



Consolidated Financial Results for the Fiscal Year Ended January 31, 2023

March 10, 2023

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 25, 2023 Scheduled Date of Dividend Payments: April 26, 2023
 Scheduled Date of Filing of Annual Securities Report: April 25, 2023
 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, 2023 (February 1, 2022 to January 31, 2023)

(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. 2023	48,206	6.6	4,374	4.0	4,413	3.1	5,179	70.4
FY ended Jan. 2022	45,220	(5.8)	4,206	(16.7)	4,282	(17.0)	3,039	(24.7)

(Note) Comprehensive income FY ended Jan. 2023 5,128 million yen 88.1% FY ended Jan. 2022 2,727 million yen (38.4%)

	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. 2023	151.97	151.45	14.2	9.6	9.1
FY ended Jan. 2022	86.85	86.19	8.7	9.6	9.3

(Reference) Equity in earnings of affiliates FY ended Jan. 2023 - million yen FY ended Jan. 2022 - million yen

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended Jan. 2023	46,333	37,379	80.5	1,111.48
FY ended Jan. 2022	45,147	35,736	78.7	1,015.48

(Reference) Total shareholders' equity FY ended Jan. 2023 37,309 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) from the beginning of the first quarter of the fiscal year ended January 31, 2023, and the figures relating to the fiscal year ended January 31, 2023 represent the amounts based on the aforementioned accounting standard and other relevant regulations.

(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. 2023	2,494	1,930	(3,559)	23,302
FY ended Jan. 2022	3,151	(340)	(1,411)	22,430

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			
FY ended Jan. 2022	—	20.00	—	20.00	40.00	1,399	46.1	4.0
FY ended Jan. 2023	—	25.00	—	20.00	45.00	1,518	29.6	4.2
FY ending Jan. 2024 (Forecast)	—	25.00	—	25.00	50.00		43.7	

(Note) Breakdown of dividends at the end of the second quarter of the fiscal year ended January 31, 2023: Ordinary dividend 20.00 yen, special dividend 5.00 yen

3. Forecasts for Fiscal Year Ending January 31, 2024 (February 1, 2023 to January 31, 2024)

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

	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
First half	24,800	5.6	2,550	29.5	2,560	28.7	1,770	(49.4)	52.73
Full year	51,000	5.8	5,550	26.9	5,570	26.2	3,840	(25.9)	114.40

*Notes

(1) Significant changes in subsidiaries during the FY ended January 2023 (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: Yes
- 2) Changes other than 1) above: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(Note) For details, please refer to "(5) Notes to Consolidated Financial Statements (Changes in accounting policies)" in "3. Consolidated Financial Statements and Major Notes" on page 15 of the accompanying material of the report.

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

1) Number of shares issued and outstanding (including treasury stock)	FY ended Jan. 2023	37,600,000 shares	FY ended Jan. 2022	37,600,000 shares
2) Number of treasury stock	FY ended Jan. 2023	4,032,960 shares	FY ended Jan. 2022	2,606,760 shares
3) Average number of shares for each period	FY ended Jan. 2023	34,080,884 shares	FY ended Jan. 2022	34,993,255 shares

(Reference) Non-Consolidated Financial Results

1. Non-Consolidated Performance for the Year Ended January 31, 2023 (February 1, 2022 to January 31, 2023)

(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. 2023	36,659	6.5	3,136	5.6	3,518	3.2	4,678	81.1
FY ended Jan. 2022	34,429	0.0	2,969	(22.3)	3,409	(21.2)	2,583	(28.5)

	Net income per share	Net income per share after dilution
	Yen	Yen
FY ended Jan. 2023	137.28	136.80
FY ended Jan. 2022	73.82	73.25

(2) Non-Consolidated Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended Jan. 2023	38,209	31,048	81.1	922.87
FY ended Jan. 2022	36,780	29,732	80.3	843.88

(Reference) Total shareholders' equity FY ended Jan. 2023 30,978 million yen FY ended Jan. 2022 29,530 million yen

* 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 regarding statements 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 6 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 15, 2023 (Wednesday) in the form of a web conference. The materials to be used at the financial results briefing will be posted on our company website. The video of the financial results briefing is scheduled to be released on March 17 (Friday).

