sales or transfers	285	499,543	499,828	(499,828)	—
Total	15,898,242	29,822,153	45,720,396	(499,828)	45,220,567
Segment profit	3,153,226	4,546,992	7,700,219	(3,493,362)	4,206,856
Segment assets	5,171,385	12,626,531	17,797,916	27,349,835	45,147,751
Others					
Depreciation	10,085	341,696	351,782	331,739	683,521
Increase in the value of tangible as well as intangible assets	27,254	381,660	408,915	725,783	1,134,698

1. Adjustment details are as follows:

- (1) The adjustment of negative 3,493,362,000 yen made to the segment profit includes primarily corporate expenses that are not allocated

to individual reportable segments. Corporate expenses are primarily composed of administrative expenses that are not allocated to individual reportable segments.

- (2) The adjustment of 27,349,835,000 yen posted in segment assets includes primarily corporate assets that are not allocated to individual reportable segments. Corporate assets are primarily composed of administrative assets that are not allocated to individual reportable segments.
 - (3) The adjustment of 331,739,000 yen made to depreciation includes primarily corporate expenses that are not allocated to individual reportable segments. Corporate expenses are primarily composed of administrative expenses that are not allocated to individual reportable segments.
 - (4) The adjustment of 725,783,000 yen made to the increase in both tangible and intangible assets includes primarily corporate assets that are not allocated to individual reportable segments. Corporate assets are primarily composed of administrative assets that are not allocated to individual reportable segments.
2. Segment profit adjustments are based on operating income reported on the consolidated statement of income.

(Notes to information per share)

	Previous Consolidated Fiscal Year (From February 1, 2020 to January 31, 2021)	Current Consolidated Fiscal Year (From February 1, 2021 to January 31, 2022)
Net assets per share	977.55 yen	1,015.48 yen
Net income per share	115.37 yen	86.85 yen
Diluted net income per share	114.52 yen	86.19 yen

(Note)

1. Basis for calculation of net income per share and net income per share after adjustment for dilutive securities are as follows.

Item	Previous Consolidated Fiscal Year (From February 1, 2020 to January 31, 2021)	Current Consolidated Fiscal Year (From February 1, 2021 to January 31, 2022)
Net income per share		
Net income attributable to owners of parent (in thousands of yen)	4,036,271	3,039,255
Amount not attributable to common shareholders (in thousands of yen)	—	—
Net income attributable to common shareholders of the parent (in thousands of yen)	4,036,271	3,039,255
Weighted average of the number of common shares outstanding during the period (in shares)	34,986,321	34,993,255
Diluted net income per share		
Adjustment in net income attributable to owners of parent (in thousands of yen)	—	—
An increase in the number of common shares (in shares)	259,998	268,058
(of which, those with subscription rights to shares (in shares))	(259,998)	(268,058)
Descriptions of potentially dilutive common shares that were not included in the computation of diluted net income per share because of their anti-dilutive effect	—	—

2. Basis of calculation for net asset value per share is as follows.

Item	Previous Consolidated Fiscal Year (January 31, 2021)	Current Consolidated Fiscal Year (January 31, 2022)
Total net assets (in thousands of yen)	34,379,003	35,736,739
Amount deducted from the total net asset value (in thousands of yen)	171,331	201,761
(of which, those with subscription rights to shares (in thousands of yen))	(171,331)	(201,761)
(of which, those with non-controlling interests (in thousands of yen))	(—)	(—)
Net asset value attributable to common shareholders at fiscal year-end	34,207,672	35,534,978
The number of common shares outstanding at the end of the fiscal year used for the computation of net asset value per share	34,993,280	34,993,240

(Significant subsequent event)

Not applicable