



Consolidated Financial Results for the First Half of the Fiscal Year Ending January 31, 2023

September 9, 2022

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 Scheduled Date of Filing of Quarterly Report: September 12, 2022 Scheduled Date of Dividend Payments: September 30, 2022
 Supplemental Materials Prepared for Quarterly Financial Results: Yes
 Briefing Held for Quarterly Financial Results: Yes (For institutional investors and analysts)

(Figures are rounded down to nearest million yen.)

1. Consolidated Earnings for the First Half of the Fiscal Year Ending January 31, 2023 (February 1, 2022 to July 31, 2022)

(1) Consolidated Operating Results for the Six Months (Percentages indicate increase/decrease from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q ended Jul. 2022	23,478	4.6	1,969	(11.3)	1,988	(11.6)	3,495	127.5
2Q ended Jul. 2021	22,442	(8.6)	2,220	(16.9)	2,250	(17.4)	1,536	(35.0)
(Note) Comprehensive income	2Q ended Jul. 2022		3,476 million yen	85.9%	2Q ended Jul. 2021		1,870 million yen	(18.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q ended Jul. 2022	101.09	100.62
2Q ended Jul. 2021	43.92	43.58

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending January 31, 2023, and the figures relating to the second quarter represent the amounts based on the aforementioned accounting standard and other relevant regulations.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
2Q ended Jul. 2022	46,127	36,956	80.0
FY ended Jan. 2022	45,147	35,736	78.7

(Reference) Total shareholders' equity 2Q ended Jul. 2022 36,891 million yen FY ended Jan. 2022 35,534 million yen

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending January 31, 2023, and the figures relating to the second quarter represent the amounts based on the aforementioned accounting standard and other relevant regulations.

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	FY-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended Jan. 2022	—	20.00	—	20.00	40.00
FY ending Jan. 2023	—	25.00			
FY ending Jan. 2023 (forecast)			—	20.00	45.00

(Notes) 1. Adjustments from the dividend forecasts announced most recently: Yes

For details, please refer to "Notice Concerning Dividend of Surplus (Interim Dividend)" announced today.

2. Breakdown of dividends at the end of the second quarter of the fiscal year ending January 31, 2023: Ordinary dividend 20.00 yen, special dividend 5.00 yen

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

(Percentages indicate increase/decrease from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	48,000	6.1	4,500	7.0	4,540	6.0	5,200	71.1	152.66

(Notes) 1. Adjustments from the earnings forecasts announced most recently: No

2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending January 31, 2023, and the consolidated earnings forecasts above represent the amounts based on the aforementioned accounting standard and other relevant regulations.

*Notes

(1) Significant changes in subsidiaries during the first six months of the fiscal year ending January 31, 2023 (Transfer of particular subsidiaries following a change in the scope of consolidation): None

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None

(3) 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: Yes
- 2) Changes other than 1) above: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(Note) For details, please refer to “(4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” in “2. Quarterly Consolidated Financial Statements and Major Notes” on page 12 of the accompanying material of the quarterly report.

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

1) Number of shares issued and outstanding (including treasury stock)	2Q ended Jul. 2022	37,600,000 shares	FY ended Jan. 2022	37,600,000 shares
2) Number of treasury stock	2Q ended Jul. 2022	3,732,660 shares	FY ended Jan. 2022	2,606,760 shares
3) Average number of shares for each period	2Q ended Jul. 2022	34,580,350 shares	2Q ended Jul. 2021	34,993,271 shares

*The quarterly 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 regarding statements about the future)

Forward-looking statements including earnings forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual results may vary from forecasts due to a variety of factors. For the conditions serving as assumptions underlying the earnings forecasts and notes on using the earnings forecasts, please see “Explanation on Consolidated Earnings Forecasts and Other Forward-Looking Information” on page 5 of the accompanying material of the quarterly report.