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1. Summary of Operating Results

(1) Summary of Operating Results for the Fiscal Year Ended January 2023

During the current consolidated fiscal year (from February 1, 2022 to January 31, 2023), the Japanese economy showed signs of moderate recovery as economic activities normalized due to the effects of measures taken against COVID-19 and various government policies. However, the future remains uncertain mainly due to the ongoing depreciation of the yen as a result of global monetary tightening, rising domestic prices, supply constraints, and fluctuations in financial and capital markets.

In the information service industry, while there were concerns about soaring raw material prices and geopolitical risks, with the “2025 Digital Cliff” issue also at hand, companies needed to enhance productivity and competitiveness in order to reform their operations, business models, and business structure accompanied by system reforms, and therefore DX-related investment remained strong. Furthermore, many companies are investing in security measures as a management issue in order to respond to the ever-growing sophistication of cyber-attacks, and demand for cyber security products and services continues to grow.

Under these circumstances, the CEC Group announced a new medium-term management plan for three years from the fiscal year ended January 2023 to the fiscal year ending January 2025 with a goal of aiming to become “a company that creates the future with ICT technologies.” In the current fiscal year, the first year of the new medium-term management plan, we have been working to solve social and industrial issues through our business activities, aiming to “realize a sustainable society” and achieve “sustained growth” based on the basic policies of “strengthening business capabilities,” “strengthening human resources and technical capabilities” and “strengthening the management foundation.” In the area of “strengthening business capabilities,” we shifted to an autonomous division system, creating a system of invested capital that is autonomous and utilizes human resources, while enlarging the areas of focused businesses from two to six to evolve into a flexible business structure that is resistant to changes in the environment. In addition, in the area of “strengthening human resources and technical capabilities,” the Company took a major step toward increasing the number of employees by promoting both personnel system reforms and strengthening the recruitment of new graduates and experienced personnel. Additionally, in the area of “strengthening the management foundation,” we have been promoting ESG activities, such as transitioning to a company with an audit and supervisory committee, establishing a nomination and remuneration committee, expressing support for TCFD recommendations, and increasing the number of ISO 14001 certifications.

As a result of these efforts, our business performance during the current consolidated fiscal period show that ICT investment recovered mainly in the manufacturing industry, which is our main customer base, and that both focused business areas*¹ and core business *² showed solid overall performance, resulting in net sales of 48,206 million yen, an increase of 2,985 million yen (6.6%) from the previous period. In terms of profit, the Company recorded additional provision for loss on orders received in the fourth quarter of the current consolidated fiscal year in order to improve the situation of unprofitable projects that have continued since the previous fiscal year due to failures that occurred after the transition to a production environment. However, the business environment remained favorable, with operating income increasing 167 million yen (4.0%) from a year earlier to 4,374 million yen, and ordinary income increased 130 million yen (3.1%) from a year earlier to 4,413 million yen. In addition, net income attributable to owners of parent was 5,179 million yen, an increase of 2,140 million yen (70.4%) 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.

*1 The Company defines its six focused business areas as:

- (1) Production and logistics solutions, (2) Mobility services, (3) Services in cooperation with Microsoft Japan, (4) Migration services, (5) Security services, and (6) DX cloud platform.

*2 Core business: The Company defines its core business as the stable and foundation business that supports the Company, including commissioned development, which is our revenue base, provision of ICT infrastructure using data centers, construction and operations business, development of car-mounted and built-in devices, and verification business.

The following sections show the financial results of respective segments.

(Digital Industry Business)

In the focused business area of production and logistics solutions, despite the delay in the semiconductor supply, DX-related business negotiations at customers' factories are on the increase, and sales progressed steadily. In mobility services, smartphone application development progressed steadily. In addition, in our core business, system development in the chubu and nishinihon districts went well, against the backdrop of active ICT investment in the manufacturing area, our major customer. As a result, net sales increased 936 million yen (5.9%) from the same period of the previous fiscal year to 16,834 million yen. In terms of profits, operating income came to 3,857 million yen, up 704 million yen (22.3%) from the same period of the previous fiscal year. This was because of the profit increase due to stronger net sales and further closing of highly profitable business negotiations.

