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Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under IFRS)

April 28, 2023

Company name: NS Solutions Corporation
Listing: Tokyo Stock Exchange
Securities code: 2327
URL: https://www.nssol.nipponsteel.com
Representative: Kazuhiko Tamaoki, Representative Director & President
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Scheduled date of Annual General Meeting of Shareholders: June 21, 2023
Scheduled date of commencing dividend payments: June 5, 2023
Scheduled date of filing annual securities report: June 22, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	291,688	7.9	31,738	6.2	32,101	4.6	22,000	7.2
March 31, 2022	270,332	–	29,886	–	30,687	–	20,521	–

	Total comprehensive income		Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of parent
Fiscal year ended	Million yen	%	Yen	Yen	%
March 31, 2023	9,947	(55.6)	240.46	–	11.0
March 31, 2022	22,388	–	224.27	–	10.8

	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
Fiscal year ended	%	%
March 31, 2023	9.9	10.9
March 31, 2022	9.7	11.1

(Reference) Share of profit (loss) of investments accounted for using equity method
For the fiscal year ended March 31, 2023: 18 million yen
For the fiscal year ended March 31, 2022: 39 million yen

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Million yen	Million yen	Million yen	%	Yen
March 31, 2023	319,908	207,800	200,523	62.7	2,191.60
March 31, 2022	325,764	204,569	197,831	60.7	2,162.09

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2023	26,032	(5,635)	(14,943)	101,322
March 31, 2022	38,406	(8,540)	(12,939)	95,706

2. Cash Dividends

	Annual dividends					Total cash dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2022	–	30.00	–	36.00	66.00	6,039	29.4	3.2
Fiscal year ended March 31, 2023	–	35.00	–	40.00	75.00	6,862	31.2	3.4
Fiscal year ending March 31, 2024 (Forecast)	–	40.00	–	40.00	80.00		32.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	140,000	3.9	14,000	(0.0)	14,300	0.4	9,400	0.0	102.74
Full year	305,000	4.6	33,500	5.5	34,000	5.9	22,800	3.6	249.19

*** Notes:**

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

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None

(3) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares):

As of March 31, 2023:	91,501,000 shares
As of March 31, 2022:	91,501,000 shares

2) Total number of treasury shares at the end of the period:

As of March 31, 2023:	4,845 shares
As of March 31, 2022:	923 shares

3) Average number of shares outstanding during the period:

Fiscal year ended March 31, 2023:	91,494,644 shares
Fiscal year ended March 31, 2022:	91,500,181 shares

* This consolidated financial results report is exempt from the audit procedures conducted by certified public accountants or an audit corporation.

* Explanation of the proper use of financial results forecast and other notes

- The Group adopted the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended March 31, 2023. The consolidated financial statements as of the transition date and for the previous fiscal year are also presented under IFRS.
- The forecasts stated above are based on information available as of the date of publication of this document. Actual results may differ from these forecasts due to a wide range of factors hereafter.

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1. Overview of Financial Results

(1) Operating Results

Japan saw signs of a mild economic recovery despite weakness in some sectors during the fiscal year ended March 31, 2023, but the outlook remains uncertain. There is a risk of slowdown in the Japanese economy as it faces downward pressure from the downturn of overseas economies mainly due to global monetary tightening. In addition, close attention should be paid to the impact of rising prices, supply-side constraints, and fluctuations in financial and capital markets.

Although corporate earnings at large have improved, some signs of weakening were observed and the system investment by client companies has increased moderately.

Based on the Medium-term Business Strategy 2021–2025 published in April 2021, NS Solutions Corporation (hereinafter, the "Company," and the Company and its subsidiaries are collectively referred to as the "Group") defined four focus areas for business growth: digital transformation (DX) in manufacturing industry, digital platformer, digital workplace solutions, and IT outsourcing. We are endeavoring to expand our business by capturing customer needs for DX to the greatest extent possible.

For the focus area of DX in manufacturing industry, we proceeded with our efforts to promote DX for Nippon Steel Corporation. These efforts included the building of "NS-IoT," a wireless IoT sensor platform for centralized management of data from steel manufacturing sites, and the launch of its actual operation in April for the purpose of early detection of abnormalities in facilities. We also built "NS-Lib," an integrated data platform that allows for grasping management information and KPIs on a real-time basis and taking appropriate actions. These efforts to integrate data accumulated individually at each steel manufacturing site and data required for management purposes were highly evaluated and contributed to Nippon Steel's winning of the grand prize in Data Management 2023 sponsored by the Japan Data Management Consortium. Moreover, the Company started to offer the integrated data management platform "DATAOPTERYX" to enterprises promoting DX. With the platform, we developed an infrastructure for utilizing integrated data together with a pharmaceutical company. Furthermore, we implemented initiatives to support DX promotion at manufacturing sites for customers in the manufacturing industry. Specifically, this included the start of the provision of "nsraven," a local 5G solution, to enable remote operation of overhead cranes in factories.

For the remaining three focus areas, we have taken on the following initiatives to drive their growth: supporting platformers such as Internet service providers and electronic commerce operators and players in the financial services sector to promote their DX in the digital platformer area; expanding functions such as those to enhance the security of our virtual desktop service "M³DaaS@absonne" in the digital workplace solutions area; and providing new solutions to help establish multi-cloud environments in the IT outsourcing area.

As part of other efforts to achieve growth, we worked to enhance our capabilities to meet the needs of DX services by entering into capital and business alliance as well as strategic partnership agreements with companies having respective strengths in fields such as AI, data utilization, support for digitalization of business processes, and affluent human resources capable of promoting DX. Furthermore, the Company also worked to develop new solutions, which include "Enepharos," energy trading and risk management services; "FINARCH," services for financial institutions to optimize the use of the cloud; "PPPlan," cloud services to support DX of supply and demand planning for the food industry; and "NAYASAPO," a career reflection tool to improve employee engagement.

To promote sustainability management, we have organized our value creation process based on our goals to achieve the purpose of our existence in society, defined five material issues, and are working to address them.

Regarding the reduction of environmental impacts, which is one of the material issues, the Company has endorsed the TCFD recommendations, set a reduction target for GHG emissions, and is proceeding with efforts to contribute to achieving the target. In addition, we have established the Group's human rights policy, promoting the development of environments where diverse people can take an active part. As a result, the Company received the highest gold rating in the PRIDE Index 2022, which is an evaluation index for initiatives related to LGBTIQ+ and other sexual minorities. Based on these efforts, the Company has publicly announced the multi-stakeholder policy. The Company is also engaged in various business activities from an ESG perspective to create a prosperous society. Specifically, as an initiative for programming education, the Company and Nippon Steel Corporation worked together to develop programming learning materials on the theme of steel production management targeting upper elementary school students, and held on-site classes. We have also started activities to help improve financial literacy among young people, including junior high and high school students. As a result of these efforts, the Company has been newly selected as an index component of the FTSE Blossom Japan Sector Relative Index, in addition to the FTSE4Good Index Series and FTSE Blossom Japan Index, which are ESG investment benchmarks.

Revenue for the fiscal year ended March 31, 2023 amounted to 291,688 million yen, an increase of 21,355 million yen compared to 270,332 million yen for the previous fiscal year. This was due to higher sales in large-scale infrastructure development projects for government agencies and an increase in sales to Nippon Steel Corporation and the Nippon Steel Group as well as strong and steady sales of the platformer-related business. Operating profit came in at 31,738 million yen, an increase of 1,851 million yen compared to 29,886 million yen for the previous fiscal year. This is because an increase in gross profit resulting from the sales growth more than offset an increase in selling, general and administrative expenses caused by investments to accelerate DX and strengthen the business infrastructure.

An overview of the fiscal year ended March 31, 2023 by service field (Business Solutions and Service Solutions) is as follows.

Business Solutions

Revenue for the fiscal year ended March 31, 2023 amounted to 189,776 million yen, an increase of 14,095 million yen compared to 175,680 million yen for the previous fiscal year.