(Briefing for quarterly financial results and the method of obtaining supplementary briefing material on quarterly financial results)

The Company will hold a briefing for financial results for institutional investors and analysts on Wednesday, September 14, 2022 via livestreaming. The materials used in the briefing will be posted on our website. The video of the briefing for financial results is scheduled to be released on Friday, September 16.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation on Operating Results

During the first six months of the current fiscal year (from February 1, 2022 to July 31, 2022), the Japanese economy showed a moderate recovery amid the progress of normalization of economic and social activities as a result of the government's measures against COVID-19. However, as monetary tightening accelerates worldwide, the future is uncertain due to fluctuations in financial and capital markets, rising raw material prices, and constraints on the supply side.

The information service industry saw continuously strong DX-related demand aimed at improving productivity and enhancing competitiveness. Meanwhile, threats in cyberspace still continue to be serious, and security measures across the entire supply chain are in great demand as risk management.

Under these circumstances, we at the CEC Group have worked to solve social and industrial issues through our business activities. We have done so by, for example, enhancing products and services for customers' focus investment areas and developing new business negotiations while taking advantage of synergies generated by the integration of business areas or geographical areas, with the aim of realizing "a sustainable society" and "sustained growth of the CEC Group."

As a result of these efforts, in the first six months ended July 31, 2022, the operating status saw a recovery of customers' ICT investment in our core business, and generally progressed as planned also in the focused business. Consequently, net sales increased 1,036 million yen (4.6%) from the same period of the previous fiscal year to 23,478 million yen. In terms of profits, operating income was 1,969 million yen, a decrease of 250 million yen (11.3%) from the same period of the previous fiscal year, and ordinary income was 1,988 million yen, down 261 million yen (11.6%) year-on-year. This was due to an allowance for loss on orders received in the first quarter, in spite of our efforts to expand sales of our products and services and continuous measures for improving productivity. Net income attributable to owners of parent was 3,495 million yen, an increase of 1,958 million yen (127.5%) from the same period of the previous fiscal year. This was due to a gain on sale of investment securities recorded in extraordinary income for the second quarter of the current fiscal year.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending January 31, 2023. As a result, net sales for the first six months ended July 31, 2022 rose 288 million yen, and operating income, ordinary income, and profit before income taxes increased 67 million yen, respectively. For details, please refer to "(4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)" in "2. Quarterly Consolidated Financial Statements and Major Notes."

Operating results by segment are as follows.

(Digital Industry Business)

Sales of production and logistics solutions and mobility services, which are the focused business, progressed steadily due to the improvement of the business environment. In our core business, system development in the chubu and nishinohon districts went well, as ICT investment by our major customers recovered. As a result, net sales increased 460 million yen (5.9%) from the same period of the previous fiscal year to 8,260 million yen. In terms of profits, operating income came to 1,961 million yen, up 462 million yen (30.9%) from the same period of the previous fiscal year. This was because of the reaction caused by elimination of unprofitable projects that occurred in the previous fiscal year and the shift of personnel to more profitable business negotiations.

(Service Integration Business)

As for the focused business in services in cooperation with Microsoft and migration services, ICT investments for DX, promotion of cloud computing, etc. were active and maintained a favorable performance. In the security services, the number of business negotiations increased due to the expansion of security threats in Japan, and the business performed well. On the other hand, in the infrastructure construction business, which is one of our core business, the impact of the stagnation in business negotiations caused by the semiconductor supply shortage continued. As a result, net sales grew 575 million yen (3.9%) from the same period of the previous fiscal year to 15,218 million yen. In terms of profits, operating income came to 2,066 million yen, down 402 million yen (16.3%) from the same period of the previous fiscal year. This was because the impact of unprofitable projects that occurred in the previous fiscal year continued, although sales of security-related products and services expanded and profitable business negotiations increased.

(2) Explanation on Financial Position

(Total assets)

Total assets as of the end of the second quarter were 46,127 million yen, an increase of 979 million yen from the end of the previous fiscal year. This was mainly due to an increase of 1,584 million yen in cash and deposits.