(Service Integration Business)

Migration services and security services, one of our focused businesses, performed well due to the increasing need for migration to the cloud environment and security enhancement against the backdrop of DX promotion. In addition, services in cooperation with Microsoft Japan also remained solid with an increasing number of inquiries regarding CRM and Power Platform business negotiations. Furthermore, in our core business of ICT infrastructure construction, the semiconductor supply system normalized, contributing to sales. As a result, net sales increased 2,049 million yen (7.0%) from the same period of the previous fiscal year to 31,372 million yen. In terms of profits, operating income came to 4,573 million yen, up 26 million yen (0.6%) from the same period of the previous fiscal year. This was due to the increase in profits resulting from higher sales, despite the continued impact of unprofitable projects that occurred in the previous fiscal year.

(2) Summary of Financial Conditions for the Fiscal Year Ended January 2023

(Total assets)

Total assets as of the end of the fiscal year ended January 2023 were 46,333 million yen, an increase of 1,185 million yen from a year earlier. This was mainly due to an increase of 871 million yen in cash and deposits.

(Liabilities)

Total liabilities amounted to 8,954 million yen, down 457 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 increased 1,642 million yen from the end of the prior fiscal year to 37,379 million yen. This was mainly due to an increase of 3,666 million yen in retained earnings, an increase of 1,841 million yen in treasury stock, and a decrease of 190 million yen in remeasurements of defined benefit plans.

(3) Summary of Cash Flows for the Fiscal Year Ended January 2023

Cash and cash equivalents (“funds”) as of the end of the fiscal year ended January 2023 were 23,302 million yen, an increase of 871 million yen from a year earlier.

(Cash flow from operating activities)

An increase in the funds from operating activities was 2,494 million yen (a decrease in income of 657 million yen from the previous period). This was mainly due to income before income taxes of 6,675 million yen, an adjustment of 2,265 million yen for gain/loss on sale of investment securities, and income taxes paid of 1,742 million yen.

(Cash flow from investing activities)

An increase in the funds from investing activities was 1,930 million yen (an increase in income of 2,271 million yen from the previous period). This was due mainly to proceeds of 2,295 million yen from the sale of investment securities.

(Cash flow from financial activities)

A decrease in the funds from financial activities was 3,559 million yen (an increase in spending of 2,148 million yen from the previous period). This was mainly due to purchase of treasury stock of 1,999 million yen and dividend payment amount of 1,546 million yen.

(Reference) Changes in indicators related to cash flow

	FY ended Jan. 2021	FY ended Jan. 2022	FY ended Jan. 2023
Equity ratio (%)	78.1	78.7	80.5
Equity ratio based on market value (%)	112.4	82.5	109.3
Cash flow-to-interest-bearing liabilities ratio (annual)	0.1	0.1	0.2
Interest coverage ratio (times)	1,657.4	1,070.3	894.8

(Notes)1. 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

2. Each indicator is calculated using consolidated financial figures.

3. 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).

4. Operating cash flow is cash flow from operating activities as reported in the Consolidated Statement of Cash Flows.

5. 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 Statement of Income.

(4) Future Prospects

The CEC Group is promoting a medium-term management plan covering the three-year period from the fiscal year ended January 31, 2023 to the fiscal year ending January 31, 2025, with the next fiscal year being the second year of the plan. Based on the three pillars of our basic policies of (1) strengthening business capabilities, (2) strengthening human resources and technical capabilities, and (3) strengthening the management foundation, we will strive to solve social and industrial issues through our business activities and continuously improve our corporate value. Our forecast for the next fiscal year calls for net sales of 51,000 million yen, operating income of 5,550 million yen, ordinary income of 5,570 million yen, and net income attributable to owners of parent of 3,840 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 25 yen per share as the interim dividend (ordinary dividend of 20 yen and special dividend of 5 yen per share) for the fiscal year ended January 2023. The Company is scheduled to pay 20 yen per share as the year-end dividend, which will be discussed at the 55th ordinary shareholders' meeting scheduled to take place on April 25, 2023.

