



Consolidated Financial Results for the Fiscal Year Ended September 30, 2021
(Under Japanese GAAP)

November 12, 2021

Listed company name: SystemSoft Corporation
 Listing: Tokyo Stock Exchange
 Code number: 7527
 URL: <https://www.systemsoft.co.jp/>
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 Scheduled date of the Ordinary General Meeting of Shareholders: December 22, 2021
 Scheduled date to file quarterly securities report: December 22, 2021
 Scheduled start date to commence dividend payments: December 8, 2021
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results briefings: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(1) Consolidated financial results (cumulative)

(% is Year-on-year rate of increase / decrease)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
September 30, 2021	4,920	71.8	377	—	342	—	483	—
September 30, 2020	2,863	-4.6	-251	—	-275	—	-655	—

Note: Comprehensive income For the fiscal year ended, September 30, 2021 ¥472 million yen (-%)
 For the fiscal year ended, September 30, 2020 ¥659 million yen (-%)

Fiscal year ended	Net earnings per share	Diluted net earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating profit to net sales
	yen	yen	%	%	%
September 30, 2021	6.15	6.06	9.9	5.5	7.7
September 30, 2020	-9.64	—	-15.1	-5.2	-8.8

(2) Consolidated financial condition

Fiscal year ended	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
September 30, 2021	7,443	5,814	77.8	68.90
September 30, 2020	4,997	3,964	78.9	57.98

Reference: Shareholders' equity As of September 30, 2021 ¥5,794 million
 As of September 30, 2020 ¥3,942 million

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	yen	yen	yen	yen	yen	million yen	%	%
September 30, 2020	—	0.00	—	2.00	2.00	136	—	3.1
September 30, 2021	—	0.00	—	2.00	2.00	168	32.5	3.2
September 30, 2022 (Forecast)	—	—	—	—	—		—	

Note: The source of dividends for the fiscal years ended September 30, 2021 and 2020 is entirely capital surplus.

For details, please refer to "Breakdown of dividends using capital surplus as the source of dividends" below.

The dividend for the fiscal year ending September 30, 2022 is undetermined at this time.

3. Forecast of consolidated financial results for the fiscal year ending September 30, 2022 (October 1, 2021 – September 30, 2022)

(% increase or decrease from the previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full-year	5,000	1.6	400	5.9	370	8.0	220	-54.5	2.62

Note: Revisions to the most recently announced earnings forecasts: None

* Notes

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

Note: Although not a specified subsidiary of the Company, akibaco Co., Ltd. is included in the scope of consolidation from the current consolidated fiscal year due to its increased importance.

- (2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

- (3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2021	84,136,240 shares
As of September 30, 2020	68,040,560 shares

- (ii) Number of treasury stock shares at the end of the period

As of September 30, 2021	31,864 shares
As of September 30, 2020	31,771 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Fiscal year ended September 30, 2021	78,526,881 shares
Fiscal year ended September 30, 2020	67,994,755 shares

Reference: Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(1) Non-Consolidated financial results

(% is Year-on-year rate of increase / decrease)

Fiscal year ended	Net Sales		Operating Income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
September 30, 2021	2,997	86.7	-86	-	125	-	-41	-
September 30, 2020	1,605	-12.8	-299	-	-469	-	-498	-

Fiscal year ended	Net income per share	Diluted net income per share
	yen	yen
September 30, 2021	-0.53	-
September 30, 2020	-7.33	-

(2) Non-Consolidated financial condition

Fiscal year ended	Total Assets	Net Assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
September 30, 2021	6,814	5,601	81.7	66.18
September 30, 2020	5,089	4,239	83.0	62.13

Note: Shareholders' Equity: As of September 30, 2021 ¥5,565 million
As of September 30, 2020 ¥4,225 million

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

*Proper use of earnings forecasts, and other special matters

Forward-looking statements, such as each business outlook, described in this document are based on information currently obtained by the Company and certain assumptions that it deems reasonable, and are not to the effect that the Company promises to achieve such results. Actual results may differ materially due to various factors.

Please refer to "1. Summary of Business Results, etc. (4) Outlook for the future" on page 4 of the attached document for the conditions that form the assumptions for business forecasts and cautions concerning the use of business forecasts.