(Liabilities)

Total liabilities as of the end of the second quarter amounted to 9,171 million yen, down 239 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 464 million yen in long-term accounts payable–other.

(Net assets)

Net assets as of the end of the second quarter were 36,956 million yen, an increase of 1,219 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,829 million yen in retained earnings and an increase of 1,453 million yen in treasury stock.

(Cash flows)

Cash and cash equivalents (hereinafter, "funds") as of the end of the second quarter of the current fiscal year were 24,015 million yen, an increase of 1,584 million yen from the end of the previous fiscal year.

1) Cash flows from operating activities

The increase in funds resulting from operating activities was 1,730 million yen (income decreased by 706 million yen from the same period of the previous fiscal year). This was mainly due to profit before income taxes of 4,252 million yen, adjustment of gain or loss on sale of investment securities of 2,265 million yen, and income taxes paid of 1,377 million yen.

2) Cash flows from investing activities

The increase in funds resulting from investing activities was 2,170 million yen (income increased by 2,674 million yen from the same period of the previous fiscal year). This was mainly due to proceeds of 2,295 million yen from sale of investment securities.

3) Cash flows from financing activities

The decrease in funds resulting from financing activities was 2,325 million yen (expenses increased by 1,612 million yen from the same period of the previous fiscal year). This was mainly due to an expense of 1,611 million yen for purchase of treasury shares and a payment of dividends of 700 million yen.

(3) Explanation on Consolidated Earnings Forecasts and Other Forward-looking Information

There are no changes to the consolidated earnings forecasts for the fiscal year ending January 31, 2023 announced on July 29, 2022. When any adjustments to the earnings forecasts are deemed to be required based on future conditions and business trends, we will disclose them promptly.

*The forecast figures signify projections made based on currently available information and are not intended to guarantee the achievement of those projections by the Company. Actual results, etc. may differ from the forecast figures due to changes in business conditions and other factors.

(4) Adjustments of Dividend Forecasts

As stated in "Notice Concerning Dividend of Surplus (Interim Dividend)" announced today, the dividend at the end of the second quarter of the current fiscal year was changed to 25 yen from 20 yen, an increase of 5 yen per share as a special dividend, as a result of comprehensively considering factors including a temporary increase in profit due to sale of investment securities. As a result, the annual dividend will be changed to 45 yen from 40 yen.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	Previous Fiscal Year (January 31, 2022)	First Half of the Current Fiscal Year (July 31, 2022)
Assets		
Current assets		
Cash and deposits	22,430,915	24,015,462
Notes and accounts receivable–trade	9,943,170	—
Notes and accounts receivable–trade, and contract assets	—	8,956,797
Product	175,365	195,852
Work in progress	567,946	504,944
Other accounts receivable	55,208	11,447
Others	893,784	1,410,386
Allowance for doubtful accounts	(6,025)	(4,019)
Total current assets	34,060,367	35,090,870
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,112,508	3,886,348
Land	2,004,644	2,004,644
Construction in progress	606,540	—
Other, net	843,795	842,433
Total property, plant and equipment	6,567,488	6,733,426
Intangible assets		
Others	244,274	213,515
Total intangible assets	244,274	213,515
Investments and other assets		
Others	4,290,406	4,104,309
Allowance for doubtful accounts	(14,784)	(14,784)
Total investments and other assets	4,275,621	4,089,524
Total non-current assets	11,087,384	11,036,466
Total assets	45,147,751	46,127,337

(Unit: Thousands of yen)