The Company is scheduled to pay a total of 50 yen annually, consisting of an interim dividend of 25 yen per share and a year-end dividend of 25 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 Major Notes

(1) Consolidated Balance Sheet

(Unit: Thousands of yen)

	Previous Consolidated Fiscal Year (January 31, 2022)	Current Consolidated Fiscal Year (January 31, 2023)
Assets		
Current assets		
Cash and deposits	22,430,915	23,302,042
Notes and accounts receivable - trade	9,943,170	—
Notes and accounts receivable - trade, and contract assets	—	10,103,576
Product	175,365	254,597
Work in progress	567,946	504,914
Other accounts receivable	55,208	32,350
Others	893,784	1,013,313
Allowance for doubtful accounts	(6,025)	(2,067)
Total current assets	34,060,367	35,208,727
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,430,295	10,224,665
Accumulated depreciation	(6,317,787)	(6,451,643)
Buildings and structures, net	3,112,508	3,773,022
Land	2,004,644	2,004,644
Construction in progress	606,540	—
Others	3,736,627	3,891,832
Accumulated depreciation	(2,892,831)	(3,054,165)
Other, net	843,795	837,667
Total property, plant and equipment	6,567,488	6,615,333
Intangible assets		
Software	204,533	213,404
Software in progress	445	5,385
Others	39,296	39,278
Total intangible assets	244,274	258,067
Investments and other assets		
Investment securities	1,666,875	1,328,682
Deferred tax assets	582,487	799,472
Net defined benefit asset	744,379	830,806
Others	1,296,663	1,304,502
Allowance for doubtful accounts	(14,784)	(11,909)
Total investments and other assets	4,275,621	4,251,553
Total non-current assets	11,087,384	11,124,954
Total assets	45,147,751	46,333,682

(Unit: Thousands of yen)

	Previous Consolidated Fiscal Year (January 31, 2022)	Current Consolidated Fiscal Year (January 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	2,538,726	2,251,585
Short-term loans payable	350,000	350,000
Current portion of long-term loans payable	13,600	13,600
Income taxes payable	992,300	965,599
Allowance for bonuses	523,301	585,623
Provision for loss on orders received	391,877	488,092
Allowance for loss compensation	411,484	—
Asset retirement obligations	1,255	1,705
Others	3,088,256	3,654,890
Total current liabilities	8,310,802	8,311,096
Non-current liabilities		
Long-term loans payable	27,400	13,800
Long-term accounts payable - other	487,095	22,120
Deferred tax liabilities	172	123
Provision for directors' retirement benefits	16,256	19,064
Net defined benefit liability	98,282	106,227
Asset retirement obligations	471,003	481,579
Total non-current liabilities	1,100,210	642,914
Total liabilities	9,411,012	8,954,010
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	27,105,988
Treasury shares	(1,663,539)	(3,505,438)
Total shareholders' equity	35,095,361	36,920,256
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	237,918	371,132
Foreign currency translation adjustment	524	7,138
Remeasurements of defined benefit plans	201,174	10,713
Total accumulated other comprehensive income	439,616	388,983
Subscription rights to shares	201,761	70,431
Total net assets	35,736,739	37,379,671
Total liabilities and net assets	45,147,751	46,333,682