Manufacturing, Retail and Service field

Revenue from this field increased year on year due to strong and steady sales of solutions for platformers, though partly offset by a reactionary decrease in sales from clients in the transportation sector, from whom the Company won large-scale projects.

Financial Services field

Revenue from this field was flat year on year.

Government, Public Organizations and Others field

Revenue from this field increased year on year due to the winning of large-scale infrastructure development projects for government agencies.

Service Solutions

Revenue for the fiscal year ended March 31, 2023 amounted to 101,911 million yen, an increase of 7,259 million yen compared to 94,651 million yen for the previous fiscal year.

IT Platform field

Revenue from this field increased year on year, contributed primarily by in the cloud business.

Steel field

Revenue from this field increased year on year due to robust sales of solutions for both Nippon Steel Corporation and the Nippon Steel Group.

(2) Financial Position

Total assets as of March 31, 2023 amounted to 319,908 million yen, a decrease of 5,855 million yen compared to 325,764 million yen at the end of the previous fiscal year. This was mainly due to decreases of 17,922 million yen in other financial assets and 6,336 million yen in right-of-use assets, partly offset by increases of 9,918 million yen in trade and other receivables and 5,616 million yen in cash and cash equivalents. The balance of other financial assets was 60,604 million yen, which included the balance of listed shares of 36,774 million yen and the balance of unlisted shares of 2,855 million yen.

Total liabilities as of March 31, 2023 amounted to 112,108 million yen, a decrease of 9,085 million yen compared to 121,194 million yen at the end of the previous fiscal year. This was mainly due to decreases of 7,297 million yen in deferred tax liabilities and 6,107 million yen in lease liabilities, partly offset by an increase of 3,970 million yen in contract liabilities.

Total equity as of March 31, 2023 amounted to 207,800 million yen, an increase of 3,230 million yen compared to 204,569 million yen at the end of the previous fiscal year. The breakdown mainly includes 22,715 million yen of profit, minus 12,767 million yen of other comprehensive income, and 6,703 million yen of dividends paid. As a result, the ratio of equity attributable to owners of parent to total assets was 62.7%.

(3) Cash Flows

The balance of cash and cash equivalents as of March 31, 2023 was 101,322 million yen. Net increase in cash and cash equivalents for the fiscal year ended March 31, 2023 was 5,616 million yen, compared to a net increase of 17,126 million yen for the previous fiscal year. Cash flows by activity type are as follows.

i) Cash flows from operating activities

Cash flows from operating activities for the fiscal year ended March 31, 2022 resulted in a cash inflow of 38,406 million yen. This mainly consists of 30,687 million yen of profit before tax and 11,637 million yen of depreciation and amortization, a 148 million yen increase in trade and other receivables, a 352 million yen increase in contract assets, and a 1,013 million yen increase in inventories, partly offset by a 4,611 million yen increase in trade and other payables, and income taxes paid of 7,299 million yen. On the other hand, cash flows from operating activities for the fiscal year ended March 31, 2023 resulted in a cash inflow of 26,032 million yen. This mainly consists of 32,101 million yen of profit before tax and 12,620 million yen of depreciation and amortization, a 9,848 million yen increase in trade and other receivables, a 2,449 million yen increase in contract assets, and a 1,846 million yen increase in inventories, partly offset by a 4,542 million yen increase in trade and other payables and income taxes paid of 10,912 million yen.

ii) Cash flows from investing activities

Cash flows from investing activities for the fiscal year ended March 31, 2022 resulted in a cash outflow of 8,540 million yen. This mainly consists of 5,337 million yen of purchase of property, plant and equipment and intangible assets and 4,089 million yen of purchase of other financial assets, partly offset by 1,067 million yen of proceeds from sale and redemption of other financial assets. On the other hand, cash flows from investing activities for the fiscal year ended March 31, 2023 resulted in a cash outflow of 5,635 million yen. This mainly consists of 4,400 million yen of purchase of property, plant and equipment and intangible assets and 6,942 million yen of purchase of other financial assets, partly offset by 5,812 million yen of proceeds from sale and redemption of other financial assets.

iii) Cash flows from financing activities

Cash flows from financing activities for the fiscal year ended March 31, 2022 resulted in a cash outflow of 12,939 million yen. This mainly consists of 7,459 million yen of repayments of lease liabilities and 5,261 million yen of dividends paid. On the other hand, cash flows from financing activities for the fiscal year ended March 31, 2023 resulted in a cash outflow of 14,943 million yen. This mainly consists of 8,189 million yen of repayments of lease liabilities and 6,496 million yen of dividends paid.

Information on capital resources and liquidity of funds

i) Basic policy

The Group believes that it is important to continuously maintain and strengthen its competitiveness and increase its corporate value into the future.

Therefore, we seek to maintain sufficient internal reserves to prepare for capital requirements for business growth and business risks such as wide-area disasters. The capital requirements include those for initiatives to steadily capture evolving DX needs, continuously enhance high-value-added businesses and overall corporate value, further strengthen acquisition and training of excellent human resources, and conduct thorough internal controls and risk management. At the same time, regarding profit distribution, our basic policy is to implement appropriate and stable distribution of dividends to shareholders.

We aim for a consolidated dividend payout ratio of 30%, with a focus on returning profits to shareholders in line with consolidated performance.

ii) Capital requirements and financing

Major capital requirements of the Group include capital expenditures and operating expenses such as material costs, outsourcing costs, labor costs, overhead costs, and selling, general and administrative expenses. Those capital requirements are satisfied by own funds.

As for working capital on hand, the Company concentrates surplus funds from subsidiaries in the Company for centralized management by implementing the cash management system (CMS) and also having certain of its domestic subsidiaries implement the same system. Note that the Company's CMS is administered by Nippon Steel Corporation with 95,315 million yen deposited in the system as of March 31, 2023 being presented as part of cash and cash equivalents.

For unexpected capital requirements, the Company has overdraft arrangements with major banks and Nippon Steel Corporation, its parent company, to prepare for liquidity risks.

(4) Outlook for the Fiscal Year Ending March 31, 2024

Current IT investment has still remained on a recovery trend as we assess that customers' willingness to invest in IT is resiliently strong to meet their growing DX needs. Meanwhile, we need to be mindful of downside risks to the economy, such as soaring energy prices, rising raw material prices, and uncertainties in U.S. and European financial and capital markets arising from geopolitical risks.

Under this business environment and based on our assessment of markets by service and client industry sector, we have forecast consolidated revenue of 305,000 million yen and consolidated operating profit of 33,500 million yen for the fiscal year ending March 31, 2024.

Please be aware that earnings forecasts and other forward-looking statements do not constitute a guarantee of the Group's future performance, as they are subject to change due to unforeseeable changes in economic conditions and other factors.

(5) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

The Company believes in the importance of maintaining and strengthening its competitiveness into the future and enhancing its corporate value. Regarding the allocation of profit, the Company's basic policy is to ensure appropriate and stable dividends to shareholders and the retention of internal reserves for business growth.

The Company sets forth in its Articles of Incorporation regarding the frequency of dividends of surplus that March 31, September 30, and other dates stipulated by the Board of Directors will be the record dates and, regarding the decision-making body for dividends, that the Board of Directors may set forth matters provided in each item of Article 459, Paragraph 1 of the Companies Act concerning the repurchase of company shares, decreases in the amount of reserves, and the distribution of surplus.

For the distribution of surplus with a record date of the last day of the fiscal year under review (March 31, 2023), the Company will issue a dividend of 40.0 yen per share, an increase of 5 yen on its most recent dividend forecast. As a dividend of 35.0 yen per share was issued for the distribution of surplus with a record date of September 30, 2022, the annual total dividend will be 75.0 yen. This is an increase of 9 yen compared with the previous fiscal year (FY2021).

Regarding dividends, the Company places importance on return of profits in accordance with consolidated business performance and aims for a consolidated payout ratio of 30%.

The Company plans to issue a total annual dividend of 80.0 yen per share for the distribution of surplus in the next fiscal year.

2. Status of the NSSOL Group

The Group (consisting of the Company and its consolidated subsidiaries) operates in a single information service segment, which is classified into Business Solutions and Service Solutions based on the type of services provided to customers.