Breakdown of dividends using capital surplus as the source of dividends

The following is a breakdown of the dividends for the fiscal year ended September 30, 2021, for which capital surplus is used as the source of dividends.

Reference date	End of term	Total
Dividend per share	2 yen 00 sen	2 yen 00 sen
Total amount of dividends	168 million yen	168 million yen

Note: Ratio of decrease in net assets: 0.033

The breakdown of dividends for the fiscal year ended September 30, 2020, for which capital surplus is used as the source of dividends, is as follows.

Reference date	End of term	Total
Dividend per share	2 yen 00 sen	2 yen 00 sen
Total amount of dividends	136 million yen	136 million yen

Note: Ratio of decrease in net assets: 0.034

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1. Summary of Business Results, etc.

(1) Summary of business results for the current fiscal year

During the consolidated fiscal year under review (October 1, 2020 to September 30, 2021), the Japanese economy continued to face a difficult situation due to the reemergence of the Covid-19 infection, which led to the reissuance of the state of emergency declaration and the expansion of the applicable areas. While economic activities are beginning to normalize with the promotion of vaccinations against the Covid-19 and the lifting of emergency declarations in general, the future remains uncertain as the timing of the end of the Covid-19 infection remains uncertain.

In the information service industry, to which the Group belongs, the progress of the fourth industrial revolution recommended by the government is accelerating the use of technologies such as AI, IoT, RPA, and blockchain, as well as the sharing economy, and the efforts of each company to transform itself into a digital native company. There is a growing need to provide technological support and services to support the "new normal" era, in which social concepts are undergoing major changes. In addition, the securing and training of on-site engineers and workers due to the chronic shortage of human resources is a major issue, and the market environment continues to be severe due to soaring costs and other factors.

In this environment, on January 1, 2021, the Company merged with fabbit Co. While actively recruiting human resources and training quality engineers, we have also worked to provide SaaS products and improve the service value of the system development field in general.

In the future, we aim to create new value and increase corporate value by adding the areas of DX using SaaS, RPA solutions, open innovation, alliance services, FA (financial advisory) and other consulting services that we and our subsidiary SS Technologies Co., Ltd. (formerly DigilT Co., Ltd.) have been focusing on, we aim to create new value and increase corporate value.

As a result, net sales for the current consolidated fiscal year increased by 2,056 million yen (71.8%) from the previous consolidated fiscal year to 4,920 million yen, and operating income was 377 million yen (compared to an operating loss of 251 million yen in the same period of the previous year). Ordinary income was 342 million yen (ordinary loss of 275 million yen in the same period of the previous fiscal year), and net income attributable to shareholders of the parent company was 483 million yen (net loss attributable to shareholders of the parent company of 655 million yen in the same period of the previous fiscal year).

Business results by segment are as follows.

The Company has changed the classification of its reporting segments from the current consolidated fiscal year, and the following year-on-year comparisons are based on the figures for the same period of the previous year, which were prepared based on the segment classification after the change. For details, please refer to "(5) Notes on consolidated financial statements (Segment Information, etc.) 2 Matters related to changes in reportable segments, etc."

(i) Technology business

With our strength in system development based on web technology, we have been providing system development and solution services to customers in the real estate, information and communication, life and non-life insurance, and education fields for many years, operating rental real estate information sites, as well as providing RPA solution services and SaaS, including the SS Cloud Series. In the fiscal year, the Company has been providing SaaS including RPA solution services and SS Cloud series.

In the current consolidated fiscal year, we continued to receive steady orders for ongoing projects in each field and won new development projects in the real estate field.

As a result, net sales in the Technology business increased by 960 million yen (34.6%) year on year to 3,735 million yen, and segment income increased by 254 million yen (621.7%) year on year to 295 million yen.

(ii) Open innovation business

We provide consulting services such as business launch to start-up companies, incorporating technologies and

ideas from different industries and fields, and operate shared offices to provide a place for innovation.

In the current consolidated fiscal year, the consulting business performed as planned.

As a result, the Open Innovation business posted net sales of 1,067 million yen and segment income of 97 million yen.

(iii) Investment business

Subsidiary Alliance Technology, Inc. was merged into our subsidiary SS Technologies Co., Ltd. (formerly DigiIT Co., Ltd.) on July 1, 2021, to promote the effective use of human resources and management resources and to improve management efficiency.