(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, 2021 to January 31, 2022)	Current Consolidated Fiscal Year (From February 1, 2022 to January 31, 2023)
Net sales	45,220,567	48,206,206
Cost of sales	34,375,622	36,895,514
Gross profit	10,844,944	11,310,691
Selling, general and administrative expenses	6,638,087	6,936,467
Operating income	4,206,856	4,374,224
Non-operating income		
Interest income	3,299	1,299
Dividend received	55,741	24,675
Reversal of allowance for doubtful accounts	—	2,875
Dividends from insurance	—	12,849
Miscellaneous income	26,014	20,835
Total non-operating income	85,055	62,534
Non-operating expenses		
Interest expenses	2,944	2,788
Foreign exchange loss	5,559	15,627
Commission for purchase of treasury shares	—	3,599
Miscellaneous loss	791	1,328
Total non-operating expenses	9,296	23,343
Ordinary income	4,282,615	4,413,415
Extraordinary income		
Gain on sale of investment securities	563,453	2,265,000
Gain on sale of non-current assets	6	—
Total extraordinary income	563,460	2,265,000
Extraordinary loss		
Loss on retirement of non-current assets	3,797	2,015
Impairment loss	18,640	704
Loss on sale of investment securities	1,269	—
Loss on termination of retirement benefit plan	34,699	—
Provision for compensation allowance for loss	414,643	—
Total extraordinary loss	473,050	2,720
Profit before income taxes	4,373,024	6,675,695
Income taxes - current	1,544,494	1,707,649
Income taxes - deferred	(210,725)	(211,365)
Total income taxes	1,333,769	1,496,284
Net income	3,039,255	5,179,411
Net income attributable to owners of parent	3,039,255	5,179,411

(Consolidated Statement of Comprehensive Income)

(Unit: Thousands of yen)

	Previous Consolidated Fiscal Year (From February 1, 2021 to January 31, 2022)	Current Consolidated Fiscal Year (From February 1, 2022 to January 31, 2023)
Net income	3,039,255	5,179,411
Other comprehensive income		
Valuation difference on available-for-sale securities	(345,795)	133,214
Foreign currency translation adjustment	12,595	6,614
Remeasurements of defined benefit plans	21,043	(190,461)
Total other comprehensive income	(312,156)	(50,632)
Comprehensive income	2,727,098	5,128,778
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,727,098	5,128,778

(3) Consolidated Statement of Changes in Equity

Previous Consolidated 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 available-for-sale 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

Current Consolidated Fiscal Year (From February 1, 2022 to January 31, 2023)

(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	23,439,194	(1,663,539)	35,095,361
Cumulative effects of changes in accounting policies			44,304		44,304
Balance at the beginning of the current period reflecting changes in accounting policies	6,586,000	6,733,706	23,483,498	(1,663,539)	35,139,665
Changes of items during the period					
Dividends of surplus			(1,546,548)		(1,546,548)
Net income attributable to owners of parent			5,179,411		5,179,411
Purchase of treasury shares				(1,999,944)	(1,999,944)
Disposition of treasury shares			(10,373)	158,045	147,672
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	3,622,489	(1,841,899)	1,780,590
Balance at end of period	6,586,000	6,733,706	27,105,988	(3,505,438)	36,920,256

	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	237,918	524	201,174	439,616	201,761	35,736,739
Cumulative effects of changes in accounting policies						44,304
Balance at the beginning of the current period reflecting changes in accounting policies	237,918	524	201,174	439,616	201,761	35,781,043
Changes of items during the period						
Dividends of surplus						(1,546,548)
Net income attributable to owners of parent						5,179,411
Purchase of treasury shares						(1,999,944)
Disposition of treasury shares						147,672
Net changes of items other than shareholders' equity	133,214	6,614	(190,461)	(50,632)	(131,329)	(181,962)
Total changes of items during period	133,214	6,614	(190,461)	(50,632)	(131,329)	1,598,628
Balance at end of period	371,132	7,138	10,713	388,983	70,431	37,379,671

(4) Consolidated Statement of Cash Flows

(Unit: Thousands of yen)