The Company and its affiliated companies consist of the Company, the parent company, 19 consolidated subsidiaries, one associate accounted for using the equity method, and others as of March 31, 2023.

(1) Consolidated subsidiaries

i) Local subsidiaries in Japan

Hokkaido NS Solutions Corporation, East Japan NS Solutions Corporation, NS Solutions Chubu Corporation, NS Solutions Kansai Corporation, Kyushu NS Solutions Corporation

These subsidiaries share responsibility for software development, system operation and maintenance services, etc. for the Business Solutions projects won by the Company and projects for Nippon Steel Corporation. They are also responsible for system development projects for customers in the regional markets.

ii) IT service subsidiaries

NSSLC Service Corporation

With its advanced expertise, this subsidiary provides high-quality and highly efficient operation and maintenance service in a one-stop and seamless manner.

Network Value Components Ltd.

With its advanced expertise and product development capability in the field of network security, this subsidiary sells products and provides maintenance service related to the field.

iii) Consulting subsidiaries

NS Financial Management Consulting, Inc.

This subsidiary provides management consulting services and other services related to corporate practice, such as business administration, internal control, and internal audit for financial institutions.

Financial Engineering Group, Inc.

With its advanced modeling, data mining and consulting capabilities, this subsidiary provides solution services for customers in the financial, distribution, and service sectors.

iv) Special subsidiary

Act Corporation

This subsidiary was established as a special subsidiary under the Act to Facilitate the Employment of Persons with Disabilities, which aims to expand employment of persons with disabilities, and provides certain services of the Company's employee welfare program, office services, local services through activities in the agricultural sector, etc., and various other services using IT.

v) Joint venture subsidiaries
NCI Systems Integration, Inc., Nittetsu Hitachi Systems Engineering, Inc.

These subsidiaries each provide uniquely distinctive business solutions and engage in sales of and other services related to information system products, while at the same time planning and designing systems and developing software for the Company's projects in the financial, manufacturing, and other sectors.

vi) Local subsidiaries overseas
NS Solutions (Shanghai) Co., Ltd.

This subsidiary provides services, such as system planning and design, software development, and system operation and maintenance services in China.

NS Solutions Asia Pacific Pte. Ltd.

This subsidiary provides services, such as system planning and design, software development, and system operation and maintenance services in Singapore. In addition, it is responsible for marketing operations in the Southeast Asia region.

Thai NS Solutions Co., Ltd.

This subsidiary provides services, such as system planning and design, software development, and system operation and maintenance services in Thailand.

PT. NSSOL SYSTEMS INDONESIA

This subsidiary provides services, such as system planning and design, software development, and system operation and maintenance services in Indonesia.

PT. Sakura System Solutions

This subsidiary sells in-house developed packaged software and hardware, and also provides services, such as system operation and maintenance services.

NS Solutions USA Corporation

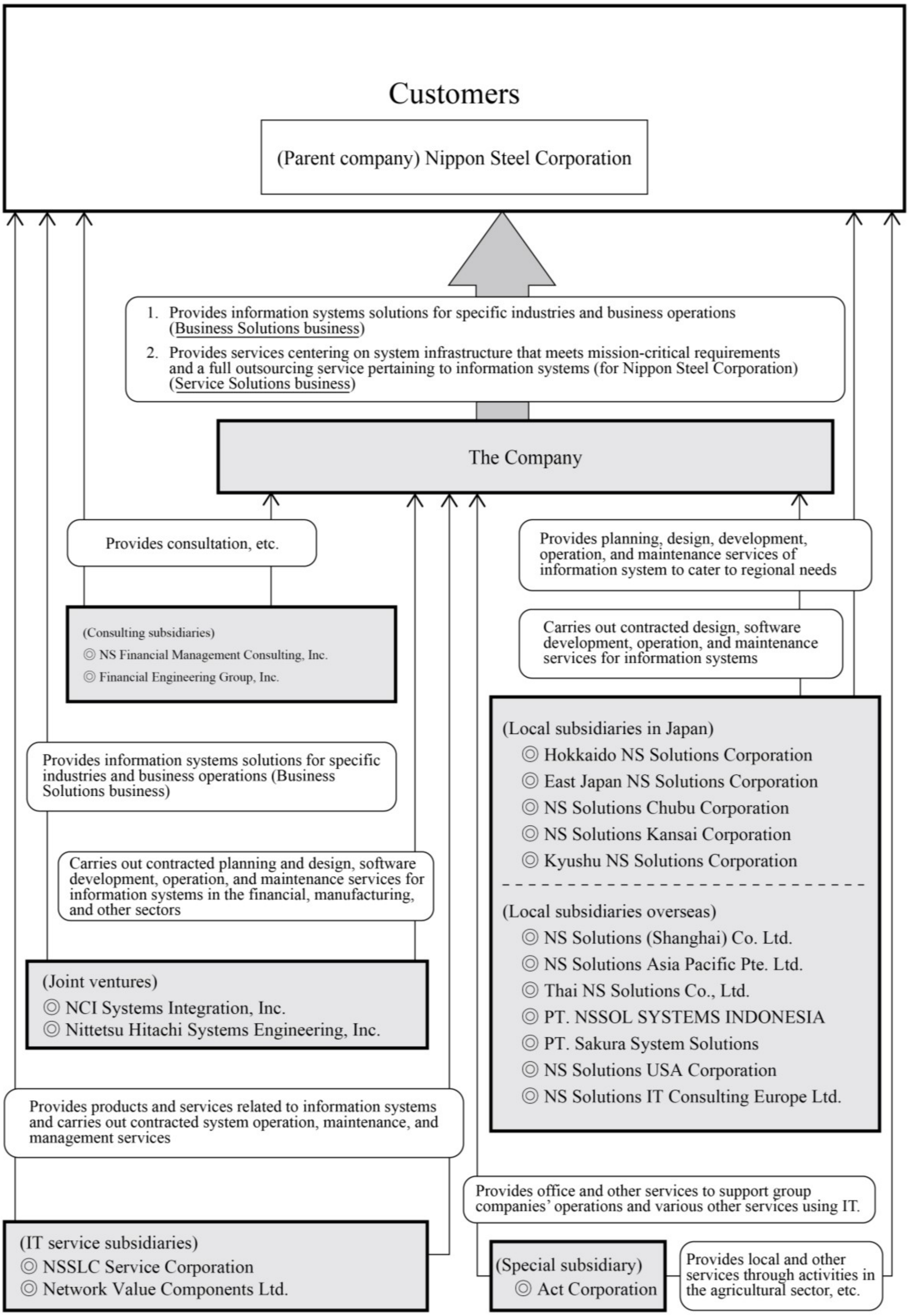
This subsidiary provides services, such as system planning and design, software development, and system operation and maintenance services in the United States, and also promotes human network building, dissemination of information to the Company, and collaboration for the commercialization of new solution businesses.

NS Solutions IT Consulting Europe Ltd.

This subsidiary provides services, such as system planning and design, software development, and system operation and maintenance services in Europe.

(2) Associate
Himawari Operation Enterprise Corporation

Note) Nittetsu Hitachi Systems Engineering, Inc. was renamed to NIPPON STEEL Hitachi Systems Solutions, Inc. effective on April 1, 2023.



Note 1: ◎ mark denotes consolidated subsidiaries
Note 2: Nittetsu Hitachi Systems Engineering, Inc. was renamed to NIPPON STEEL Hitachi Systems Solutions, Inc. effective on April 1, 2023.

3.Management Policy

(1) Basic Policy for Corporate Management

We have formulated the following corporate philosophy to establish a leading position in Japan's information services industry and contribute to creating a prosperous society through sustainable business growth and high profitability.

Corporate Philosophy

Creation,
Reliability,
Growth

As a professional IT firm, NS Solutions focuses on creating real value to establish mutual trust with its customers, achieve mutual business growth, and contribute to progress in society.

To achieve this, we are promoting our business based on the following four basic policies.

(i) We achieve business growth by planning visionary solutions and preferentially investing management resources in such solutions, targeting emerging markets with high-growth potential that utilize information technology (IT).