It engaged in investment business related to companies business fields.

As a result, net sales in the investment business increased 67 million yen (76.3%) year on year to 156 million yen, and segment income totaled 148 million yen (segment loss of 123 million yen in the same period of the previous fiscal year).

(iv) Other business

Subsidiary S2i Co., Ltd. is engaged in the business of providing products and services related to IoT.

As a result, net sales of other businesses increased by 0 million yen (100.0%) from the previous fiscal year to 0 million yen, and segment income amounted to 0 million yen (segment loss of 0 million yen in the same period of the previous fiscal year).

(2) Summary of Financial Position for the current fiscal year

Assets, Liabilities and Net Assets

Current assets at the end of the current fiscal year increased by 899 million yen compared to the end of the previous fiscal year, to 4,158 million yen. This was mainly due to an increase of 292 million yen in cash and deposits, and an increase of 628 million yen in notes and accounts receivable-trade.

Fixed assets increased by 1,546 million yen compared to the end of the previous fiscal year to 3,285 million yen. This was mainly due to an increase in goodwill of 1,406 million yen and an increase in investment securities of 265 million yen.

As a result, total assets increased by 2,446 million yen compared to the end of the previous fiscal year, to 7,443 million yen.

Current liabilities increased by 683 million yen compared to the end of the previous fiscal year to 1,103 million yen. This was mainly due to an increase of 240 million yen in notes and accounts payable-trade and an increase of 200 million yen in short-term loans payable.

Long-term liabilities decreased by 87 million yen compared to the end of the previous fiscal year to 525 million yen. This was mainly due to a decrease of 100 million yen in bonds payable.

As a result, total liabilities increased by 596 million yen compared to the end of the previous fiscal year, to 1,628 million yen.

Total net assets increased by 1,850 million yen compared to the end of the previous fiscal year to 5,814 million yen. This was mainly due to an increase in capital surplus resulting from the absorption of fabbit Corporation and an increase in retained earnings resulting from the posting of net income attributable to shareholders of the parent company, resulting in an equity ratio of 77.8%.

(3) Summary of cash flows for the current fiscal year

Cash and cash equivalents (hereinafter referred to as "cash") for the current consolidated fiscal year increased by 292 million yen compared to the end of the previous consolidated fiscal year to 2,081 million yen.

The status of each cash flow and their factors during the current consolidated fiscal year are as follows.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities amounted to 115 million yen, (47 million yen decrease in the same period of the previous fiscal year) . This was mainly due to an increase in income before income taxes and minority interests of 1,187 million yen and an increase in notes and accounts receivable-trade of 654 million yen.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities amounted to 200 million yen (128 million yen decrease in the same period last year). This was mainly due to an increase of 175 million yen in payments for purchase of investment securities and a decrease of 81 million yen in payments for loans receivable.

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities amounted to 228 million yen (133 million yen increase in the same period last year). This was mainly due to a decrease of 300 million yen in proceeds from issuance of bonds, an increase of 260 million yen in proceeds from issuance of shares upon exercise of stock acquisition rights, and an increase of 200 million yen in proceeds from short-term loans payable.

(4) Outlook for the future

While the economy is expected to be on a gradual recovery track, in terms of overall corporate IT investment, we predict that advanced companies will continue to invest in the digital transformation (DX, X DIGITAL) area.

We will continue to provide new services by promoting the DX domain, such as RPA solutions and web consulting, as well as synergy with the sharing economy business and platform business developed by our major clients, through our IT technology and the business activities of our subsidiary SS Technologies Co., Ltd. Through the business activities of our IT technology and subsidiary SS Technologies Co., Ltd. (formerly DigiIT Co., Ltd.), we will continue to accelerate the provision of new services by promoting the DX domain, such as RPA solutions and web consulting, and by leveraging synergies with the sharing economy and platform businesses developed by our major customers.

In addition, through these corporate activities with its subsidiaries, our Group will create corporate value and foster the corporate culture required of future IT companies and aim to become an attractive corporate group with a presence that will be sought after by the market in the future.

As a result of the above, the Company forecasts net sales of 5,000 million yen, operating income of 400 million yen, ordinary income of 370 million yen, and net income attributable to shareholders of the parent company of 220 million yen for the next fiscal year.