	Previous Fiscal Year (January 31, 2022)	First Half of the Current Fiscal Year (July 31, 2022)
Liabilities		
Current liabilities		
Accounts payable–trade	2,538,726	2,449,335
Short-term loans payable	350,000	350,000
Current portion of long-term loans payable	13,600	13,600
Income taxes payable	992,300	587,248
Allowance for bonuses	523,301	607,414
Allowance for loss on order received	391,877	706,865
Allowance for loss compensation	411,484	—
Others	3,089,511	3,824,729
Total current liabilities	8,310,802	8,539,192
Non-current liabilities		
Long-term loans payable	27,400	13,800
Long-term accounts payable–other	487,095	22,120
Provision for directors' retirement benefits	16,256	17,662
Net defined benefit liability	98,282	102,222
Asset retirement obligations	471,003	475,974
Others	172	147
Total non-current liabilities	1,100,210	631,927
Total liabilities	9,411,012	9,171,120
Net assets		
Shareholders' equity		
Capital stock	6,586,000	6,586,000
Capital surplus	6,733,706	6,733,706
Retained earnings	23,439,194	26,269,063
Treasury shares	(1,663,539)	(3,117,110)
Total shareholders' equity	35,095,361	36,471,658
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	237,918	347,468
Foreign currency translation adjustment	524	14,743
Remeasurements of defined benefit plans	201,174	57,633
Total accumulated other comprehensive income	439,616	419,846
Subscription rights to shares	201,761	64,712
Total net assets	35,736,739	36,956,217
Total liabilities and net assets	45,147,751	46,127,337

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(First Six Months Ended July 31, 2022)

(Unit: Thousands of yen)

	First Six Months of the Previous Fiscal Year (From February 1, 2021 to July 31, 2021)	First Six Months of the Current Fiscal Year (From February 1, 2022 to July 31, 2022)
Net sales	22,442,396	23,478,472
Cost of sales	16,872,824	18,067,432
Gross profit	5,569,571	5,411,040
Selling, general and administrative expenses	3,349,181	3,441,407
Operating income	2,220,390	1,969,632
Non-operating income		
Interest income	1,150	1,187
Dividend received	15,579	12,508
Reversal of allowance for doubtful accounts	2,581	—
Dividends from insurance	—	12,849
Insurance claim income	2,771	—
Others	12,353	10,289
Total non-operating income	34,436	36,835
Non-operating expenses		
Interest expenses	1,943	1,783
Foreign exchange loss	2,107	12,304
Others	329	3,871
Total non-operating expenses	4,380	17,959
Ordinary income	2,250,445	1,988,507
Extraordinary income		
Gain on sale of non-current assets	6	—
Gain on sale of investment securities	1,395	2,265,000
Total extraordinary income	1,402	2,265,000
Extraordinary loss		
Loss on retirement of non-current assets	2,598	221
Impairment loss	—	704
Loss on sales of investment securities	1,269	—
Total extraordinary loss	3,867	925
Profit before income taxes	2,247,981	4,252,582
Income taxes—current	740,942	968,258
Income taxes—deferred	(29,908)	(211,479)
Total income taxes	711,034	756,779
Net income	1,536,947	3,495,802
Net income attributable to owners of parent	1,536,947	3,495,802

(Quarterly Consolidated Statement of Comprehensive Income)
(First Six Months Ended July 31, 2022)

(Unit: Thousands of yen)

	First Six Months of the Previous Fiscal Year (From February 1, 2021 to July 31, 2021)	First Six Months of the Current Fiscal Year (From February 1, 2022 to July 31, 2022)
Net income	1,536,947	3,495,802
Other comprehensive income		
Valuation difference on available-for-sale securities	134,469	109,550
Foreign currency translation adjustment	6,005	14,219
Remeasurements of defined benefit plans	192,596	(143,540)
Total other comprehensive income	333,071	(19,770)
Comprehensive income	1,870,018	3,476,032
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,870,018	3,476,032

(3) Quarterly Consolidated Statement of Cash Flows

(Unit: Thousands of yen)