(ii) We pursue differentiation and profitability of our business by establishing business units that integrate production and sales for target markets, building optimal business models for each business unit, and establishing a system to provide optimal services to customers across the Group in line with their business development and innovation.

(iii) We obtain and strengthen the trust of our customers and advanced technological capabilities in recognition that both of them are the very sources of our competitiveness.

(iv) We provide integrated services ranging from consulting to solution design, development, operation, and maintenance, by building the Business Solutions and the Service Solutions as the pillars of our business.

- The Business Solutions provides information systems solutions for specific industries and business operations.
- The Service Solutions provides services centering on system infrastructure that meets mission-critical requirements and a full-outsourcing service pertaining to information systems (for Nippon Steel Corporation).

(2) Issues to Be Addressed

a. Business operations for the realization of the Medium-term Business Strategy 2021–2025

Looking ahead to the arrival of the digital society around the year 2030, the Company recognizes the promotion and execution of its business to realize the Medium-term Business Strategy 2021–2025 published in April 2021 as its challenge for the achievement of sustainable business growth.

Current IT investment has still remained on a recovery trend as we assess that customers' willingness to invest in IT is resiliently strong to meet their growing DX needs. Meanwhile, we need to be mindful of downside risks to the economy, such as soaring energy prices, rising raw material prices, and uncertainties in U.S. and European financial and capital markets arising from geopolitical risks.

(i) Overview of the Medium-term Business Strategy 2021–2025 (published in April 2021)

(a) The Medium-term Business Strategy 2021–2025

The Company will engage in business operations with the following four pillars as its medium-term business strategy:

- Steadily capture evolving DX needs
- Continuously enhance high-value-added businesses and overall corporate value
- Further strengthen acquisition and training of outstanding human resources
- Continuously conduct thorough internal controls and risk management

(b) Company vision

Defining its medium-term vision as “First DX Partner,” together with its customers, the Company will strive to solve issues for the realization of DX.

(c) Growth strategy

Looking ahead to the full-scale deployment of DX by Japanese companies, the Company aims to expand its business by capturing needs associated with DX promotion to the maximum extent as a whole-company effort, while deepening its relationships with is customers.

- Focus areas

  For this medium-term period, the Company has defined the following four focus areas for business growth, into which the Company will put its management resource aggressively and will work on accelerating the growth of entire Company:

  Digital transformation (DX) in manufacturing industry
  Digital platformer
  Digital workplace solutions
  IT outsourcing

- Investments for growth

  Investments to strengthen business infrastructure (Medium-term amount: 50.0–75.0 billion yen)
  Investments to accelerate DX (Medium-term amount: 10.0–15.0 billion yen)
  M&A investments and loans, etc.

- Creation of highly engaged organizations

(d) Medium-term business growth targets

- Consolidated revenue growth (CAGR): 5–6%
- Revenue growth in focus areas (CAGR): 10% or higher

(e) Sustainability initiatives

(ii) Progress of Medium-term Business Strategy

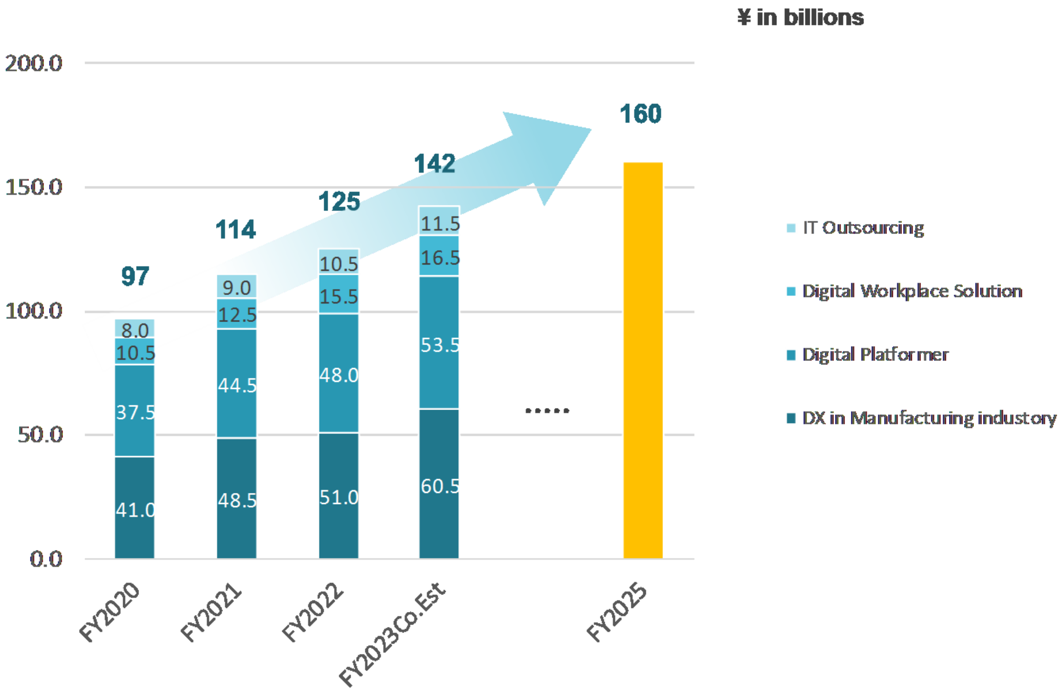
The progress of the Medium-term Business Strategy (in terms of the cumulative total of FY2021–FY2022) is as follows. All of the indicators performed well, and the Company will make steady efforts to realize the Medium-term Business Strategy.

(Progress of the Medium-term Business Strategy)

	FY2021–FY2022 (Cumulative total)	Medium-term business period (FY2021–FY2025)
Consolidated revenue growth (CAGR)	8%	5–6%
Revenue growth in focus areas (CAGR)	14%	10% or higher
Investments to strengthen business infrastructure	28.1 billion yen	50.0–75.0 billion yen (10.0–15.0 bn yen per year)
Investments to accelerate DX	6.5 billion yen	10.0-15.0 billion yen (2.0–3.0 bn yen per year)

Specific initiatives for focus areas and growth investment are as follows:

(Progress by focus area)



Revenue from the focus areas amounted to 125.0 billion yen for FY2022, up 14% from 97.0 billion yen for FY2020.

During FY2023, the Group will take on the following initiatives in each of the focus areas.

- Digital transformation (DX) in manufacturing industry

  Develop business in the data utilization field cultivated through projects for Nippon Steel Corporation

- Digital platformer

  Promote a shift to in-house human resources and external growth measures to enhance capabilities to respond to continued strong willingness to make IT investment

- Digital workplace solutions

  Further enhance and strengthen range of solutions

- IT outsourcing

  Strengthen design capabilities for envisaging ideals of, and IT governance in, infrastructure operation to respond to the increasing complexity and sophistication of IT environments and requirements

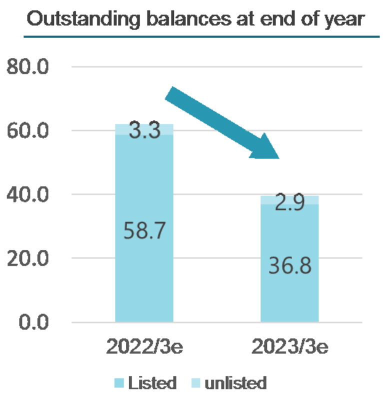
(Growth investment)

Specific initiatives for growth investment are as follows:

Item	Description
Investments to strengthen business infrastructure	• Development of IT environment • Investment in private cloud services, etc.
Investments to accelerate DX	• Intensive development of DX talent • Development of new solutions including: - DATAOPTERYX, an integrated data management platform - FINARCH, services for financial institutions to optimize the use of the cloud - NAYASAPO, a career reflection tool to improve employee engagement
M&A and other investments / financing	Investments with the aims of promoting DX, accelerating growth of the focus areas, and strengthening our production structure • Strengthening of organizational capability for DX through equity participations in Arithmer, Inc., a company with advanced mathematical AI technology; and ESTYLE, Inc., a company with high consulting capabilities and technical expertise in data science • Expansion of resources for development and operation through an equity participation in Human Creation Holdings Inc., a company with a pool of DX human resources • Expansion of the market share • Entry into a new market through an equity participation in Round Two Solutions Co., Ltd., a company providing SAP solutions in the Southeast Asian region

Since the announcement of the "Notice for Establishment of an Estimated Selling Amount of Cross-Shareholdings with the Aim to Secure Funds for Growth Investments" disclosed in April 2022, the Company has been selling cross-holding shares to secure funds for growth investments.