	Previous Consolidated Fiscal Year (From February 1, 2021 to January 31, 2022)	Current Consolidated Fiscal Year (From February 1, 2022 to January 31, 2023)
Cash flow from operating activities		
Profit before income taxes	4,373,024	6,675,695
Depreciation	683,521	761,536
Increase (decrease) in provision for bonuses	20,377	61,648
Impairment loss	18,640	704
Increase (decrease) in provision for loss on orders received	385,926	(315,268)
Increase (decrease) in provision for directors' retirement benefits	(8,963)	2,808
Increase (decrease) in net defined benefit liability	(16,028)	57,775
Decrease (increase) in net defined benefit asset	(321,802)	(432,575)
Increase (decrease) in allowance for doubtful accounts	(41,714)	(6,833)
Interest and dividend income	(59,040)	(25,974)
Interest expenses	2,944	2,788
Loss on retirement of non-current assets	3,797	2,015
Loss (gain) on sale of non-current assets	(6)	—
Decrease (increase) in advance payments	132	14
Loss (gain) on sale of investment securities	(562,184)	(2,265,000)
Increase (decrease) in advances received	332,921	—
Increase (decrease) in contract liabilities	—	423,398
Increase (decrease) in provision for compensation allowance for loss	411,484	—
Decrease (increase) in notes and accounts receivable - trade	512,640	(157,907)
Decrease (increase) in inventories	(40,899)	(17,852)
Loss on termination of retirement benefit plan	34,699	—
Decrease (increase) in other accounts receivable	(46,293)	22,858
Decrease (increase) in other current assets	20,049	(112,299)
Increase (decrease) in notes and accounts payable - trade	(612,778)	(287,497)
Increase (decrease) in accrued consumption taxes	(394,567)	(36,589)
Increase (decrease) in accounts payable - other	(386,760)	38,423
Increase (decrease) in accrued expenses	17,268	(22,940)
Increase (decrease) in long-term accounts payable - other	—	(464,975)
Increase (decrease) in other current liabilities	(20,688)	83,207
Others	42,233	226,539
Subtotal	4,347,935	4,213,700
Interest and dividend income received	59,040	25,974
Interest expenses paid	(2,927)	(2,788)
Income taxes paid	(1,252,260)	(1,742,106)
Cash flow from operating activities	3,151,787	2,494,778

(Unit: Thousands of yen)

	Previous Consolidated Fiscal Year (From February 1, 2021 to January 31, 2022)	Current Consolidated Fiscal Year (From February 1, 2022 to January 31, 2023)
Cash flow from investing activities		
Purchase of non-current assets	(1,134,698)	(844,800)
Payments for asset retirement obligations	(1,857)	(7,857)
Proceeds from sale of non-current assets	6	—
Proceeds from sale of investment securities	805,010	2,295,200
Proceeds from redemption of investment securities	—	500,000
Payments for lease and guarantee deposits	(15,306)	(40,706)
Proceeds from collection of lease and guarantee deposits	6,034	24,169
Others	77	4,561
Cash flow from investing activities	(340,734)	1,930,566
Cash flow from financing activities		
Repayment of long-term loans payable	(13,600)	(13,600)
Purchase of treasury shares	(62)	(1,999,944)
Dividend payment amount	(1,398,105)	(1,546,610)
Proceeds from exercise of stock options	—	218
Cash flow from financing activities	(1,411,768)	(3,559,936)
Effect of exchange rate change on cash and cash equivalents	10,947	5,717
Net increase (decrease) in cash and cash equivalents	1,410,231	871,126
Cash and cash equivalents at the beginning of period	21,020,684	22,430,915
Cash and cash equivalents at the end of period	22,430,915	23,302,042

(5) Notes to Consolidated Financial Statements

(Notes to going concern assumption)

Not applicable

(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 fiscal year ended 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 fiscal year ended January 31, 2023, was added to or deducted from the balance of retained earnings at the beginning of the fiscal year ended January 31, 2023, and thus the accounting policy was applied from such opening balance.

As a result, for the fiscal year ended January 31, 2023, net sales increased 387,606 thousand yen, cost of sales grew 319,496 thousand yen, and operating income, ordinary income, and profit before income taxes were up 68,109 thousand yen, respectively.

As the cumulative effect was reflected in net assets at the beginning of the current consolidated fiscal year, the beginning balance of retained earnings brought forward in the Statement of Changes in Equity increased by 44,304 thousand yen.

In addition, net assets per share increased by 2.76 yen and net income per share increased by 1.42 yen in the current consolidated fiscal year ended January 31, 2023.