The above forecasts are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and are not intended as a promise by the Company to achieve them. Actual results may differ significantly from these forecasts due to various factors.

2. Basic approach to the selection of accounting standards

Our Group prepares its consolidated financial statements in accordance with Japanese GAAP, as it does not engage in international business development or fundraising.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (October 1, 2019 to September 30, 2020)	Current consolidated fiscal year (October 1, 2020 to September 30, 2021)
ASSETS		
Current assets		
Cash and deposits	1,789,340	2,081,361
Notes and accounts receivable	1,050,442	1,678,727
Investment securities	218,775	—
Work in progress	85,398	122,725
Raw materials and stored products	—	21
Other	79,794	99,803
Reserve for bad loans	35,205	181,289
Total current assets	—	- 5,397
Fixed assets		
	3,258,957	4,158,531
Tangible fixed assets		
Property, plant and equipment (net)	20,866	27,853
Tools, equipments and fixtures (net)	17,145	19,318
Total tangible fixed assets	38,011	47,172
Intangible fixed assets		
Goodwill	613,995	2,020,878
Business right	250,500	210,420
Software	4,354	118,686
Other intangible assets	75,998	85,207
Total intangible assets	944,848	2,435,193
Investments and other assets		
Investment securities	217,604	483,564
Stocks of subsidiaries and affiliates	110,540	137,698
Other securities of subsidiaries and affiliates	52,038	52,038
Long-term loans receivable	130,000	—
Long-term prepaid expenses	145,289	29,361
Deferred tax assets	73,998	63,316
Other	26,185	37,076
Total investments and other assets	755,656	803,055
Total fixed assets	1,738,516	3,285,421
Total assets	4,997,473	7,443,953

(Unit: thousand yen)

	Previous consolidated fiscal year (October 1, 2019 to September 30, 2020)	Current consolidated fiscal year (October 1, 2020 to September 30, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable	195,783	436,292
Short-term loans payable	-	200,000
Bonds due within one year	100,000	100,000
Accounts payable	34,445	142,000
Accrued expenses	15,676	17,779
Income taxes payable	500	82,010
Accrued consumption tax, etc.	37,975	74,810
Advance received	10,580	33,574
deposit (received)	7,624	11,679
Allowance for loss on relocation	11,579	-
Allowance for loss on orders received	5,523	4,929
Other	36	36
Total current liabilities	419,725	1,103,113
Fixed liabilities		
Corporate bonds	480,000	380,000
Long-term accounts payable-other	127,945	126,722
Deferred tax liabilities	540	-
Asset retirement obligations	4,409	10,145.
Other	-	8,974
Total fixed liabilities	612,895	525,841
Total liabilities	1,032,621	1,628,954
Equity		
Shareholders' equity		
Capital stock	1,511,404	1,663,904
Capital surplus	3,151,487	3,879,259
Retained earnings	-703,933	278,103
Treasury stock	-8,050	-8,064
Total shareholders' equity	3,950,907	5,813,203
Accumulated other comprehensive income (loss)		
Valuation difference on available-for-sale securities	-7,963	-2,523
Foreign currency translation adjustments	-88	-15,743
Total accumulated other comprehensive income (loss)	-8,052	-18,266
Stock acquisition rights	13,801	35,686
Non-controlling interests	8,196	-15,624
Total net assets	3,964,852	5,814,998
Total liabilities and net assets	4,997,473	7,443,953

(2) Consolidated Statements of Income and Consolidated Comprehensive Income Statements

Consolidated statement of income

(Unit: Thousand yen)