The balance of cross-holding shares as of March 31, 2023 reduced to 36.8 billion yen of listed shares and 2.9 billion yen of unlisted shares.



b. Promotion of sustainability management

In the promotion of sustainability management, we have organized our value creation process based on our goals to achieve the purpose of our existence in society, defined the following five material issues, and are working to address them.

- Solve social issues through IT
- Provide a stable supply of IT services as social infrastructure
- Create opportunities for diverse individuals to play active roles
- Reduce environmental impact
- Pursue governance and compliance as a trusted member of society

Our initiatives of sustainability management by material issue are as follows:

(Initiatives by material issue)

Materiality	Activities	Relevant SDGs
・Solve social issues through IT	・The company is also developing an integrated data utilization platform that utilizes AI and data science to speed up new drug development. ・Contributing to work safety management using IoT devices. ・Providing M3DaaS, a virtual desktop environment with the No.1 market share for 10 consecutive years, makes remote work more secure and comfortable. ・Contributing to a paperless work environment with CONTRACTHUB, an electronic contract service.	3, 9, 11, 17
・Provide a stable supply of IT services as social infrastructure	・Provide robust and efficient IT services by applying cutting-edge technologies such as cloud-native.	12
・Create opportunities for diverse individuals to play active roles	・The company will also introduce a system of pay for key personnel roles and a mandatory retirement age of 65, as well as a system of dual/secondary employment,, and expand remote work to enable employees to work from home in remote areas. ・Engagement survey and PDCA cycle for workplace dialogue. ・Women's activities (Platinum Kurumin), LGBTQ+ (PRIDE Gold). ・Human rights policy and the multi-stakeholder policy established. ・NSSOL Academy for autonomous learning and development of core human resources.	5, 8, 10
・Reduce environmental impact	・Provide cloud services in highly energy-efficient data centers. ・Expansion of the scope of the environmental management system, introduction of green electricity, and calculation of greenhouse gas Scope 3.	7, 13
・Pursue governance and compliance as a trusted member of society	・Enforce the NSSOL Group's Code of Conduct, "Global Business Conduct. ・Reinforcement of the risk management system.	16

c. Thorough risk management

For risk management that supports business growth, the Company will continue to strive for the penetration and firm establishment of measures to prevent a recurrence of the case of certain of the Company's recorded purchase and resale of goods transactions announced in February 2020. Based on the rebuilt internal control PDCA, individual divisions will promote risk management activities linked to medium-term and annual business plans, and confirm and update their recognition of material risks in light of the comprehensive risk framework. Based on these actions, the individual departments will continue to engage in activities for the further strengthening of risk management process and the penetration and firm establishment of those processes across the entire Group, such as establishing rules for risk control and monitoring their implementation and taking measures to improve risk sensitivity. The Company will also strive to comply with laws, regulations, and rules and to act with high ethical standards through the communication of messages from top management and compliance training for employees.

The Company will continue to place efforts into responses to various risks that it recognizes as material risks, such as risks in system-building projects, service business, information security, and labor management.

Regarding system-building projects, the Company has rebuilt and begun operating its project risk management framework in light of the expansion of project scales and the reality of increasingly complex and sophisticated projects. We will continue to strive for the early detection of and early response to risks.

Regarding service business risks, the Company will continue to strengthen its risk monitoring as well as response capabilities by performing drills to prepare for severe disruptions, among other measures.

Regarding information security, the Company will revise rules and guidelines, streamline business processes to prevent errors and reduce workload, and further improve security levels through e-learning and incident training; let alone take system implementation measures such as anti-virus measures, implementation of EDR (Endpoint Detection and Response) solutions, and multi-factor authentication.

Regarding labor management risks, the Company will properly ascertain and manage the actual situation of employees' working conditions and work to reduce workloads by promoting the standardization and systematization of work processes. Regarding harassment risk, the Company will strive for the thorough prevention of harassment by continuing activities to raise employee awareness, thoroughly educating employees, and reinforcing the use of the helpline.

The Company will work to maintain and strengthen its business continuation response capabilities against various risks such as natural disasters, including large-scale earthquakes and storm and flood damage. In terms of business continuity risk, the Company will continue to strengthen response capability with various measures. This includes implementation of regular disaster drills and the development of safety confirmation systems based on the business continuity plan (BCP), the expansion of decentralized development systems in Japan and overseas through the use of the cloud-based in-house development environment platform, "TetraLink."

d. Enhancement of management structure

We have adopted the system of a company with an Audit & Supervisory Committee, with the aim of further enhancing corporate governance by increasing the speed of decision-making, enhancing discussions on management policies and other matters at Board of Directors' meetings, and strengthening the supervisory function of the Board of Directors.

The Company stipulates in its Articles of Incorporation that the number of Directors should be no more than 13, three (3) of whom will be Directors who are Audit & Supervisory Committee Members. Currently, the Company elects 13 Directors, and the composition of the Board of Directors as a whole should be optimized in consideration of the balance of experience, insight and expertise as well as diversity, such as gender and internationality. The ratio of Outside Directors on the Board of Directors exceeds one-third (5 out of 13), and efforts have been made to ensure objectivity in multifaceted discussions and decision-making of the Board of Directors and to strengthen its supervisory function over management.

The Company will continue to work on enhancing corporate governance centered on the Board of Directors, such as improving the operation of the Board of Directors, by incorporating issues identified in evaluation of the effectiveness of the Board of Directors and diversity, including gender. In this way, the Company will strive for sustainable growth and the enhancement of medium- to long-term corporate value of the Group.

4. Basic Approach to Selection of Accounting Standards

Effective from the first quarter of the fiscal year ended March 31, 2023, the Group has adopted International Financial Reporting Standards (IFRS) in place of the previous accounting principles generally accepted in Japan (“Japanese GAAP”) to improve the international comparability of financial information in the capital markets.

5. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statements of Financial Position

(Millions of yen)

	As of April 1, 2021 (Transition date)	As of March 31, 2022	As of March 31, 2023
Assets			
Current assets			
Cash and cash equivalents	78,579	95,706	101,322
Trade and other receivables	56,029	55,904	65,822
Contract assets	11,240	11,592	14,059
Inventories	18,559	19,648	21,526
Other financial assets	1,208	2,380	2,472
Other current assets	1,759	2,112	2,180
Total current assets	167,377	187,343	207,383
Non-current assets			
Property, plant and equipment	20,925	21,035	18,661
Right-of-use assets	34,906	31,276	24,939
Goodwill	2,923	2,923	2,923
Intangible assets	1,532	2,771	3,731
Investments accounted for using equity method	123	163	181
Other financial assets	72,297	76,147	58,132
Deferred tax assets	3,875	3,892	3,814
Other non-current assets	170	210	141
Total non-current assets	136,755	138,420	112,525
Total assets	304,133	325,764	319,908

(Millions of yen)

	As of April 1, 2021 (Transition date)	As of March 31, 2022	As of March 31, 2023
Liabilities			
Current liabilities			
Trade and other payables	19,469	24,108	24,656
Contract liabilities	12,055	12,311	16,282
Lease liabilities	6,661	7,626	7,242
Other financial liabilities	1,083	1,074	1,145
Income taxes payable	3,753	6,476	6,445
Provisions	2,254	890	526
Other current liabilities	14,587	15,268	16,320
Total current liabilities	59,866	67,757	72,619
Non-current liabilities			
Lease liabilities	28,089	23,894	17,786
Other financial liabilities	786	321	216
Retirement benefit liability	10,956	11,205	10,944
Provisions	3,081	3,190	3,111
Deferred tax liabilities	10,654	10,650	3,352
Other non-current liabilities	3,036	4,174	4,077
Total non-current liabilities	56,604	53,436	39,489
Total liabilities	116,471	121,194	112,108
Equity			
Share capital	12,952	12,952	12,952
Capital surplus	9,950	9,950	9,951
Retained earnings	119,621	134,844	153,016
Treasury shares	(2)	(2)	(17)
Other components of equity	38,847	40,086	24,620
Total equity attributable to owners of parent	181,370	197,831	200,523
Non-controlling interests	6,290	6,738	7,277
Total equity	187,661	204,569	207,800
Total liabilities and equity	304,133	325,764	319,908