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 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 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 fiscal year under review, as a result of the reduction from the transaction price in the related contracts with customers. Additionally, “increase (decrease) in advances received,” which was presented under “cash flows from operating activities” in the consolidated statements of cash flows for the previous fiscal year, is included in “increase (decrease) in contract liabilities” from 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 fiscal year ended 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 consolidated financial statements.

(Segment information, etc.)

[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 mainly at supporting the manufacturing industry to improve operational efficiency, improve quality, and create attractive products.
Service Integration Business	Supporting the entire ICT life cycle, which is necessary to reform and improve the business operations of companies and organizations. Providing total ICT services and products, including cloud computing and security.

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 the method to prepare 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

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

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

(Unit: Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Consolidated Financial Statements Amount recognized (Note 2)
	Digital Industry Business	Service Integration Business	Total		
Net sales					
Sales to external customers	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

(Notes) 1 Adjustment details are as follows:

- (1) The adjustment of negative 3,493,362 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) The adjustment of 27,349,835 thousand 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 thousand 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 thousand 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.

Current Consolidated Fiscal Year (From February 1, 2022 to January 31, 2023)

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

(Unit: Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Consolidated Financial Statements Amount recognized (Note 2)
	Digital Industry Business	Service Integration Business	Total		
Net sales					
Sales to external customers	16,834,025	31,372,181	48,206,206	—	48,206,206
Inter-segment sales or transfers	788	534,422	535,211	(535,211)	—
Total	16,834,813	31,906,603	48,741,417	(535,211)	48,206,206
Segment profit	3,857,574	4,573,823	8,431,397	(4,057,173)	4,374,224
Segment assets	5,704,697	12,485,195	18,189,892	28,143,789	46,333,682
Others					
Depreciation	11,232	366,685	377,917	383,618	761,536
Increase in the value of tangible as well as intangible assets	53,300	330,871	384,172	460,628	844,800

(Notes) 1 Adjustment details are as follows:

- (1) The adjustment of negative 4,057,173 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) The adjustment of 28,143,789 thousand 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 383,618 thousand 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 460,628 thousand 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.

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 167,545 thousand yen and segment profit grew 40,839 thousand yen, while in the Service Integration Business, sales to external customers rose 220,061 thousand yen, and segment profit increased 27,270 thousand yen, for the fiscal year under review.

(Notes to information per share)

	Previous Consolidated Fiscal Year (From February 1, 2021 to January 31, 2022)	Current Consolidated Fiscal Year (From February 1, 2022 to January 31, 2023)
Net assets per share	1,015.48 yen	1,111.48 yen
Net income per share	86.85 yen	151.97 yen
Net income per share after dilution	86.19 yen	151.45 yen

(Notes) 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, 2021 to January 31, 2022)	Current Consolidated Fiscal Year (From February 1, 2022 to January 31, 2023)
Net income per share		
Net income attributable to owners of parent (in thousands of yen)	3,039,255	5,179,411
Amount not attributable to common shareholders (in thousands of yen)	—	—
Net income attributable to common shareholders of the parent (in thousands of yen)	3,039,255	5,179,411
Weighted average of the number of common shares outstanding during the period (in shares)	34,993,255	34,080,884
Net income per share after dilution		
Adjustment in net income attributable to owners of parent (in thousands of yen)	—	—
An increase in the number of common shares (in shares)	268,058	118,507
(of which, those with subscription rights to shares (in shares))	(268,058)	(118,507)
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, 2022)	Current Consolidated Fiscal Year (January 31, 2023)
Total net assets (in thousands of yen)	35,736,739	37,379,671
Amount deducted from the total net asset value (in thousands of yen)	201,761	70,431
(of which, those with subscription rights to shares (in thousands of yen))	(201,761)	(70,431)
(of which, those with non-controlling interests (in thousands of yen))	(—)	(—)
Net asset value attributable to common shareholders at fiscal year-end	35,534,978	37,309,239
The number of common shares outstanding at the end of the fiscal year used for the computation of net asset value per share	34,993,240	33,567,040

(Significant subsequent event)

Not applicable