	First Six Months of the Previous Fiscal Year (From February 1, 2021 to July 31, 2021)	First Six Months of the Current Fiscal Year (From February 1, 2022 to July 31, 2022)
Cash flows from operating activities		
Profit before income taxes	2,247,981	4,252,582
Depreciation	338,544	375,239
Increase (decrease) in provision for bonuses	75,836	82,840
Impairment loss	—	704
Increase (decrease) in provision for loss on order received	104,593	(96,496)
Increase (decrease) in provision for directors' retirement benefits	(10,365)	1,406
Increase (decrease) in net defined benefit liability	5,601	3,939
Decrease (increase) in net defined benefit asset	(156,818)	(158,792)
Increase (decrease) in allowance for doubtful accounts	(2,112)	(2,006)
Interest and dividend income	(16,730)	(13,695)
Interest expenses	1,943	1,783
Loss (gain) on sale of non-current assets	(6)	—
Loss on retirement of non-current assets	2,598	221
Loss (gain) on sale of investment securities	(126)	(2,265,000)
Increase (decrease) in advances received	221,865	—
Increase (decrease) in contract liabilities	—	507,848
Decrease (increase) in notes and accounts receivable - trade	1,442,236	992,228
Decrease (increase) in inventories	(167,702)	44,169
Decrease (increase) in other accounts receivable	(5,748)	43,761
Decrease (increase) in other current assets	(33,945)	(517,807)
Increase (decrease) in notes and accounts payable - trade	(449,185)	(89,978)
Increase (decrease) in accrued consumption taxes	(484,092)	(179,471)
Increase (decrease) in accounts payable - other	(106,563)	271,545
Increase (decrease) in accrued expenses	45,197	(17,788)
Increase (decrease) in long-term accounts payable - other	—	(464,975)
Increase (decrease) in other current liabilities	(20,377)	128,539
Others	27,653	195,844
Subtotal	3,060,277	3,096,643
Interest and dividend income received	16,729	13,695
Interest expenses paid	(1,957)	(1,788)
Income taxes refund (paid)	(638,039)	(1,377,647)
Cash flows from operating activities	2,437,010	1,730,902

(Unit: Thousands of yen)

	First Six Months of the Previous Fiscal Year (From February 1, 2021 to July 31, 2021)	First Six Months of the Current Fiscal Year (From February 1, 2022 to July 31, 2022)
Cash flows from investing activities		
Purchase of non-current assets	(502,471)	(594,534)
Proceeds from sale of non-current assets	6	—
Payments for asset retirement obligations	(1,144)	(549)
Payments for lease and guarantee deposits	(14,440)	(34,025)
Proceeds from collection of lease and guarantee deposits	4,797	4,122
Proceeds from sale of investment securities	8,790	2,295,200
Proceeds from redemption of investment securities	—	500,000
Cash flows from investing activities	(504,461)	2,170,212
Cash flows from financing activities		
Repayment of long-term loans payable	(13,600)	(13,600)
Purchase of treasury shares	(62)	(1,611,616)
Dividend payment amount	(698,903)	(700,319)
Proceeds from exercise of employee share options	—	218
Cash flows from financing activities	(712,566)	(2,325,317)
Effect of exchange rate change on cash and cash equivalents	5,551	8,748
Net increase (decrease) in cash and cash equivalents	1,225,534	1,584,546
Cash and cash equivalents at the beginning of period	21,020,684	22,430,915
Cash and cash equivalents at the end of period	22,246,218	24,015,462

(4) Notes to Quarterly Consolidated Financial Statements

(Notes to going concern assumption)

Not applicable

(Notes on substantial changes in the amount of shareholders' equity)

The Company resolved at the meeting of the Board of Directors held on March 11, 2022 to repurchase up to 2 million shares of treasury stock, with a maximum total acquisition amount of 2 billion yen. The Company acquired 1,344,800 shares for 1,611,616 thousand yen in the first six months ended July 31, 2022.

In addition, as a result of the disposal of treasury stock through the exercise of stock options, treasury stock decreased by 158,045 thousand yen in the first six months ended July 31, 2022.

As a result, treasury stock amounted to 3,117,110 thousand yen at the end of the second quarter of the fiscal year ending January 31, 2023.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Accounting Standard for Revenue Recognition") and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending January 31, 2023. Accordingly, revenue is recognized in the amount expected to be received in exchange for the promised goods or services when control of such goods or services is transferred to the customer.