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

Consolidated Statements of Profit or Loss

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Revenue	270,332	291,688
Cost of sales	(209,883)	(225,752)
Gross profit	60,448	65,935
Selling, general and administrative expenses	(30,014)	(33,007)
Share of profit (loss) of investments accounted for using equity method	39	18
Other income	584	283
Other expenses	(1,170)	(1,491)
Operating profit	29,886	31,738
Finance income	1,004	582
Finance costs	(204)	(219)
Profit before tax	30,687	32,101
Income tax expense	(9,512)	(9,385)
Profit	21,175	22,715
Profit attributable to:		
Owners of parent	20,521	22,000
Non-controlling interests	654	715
Earnings per share		
Basic earnings per share (yen)	224.27	240.46

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	21,175	22,715
Other comprehensive income, net of tax effect		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit liability (asset)	(35)	335
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	1,044	(13,375)
Total of items that will not be reclassified to profit or loss	1,009	(13,039)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	203	272
Total of items that may be reclassified to profit or loss	203	272
Total other comprehensive income, net of tax effect	1,213	(12,767)
Comprehensive income	22,388	9,947
Comprehensive income attributable to:		
Owners of parent	21,722	9,202
Non-controlling interests	666	745

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurement of net defined benefit liability (asset)
Balance at beginning of period	12,952	9,950	119,621	(2)	38,847	–
Profit	–	–	20,521	–	–	–
Other comprehensive income	–	–	–	–	1,044	(37)
Comprehensive income	–	–	20,521		1,044	(37)
Dividends of surplus	–	–	(5,261)	–	–	–
Purchase of treasury shares	–	–	–	(0)	–	–
Disposal of treasury shares	–	–	–	–	–	–
Share-based payment transactions	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	(37)	–	(0)	37
Total transactions with owners	–	–	(5,298)	(0)	(0)	37
Balance at end of period	12,952	9,950	134,844	(2)	39,892	–

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity		Total		
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	–	38,847	181,370	6,290	187,661
Profit	–	–	20,521	654	21,175
Other comprehensive income	193	1,201	1,201	12	1,213
Comprehensive income	193	1,201	21,722	666	22,388
Dividends of surplus	–	–	(5,261)	(218)	(5,479)
Purchase of treasury shares	–	–	(0)	–	(0)
Disposal of treasury shares	–	–	–	–	–
Share-based payment transactions	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	37	–	–	–
Total transactions with owners	–	37	(5,261)	(218)	(5,480)
Balance at end of period	193	40,086	197,831	6,738	204,569

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurement of net defined benefit liability (asset)
Balance at beginning of period	12,952	9,950	134,844	(2)	39,892	–
Profit	–	–	22,000	–	–	–
Other comprehensive income	–	–	–	–	(13,375)	310
Comprehensive income	–	–	22,000		(13,375)	310
Dividends of surplus	–	–	(6,496)	–	–	–
Purchase of treasury shares	–	–	–	(50)	–	–
Disposal of treasury shares	–	0	–	0	–	–
Share-based payment transactions	–	0	–	34	–	–
Transfer from other components of equity to retained earnings	–	–	2,667	–	(2,357)	(310)
Total transactions with owners	–	0	(3,828)	(14)	(2,357)	(310)
Balance at end of period	12,952	9,951	153,016	(17)	24,159	–

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity		Total		
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	193	40,086	197,831	6,738	204,569
Profit	–	–	22,000	715	22,715
Other comprehensive income	267	(12,797)	(12,797)	30	(12,767)
Comprehensive income	267	(12,797)	9,202	745	9,947
Dividends of surplus	–	–	(6,496)	(207)	(6,703)
Purchase of treasury shares	–	–	(50)	–	(50)
Disposal of treasury shares	–	–	0	–	0
Share-based payment transactions	–	–	35	–	35
Transfer from other components of equity to retained earnings	–	(2,667)	–	–	–
Total transactions with owners	–	(2,667)	(6,510)	(207)	(6,717)
Balance at end of period	460	24,620	200,523	7,277	207,800

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before tax	30,687	32,101
Depreciation and amortization	11,637	12,620
Impairment losses	58	1,151
Interest income	(217)	(232)
Dividend income	(318)	(297)
Interest expenses	83	101
Share of loss (profit) of investments accounted for using equity method	(39)	(18)
Decrease (increase) in trade and other receivables	(148)	(9,848)
Decrease (increase) in contract assets	(352)	(2,449)
Decrease (increase) in inventories	(1,013)	(1,846)
Increase (decrease) in trade and other payables	4,611	4,542
Increase (decrease) in bonus payable	740	850
Increase (decrease) in consumption tax payable etc.	304	189
Other	(782)	(349)
Subtotal	45,252	36,516
Interest received	218	231
Dividends received	318	297
Interest paid	(84)	(101)
Income taxes paid	(7,299)	(10,912)
Net cash provided by (used in) operating activities	38,406	26,032
Cash flows from investing activities		
Payments into time deposits	(164)	(49)
Purchase of property, plant and equipment, and intangible assets	(5,337)	(4,400)
Purchase of other financial assets	(4,089)	(6,942)
Proceeds from sale and redemption of other financial assets	1,067	5,812
Other	(15)	(54)
Net cash provided by (used in) investing activities	(8,540)	(5,635)
Cash flows from financing activities		
Repayments of lease liabilities	(7,459)	(8,189)
Dividends paid	(5,261)	(6,496)
Dividends paid to non-controlling interests	(218)	(207)
Purchase of treasury shares	(0)	(50)
Other	–	0
Net cash provided by (used in) financing activities	(12,939)	(14,943)
Effect of exchange rate changes on cash and cash equivalents	199	163
Net increase (decrease) in cash and cash equivalents	17,126	5,616
Cash and cash equivalents at beginning of period	78,579	95,706
Cash and cash equivalents at end of period	95,706	101,322

(5) Notes to Consolidated Financial Statements

Going concern assumption

Not applicable.

Segment information

This information is omitted because the Group operates in a single segment of the information services business.

Per share information

The basis for determining basic earnings per share attributable to common shareholders of the Company is as follows.

Diluted earnings per share is not presented since there are no dilutive potential shares.

(Millions of yen, unless otherwise stated)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Basis for determining basic earnings per share		
Profit attributable to owners of parent	20,521	22,000
Profit not attributable to common shareholders of parent	–	–
Profit used to calculate basic earnings per share	20,521	22,000
Average number of common shares outstanding during the period (Shares)	91,500,181	91,494,644
Basic earnings per share (Yen)	224.27	240.46

Significant subsequent events

Not applicable.

First-time adoption

The consolidated financial statements for the fiscal year ended March 31, 2023 are the first consolidated financial statements prepared in accordance with IFRS. The latest consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP") are those for the fiscal year ended March 31, 2022. The date of transition to IFRS from Japanese GAAP is April 1, 2021.

(1) Exemptions under IFRS 1

IFRS requires first-time adopters, in principle, to retrospectively apply standards required under IFRS. However, IFRS 1 provides for optional exemptions and mandatory exceptions to retrospective application for certain standards required under IFRS. The effects of applying these exemptions and exceptions have been accounted for as reconciliation of retained earnings or other components of equity as of the transition date.

The optional exemptions mainly applied by the Group are as follows:

- Business combinations

IFRS 1 permits a first-time adopter not to apply IFRS 3 retrospectively to business combinations that occurred before the transition date. If any business combination is restated upon retrospective application, all later business combinations shall be restated to comply with IFRS 3.

The Group has elected not to apply IFRS 3 retrospectively to business combinations that occurred before the transition date. Therefore, goodwill arising from the business combinations that occurred before the transition date remains recognized at the carrying amount under Japanese GAAP. The goodwill was tested for impairment at the transition date, regardless of whether there was any indication of impairment.

- Exchange differences on translation of foreign operations

IFRS 1 permits a first-time adopter to deem the cumulative exchange differences on translation of foreign operations as of the transition date to be zero. The Group has elected to deem the cumulative exchange differences on translation of foreign operations to be zero as of the transition date, which are recognized in retained earnings.

- Designation of financial instruments recognized before the transition date

IFRS 1 permits a first-time adopter to designate financial assets in accordance with IFRS 9 Financial Instruments on the basis of the facts and circumstances that exist as at the transition date. The Group has designated equity instruments that were held as at the transition date as financial instruments measured at fair value through other comprehensive income (equity instruments) on the basis of the circumstances that existed as at the transition date.

- Leases (as lessee)

IFRS 1 permits a first-time adopter to apply the new lease definition to contracts existing at the transition date on the basis of facts and circumstances existing as at that date. When a first-time adopter that is a lessee recognizes lease liabilities and right-of-use assets, it may measure lease liabilities and right-of-use assets for all of its leases at the transition date. The Group measured lease liabilities at the transition date at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the transition date. The Group measured right-of-use assets at the transition date at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognized in the statement of financial position immediately before the transition date. IAS 36 *Impairment of Assets* was applied to right-of-use assets at the transition date. With regard to the leases for which the lease term ends within 12 months of the transition date and the leases for which the underlying asset is of low value, the lease payments associated with those leases are recognized as an expense.

(2) Mandatory exceptions to retrospective application under IFRS 1

IFRS 1 prohibits the retrospective application of IFRS for certain items including “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interests,” and “classification and measurement of financial assets.” The Group has applied IFRS to these items prospectively from the transition date.

(3) Reconciliations

The reconciliations required to be disclosed under IFRS 1 are as follows. “Reclassification” includes reconciliations that do not affect retained earnings and comprehensive income. “Difference in recognition and measurement” includes reconciliations that affect retained earnings and comprehensive income.

Reconciliation of equity as of April 1, 2021 (Transition date)

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	5,255	73,324	–	78,579	I	Cash and cash equivalents
Deposits paid	73,530	(73,530)	–	–		
Notes and accounts receivable - trade	55,548	481	–	56,029		Trade and other receivables
Contract assets	11,240	–	–	11,240		Contract assets
Securities	1,000	206	1	1,208	H, I	Other financial assets
Work in process	18,517	42	–	18,559	G	Inventories
Raw materials and supplies	42	(42)	–	–		
Other	2,612	(506)	(346)	1,759	E	Other current assets
Allowance for doubtful accounts	(25)	25	–	–		
Total current assets	167,721	–	(344)	167,377		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	22,416	(1,491)	–	20,925		Property, plant and equipment
	–	2,074	32,831	34,906	E	Right-of-use assets
	–	2,923	–	2,923	B	Goodwill
Intangible assets	5,040	(3,507)	–	1,532		Intangible assets
	–	123	–	123		Investments accounted for using equity method
Investment securities	65,160	6,317	819	72,297	A, H	Other financial assets
Deferred tax assets	4,127	–	(251)	3,875	C	Deferred tax assets
Guarantee deposits	6,336	(6,336)	–	–		
Other	324	(153)	–	170		Other non-current assets
Allowance for doubtful accounts	(48)	48	–	–		
Total non-current assets	103,356	–	33,398	136,755		Total non-current assets
Total assets	271,078	–	33,054	304,133		Total assets

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	15,884	3,585	–	19,469		Trade and other payables
Lease obligations	901	–	5,759	6,661	E	Lease liabilities
Accounts payable - other	9,099	(9,099)	–	–		
Income taxes payable	3,753	–	–	3,753		Income taxes payable
Contract liabilities	12,055	–	–	12,055		Contract liabilities
Provision for bonuses	9,553	(9,553)	–	–		
Provision for loss on order received	1,959	294	–	2,254		Provisions
Allowance for program product warranty	185	(185)	–	–		
Provision for loss on business withdrawal	19	(19)	–	–		
Provision for surcharge	90	(90)	–	–		
	–	1,083	–	1,083	H	Other financial liabilities
Other	603	13,984	–	14,587		Other current liabilities
Total current liabilities	54,107	–	5,759	59,866		Total current liabilities
Non-current liabilities						Non-current liabilities
Lease obligations	1,363	–	26,725	28,089	E	Lease liabilities
	–	786	–	786	H	Other financial liabilities
Provision for directors' retirement benefits	149	(149)	–	–		
Provision for loss on business withdrawal	173	2,907	–	3,081		Provisions
Retirement benefit liability	10,956	–	–	10,956		Retirement benefit liability
Deferred tax liabilities	11,007	–	(353)	10,654	A, C	Deferred tax liabilities
Other	5,345	(3,545)	1,236	3,036	C	Other non-current liabilities
Total non-current liabilities	28,996	–	27,608	56,604		Total non-current liabilities
Total liabilities	83,103	–	33,368	116,471		Total liabilities
Net assets						
Shareholders' equity						Equity
Share capital	12,952	–	–	12,952		Share capital
Capital surplus	9,950	–	–	9,950		Capital surplus
Retained earnings	120,435	–	(813)	119,621	F	Retained earnings
Treasury shares	(2)	–	–	(2)		Treasury shares
Accumulated other comprehensive income	–	–	–	–		
Valuation difference on available-for-sale securities	38,310	15	522	38,847	A, D	Other components of equity
Foreign currency translation adjustment	15	(15)	–	–		
Non-controlling interests	6,313	–	(22)	6,290	C, D	Non-controlling interests
Total net assets	187,975	–	(313)	187,661		Total equity
Total liabilities and net assets	271,078	–	33,054	304,133		Total liabilities and equity

Reconciliation of equity as of March 31, 2022

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	5,865	89,840	–	95,706	I	Cash and cash equivalents
Deposits paid	90,216	(90,216)	–	–		
Notes receivable - trade	266	55,637	–	55,904		Trade and other receivables
Accounts receivable - trade	55,100	(55,100)	–	–		
Contract assets	11,592	–	–	11,592		Contract assets
Securities	2,000	376	3	2,380	H, I	Other financial assets
Work in process	19,488	159	–	19,648	G	Inventories
Raw materials and supplies	159	(159)	–	–		
Other	3,115	(657)	(346)	2,112	E	Other current assets
Allowance for doubtful accounts	(120)	120	–	–		
Total current assets	187,686	–	(342)	187,343		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	23,747	(2,711)	–	21,035		Property, plant and equipment
	–	4,382	26,893	31,276	E	Right-of-use assets
	–	2,458	465	2,923	B	Goodwill
Intangible assets	6,900	(4,129)	–	2,771		Intangible assets
	–	163	–	163		Investments accounted for using equity method
Investment securities	67,824	6,167	2,155	76,147	A, H	Other financial assets
Deferred tax assets	4,091	–	(198)	3,892	C, E	Deferred tax assets
Guarantee deposits	6,223	(6,223)	–	–		
Other	366	(156)	–	210		Other non-current assets
Allowance for doubtful accounts	(48)	48	–	–		
Total non-current assets	109,103	–	29,316	138,420		Total non-current assets
Total assets	296,790	–	28,973	325,764		Total assets