The application of the Accounting Standard for Revenue Recognition, etc. is in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The amount of cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the fiscal year ending January 31, 2023, was added to or deducted from the balance of retained earnings at the beginning of the first quarter of the fiscal year ending January 31, 2023, and thus the accounting policy was applied from such opening balance.

As a result, for the first six months of the fiscal year ending January 31, 2023, net sales increased 288,376 thousand yen, cost of sales increased 220,577 thousand yen, and operating income, ordinary income, and profit before income taxes increased 67,799 thousand yen, respectively. In addition, the balance of retained earnings at the beginning of the fiscal year grew 44,304 thousand yen.

Due to the application of the Accounting Standard for Revenue Recognition, etc., "notes and accounts receivable-trade," which was presented under "current assets" in the consolidated balance sheet for the previous fiscal year, is included in "notes and accounts receivable, and contract assets" from the first quarter of the fiscal year under review. In addition, "advances received" included in "others" under "current liabilities" has been included in "others" as "contract liabilities" and "advances received" from the first quarter of the fiscal year under review. Similarly, "allowance for loss compensation" presented under "current liabilities" has been included in "provision for loss on orders received" from the first quarter of the fiscal year under review, as a result of the reduction from the transaction price in the related contracts with customers. In addition, "Increase (decrease) in advances received," which was presented in "Cash flows from operating activities" in the Quarterly Consolidated Statement of Cash Flows for the first six months of the previous fiscal year, has been included in "Increase (decrease) in contract liabilities" from the first six months of the fiscal year under review.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year using the new presentation method.

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

The Company decided to adopt the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter, "Fair Value Accounting Standard") and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending January 31, 2023 and apply the new accounting policy provided for in the Fair Value Accounting Standard, etc. in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) going forward. This has no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

First six months of the previous fiscal year (from February 1, 2021, to July 31, 2021)

1. Information relating to net sales and income or loss by reportable segment

(Unit: Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Digital Industry Business	Service Integration Business	Total		
Net sales					
Sales to external customers	7,799,497	14,642,898	22,442,396	—	22,442,396
Inter-segment sales or transfers	199	255,875	256,074	(256,074)	—
Total	7,799,696	14,898,774	22,698,470	(256,074)	22,442,396
Segment profit	1,498,404	2,469,626	3,968,030	(1,747,640)	2,220,390

(Notes) 1. The adjustment of negative 1,747,640 thousand 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. Segment profit adjustments are based on operating income reported on the quarterly consolidated statement of income.

First six months of the current fiscal year (from February 1, 2022, to July 31, 2022)

1. Information relating to net sales and income or loss by reportable segment

(Unit: Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Total (Note 2)
	Digital Industry Business	Service Integration Business	Total		
Net sales					
Sales to external customers	8,260,356	15,218,115	23,478,472	—	23,478,472
Inter-segment sales or transfers	617	246,283	246,901	(246,901)	—
Total	8,260,973	15,464,399	23,725,373	(246,901)	23,478,472
Segment profit	1,961,025	2,066,672	4,027,697	(2,058,064)	1,969,632

(Notes) 1. The adjustment of negative 2,058,064 thousand 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. Segment profit adjustments are based on operating income reported on the quarterly consolidated statement of income.

2. Matters concerning changes in reportable segments, etc.

As described in “Changes in accounting policies,” since the Company applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of the fiscal year under review and changed the accounting method for revenue recognition, the method of measuring income or loss of reportable segments has been changed accordingly.

As a result of this change, compared with the results under the previous method, in the Digital Industry Business, sales to external customers increased 191,011 thousand yen and segment profit grew 51,532 thousand yen, while in the Service Integration Business, sales to external customers rose 97,365 thousand yen, and segment profit increased 16,266 thousand yen, for the first six months of the fiscal year under review.