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	17,828	6,279	–	24,108		Trade and other payables
Lease obligations	2,034	–	5,592	7,626	E	Lease liabilities
Accounts payable - other	11,695	(11,695)	–	–		
Income taxes payable	6,476	–	–	6,476		Income taxes payable
Contract liabilities	12,311	–	–	12,311		Contract liabilities
Provision for bonuses	10,301	(10,301)	–	–		
Provision for loss on order received	521	369	–	890		Provisions
Allowance for program product warranty	183	(183)	–	–		
Provision for loss on business withdrawal	149	(149)	–	–		
	–	1,074	–	1,074	H	Other financial liabilities
Other	662	14,606	–	15,268		Other current liabilities
Total current liabilities	62,165	–	5,592	67,757		Total current liabilities
Non-current liabilities						Non-current liabilities
Lease obligations	2,918	–	20,975	23,894	E	Lease liabilities
	–	321	–	321	H	Other financial liabilities
Provision for directors' retirement benefits	97	(97)	–	–		
Provision for loss on business withdrawal	259	(259)	–	–		
Asset retirement obligations	2,931	259	–	3,190		Provisions
Retirement benefit liability	11,205	–	–	11,205		Retirement benefit liability
Deferred tax liabilities	10,534	–	115	10,650	A, C, E	Deferred tax liabilities
Other	3,247	(223)	1,149	4,174	C	Other non-current liabilities
Total non-current liabilities	31,195	–	22,241	53,436		Total non-current liabilities
Total liabilities	93,360	–	27,833	121,194		Total liabilities
Net assets						
Shareholders' equity						Equity
Share capital	12,952	–	–	12,952		Share capital
Capital surplus	9,950	–	–	9,950		Capital surplus
Retained earnings	135,150	–	(306)	134,844	F	Retained earnings
Treasury shares	(2)	–	–	(2)		Treasury shares
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	38,427	208	1,449	40,086	A, D	Other components of equity
Foreign currency translation adjustment	208	(208)	–	–		
Non-controlling interests	6,741	–	(3)	6,738	C, D	Non-controlling interests
Total net assets	203,429	–	1,140	204,569		Total equity
Total liabilities and net assets	296,790	–	28,973	325,764		Total liabilities and equity

Reconciliation of profit or loss and comprehensive income for the fiscal year ended March 31, 2022

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounts under IFRS
Net sales	270,332	–	–	270,332		Revenue
Cost of sales	210,011	–	(127)	209,883	C, E	Cost of sales
Gross profit	60,321	–	127	60,448		Gross profit
Selling, general and administrative expenses	30,505	–	(491)	30,014	B, C	Selling, general and administrative expenses
	–	39	–	39		Share of profit of investments accounted for using equity method
	–	584	–	584	J	Other income
	–	1,170	–	1,170	J	Other expenses
Operating profit	29,815	(547)	618	29,886		Operating profit
Non-operating income	1,627	(623)	1	1,004	J	Finance income
Non-operating expenses	631	(468)	41	204	E, J	Finance costs
Extraordinary losses	702	(702)	–	–		
Profit before income taxes	30,109	–	578	30,687		Profit before tax
Income taxes - current	9,980	(484)	17	9,512		Income tax expense
Income taxes - deferred	(484)	484	–	–		
Profit	20,613	–	561	21,175		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
	–	–	(35)	(35)	C	Remeasurement of net defined benefit liability (asset)
Valuation difference on available-for-sale securities	116	–	927	1,044	A	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	203	–	–	203		Exchange differences on translation of foreign operations
Total other comprehensive income	320	–	892	1,213		Total other comprehensive income, net of tax effect
Comprehensive income	20,934	–	1,454	22,388		Comprehensive income

Notes on reconciliation

A. Non-marketable equity instruments

Under Japanese GAAP, non-marketable equity instruments were carried at cost. Under IFRS, they are designated as equity instruments measured at fair value through other comprehensive income in accordance with IFRS 9 *Financial Instruments*, and accordingly, equity instruments are measured at fair value, regardless of whether they are marketable or not, with the changes in fair value recognized through other comprehensive income.

B. Goodwill

Under Japanese GAAP, goodwill was amortized on a straight-line basis over a reasonably estimated period during which its effect is expected to continue. Under IFRS, goodwill arising from business combinations is not amortized but tested for impairment each fiscal year.

C. Employee benefits

Under Japanese GAAP, service cost and interest expense for retirement benefits under defined benefit plans were recognized in profit or loss. Actuarial gains and losses and past service cost arising from the plans were also recognized in profit or loss in the fiscal year in which they were incurred.

Under IFRS, on the other hand, current service cost and past service cost for retirement benefits under defined benefit plans are recognized in profit or loss, and interest expense is recognized in profit or loss at an amount calculated by multiplying the net defined benefit liability (asset) by the discount rate. Remeasurement of the net defined benefit liability (asset) is recognized in other comprehensive income, and directly reclassified to retained earnings from other components of equity when incurred without being recognized through profit or loss. Remeasurement consists of actuarial gains and losses on defined benefit obligations.

In addition, other long-term employee benefits, which were not recognized under Japanese GAAP, are recognized as liabilities under IFRS.

D. Exchange differences on translation of foreign operations

Upon the adoption of IFRS, by applying an exemption for cumulative exchange differences on translation of foreign operations as provided in IFRS 1, the Group has elected to deem the cumulative exchange differences on translation of foreign operations to be zero as of the transition date.

E. Lease liabilities and right-of-use assets

Under Japanese GAAP, leases as a lessee were classified as either finance leases or operating leases, and operating leases were accounted for in a similar manner to ordinary rental transactions. Under IFRS, leases as a lessee are not classified as finance leases or operating leases, and right-of-use assets and lease liabilities are recognized for lease transactions.

F. Reconciliation of retained earnings

The impact of the aforementioned reconciliations on retained earnings is as follows (figures in parentheses represent loss).

(Millions of yen)

	As of April 1, 2021 (Transition date)	As of March 31, 2022
Goodwill (see Note B)	–	465
Employee benefits (see Note C)	(829)	(788)
Exchange differences on translation of foreign operations (see Note D)	11	11
Lease liabilities and right-of-use assets (see Note E)	–	(13)
Other	4	19
Reconciliation of retained earnings	(813)	(306)

Reclassification in the consolidated statement of financial position

In accordance with IFRS, mainly the following items have been reclassified:

G. Work in process and raw materials and supplies, which were presented separately under Japanese GAAP, are presented collectively as “Inventories.”

H. Other financial assets and other financial liabilities are presented separately.

I. “Deposits paid,” which were presented separately under Japanese GAAP, are included in “Cash and cash equivalents” under IFRS. In addition, time deposits with a maturity of over three months are included in “Other financial assets” as current assets.

Reclassification in the consolidated statement of profit or loss

In accordance with IFRS, mainly the following items have been reclassified:

J. Income and expenses, which were presented as non-operating income, non-operating expenses, extraordinary income, and extraordinary losses under Japanese GAAP, are included in “Finance income” and “Finance costs” for finance-related items, and in “Other income” and “Other expenses” for the other items under IFRS.

Reconciliation of cash flows for the fiscal year ended March 31, 2022

Under Japanese GAAP, lease payments for operating leases were accounted for in cash flows from operating activities. Under IFRS, where lease liabilities are required to be recognized for all leases in principle, repayments of lease liabilities are accounted for in cash flows from financing activities.

6. Status of Production, Orders Received and Sales

While the Group operates in a single segment of the information services, its activities can be disaggregated by service field, and the following are the results of production, orders received and sales by service field for the fiscal year ended March 31, 2023.

(1) Production

(Millions of yen)

Service field name	Production amount	YoY change
Business Solutions	190,118	8.2%
Service Solutions	103,455	7.9%
Total	293,573	8.1%

(Note) The above amounts are based on selling prices.

(2) Orders received

(Millions of yen)

Service field name	Orders received	YoY change	Order backlog	YoY change
Business Solutions	201,862	21.4%	84,223	16.8%
Service Solutions	111,701	6.0%	61,489	18.9%
Total	313,564	15.5%	145,713	17.7%

(3) Sales

(Millions of yen)

Service field name	Sales amount	YoY change
Business Solutions	189,776	8.0%
Service Solutions	101,911	7.7%
Total	291,688	7.9%

The following are the amount of sales to a major customer and its percentage to the total sales for the last two fiscal years.

(Millions of yen)

Customer	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Sales amount	% of total	Sales amount	% of total
Nippon Steel Corporation	55,282	20.4	57,912	19.9