	Previous consolidated fiscal year (October 1, 2019 to September 30, 2020)	Current consolidated fiscal year (October 1, 2020 to September 30, 2021)
Sales	2,863,627	4,920,126
Cost of sales	2,524,501	3,619,066
Gross profit	339,125	1,301,060
Selling, general and administrative expenses	590,143	923,266
Operating income	-251,017	377,793
Non-operating income		
Interest income	1,793	2,735
Dividend received	494	494
Foreign exchange gains	—	15,883
Subsidy income	1,879	7,748
Consulting revenue	—	15,000
Reversal of reserve for shareholder special benefit	20,223	—
Other	138	2,269
Total non-operating income	24,528	44,130
Non-operating expenses		
Interest expenses	1,027	11,561
Payment fees	26,735	27,634
Foreign exchange loss	5,721	—
Consumption tax difference	9,142	393
Donation	—	10,300
Reorganization costs	—	13,457
Shareholder benefit-related expenses	1,073	—
Other	5,598	15,895
Total non-operating expenses	49,297	79,241
Ordinary income	-275,786	342,682
Extraordinary gains		
Marginal gain on stage acquisition	—	238,106
Gain on reversal of provision for loss on transfer	—	3,244
Gain on reversal of subscription rights to shares	4,542	—
Total extraordinary gains	4,542	241,350
Extraordinary loss		
Loss on disposal of fixed assets	—	4,691
Impairment loss	4,560	—
Loss on valuation of investment securities	334,514	14,109
Provision for loss on relocation	11,579	—
Total extraordinary loss	350,655	18,800
Net Income before taxes or net loss before adjustments to taxes, etc	-621,899	565,232
Corporate tax, municipal tax and business taxes	6,576	77,040
Adjustment to corporate taxes, etc	27,530	5,174
Total income taxes	34,107	82,215
Net income or quarterly net loss	-656,006	483,016
Net loss attributable to non-controlling shareholders	-230	-295
Net income attributable to owners of parent or net loss attributable to owners of parent	-655,775	483,312

Consolidated statements of comprehensive income

(Unit: Thousand yen)

	Previous consolidated fiscal year (October 1, 2019 to September 30, 2020)	Current consolidated fiscal year (October 1, 2020 to September 30, 2021)
Net income	-656,006	483,016
Other comprehensive income		
Valuation difference on available-for-sale securities	-3,737	5,440
Exchange conversion adjustment account	7	-15,654
Total other comprehensive income	-3,729	-10,214
Comprehensive income	-659,736	472,802
(Breakdown)		
Comprehensive income for owners of parent	-659,505	473,097
Comprehensive income for non-controlling shareholders	-230	-295

(3) Consolidated Statement of Changes in Shareholders' equity

Previous consolidated fiscal year (October 1, 2019 to September 30, 2020)

(Unit: thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,506,090	4,262,292	-1,028,391	-8,046	4,731,944
Changes during the period					
Exercise of stock acquisition rights	5,314	5,314			10,628
Dividends from Surplus		-135,885			-135,885
Net loss attributable to owners of the parent			-655,775		-655,775
Acquisition of treasury stock				-4	-4
Transfer from capital surplus to retained earnings		-980,233	980,233		-
Changes in items other than shareholders' equity (net)					
Total changes of items during the period	5,314	-1,110,804	324,457	-4	-781,037
Balance at the end of current period	1,511,404	3,151,487	-703,933	-8,050	3,950,907

	Accumulated other comprehensive income (loss)			Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on other securities	Foreign exchange conversion adjustments	Other comprehensive income Cumulative total			
Balance at the beginning of current period	-4,226	-96	-4,322	10,792	8,426	4,746,840
Changes during the period						
Exercise of stock acquisition rights						10,628
Dividends from Surplus						-135,885
Net loss attributable to owners of the parent						-655,775
Acquisition of treasury stock						-4
Transfer from capital surplus to retained earnings						-
Changes in items other than shareholders' equity (net)	-3,737	7	-3,729	3,008	-230	-951
Total changes of items during the period	-3,737	7	-3,729	3,008	-230	-781,988
Balance at the end of current period	-7,963	-88	-8,052	13,801	8,196	3,964,852

Current consolidated fiscal year (October 1, 2020 to September 30, 2021)

(Unit: thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,511,404	3,151,487	-703,933	-8,050	3,950,907
Changes during the period					
Exercise of stock acquisition rights	152,500	152,500			305,000
Increase due to merger		1,210,015			1,210,015
Dividends from Surplus		-136,017			-136,017
Net income attributable to shareholders of the parent company			483,312		483,312
Acquisition of treasury stock				-13	-13
Transfer from capital surplus to retained earnings		-498,725	498,725		—
Changes in items other than shareholders' equity (net)					
Total changes of items during the period	152,500	727,772	982,037	-13	1,862,296
Balance at the end of current period	1,663,904	3,879,259	278,103	-8,064	5,813,203

	Accumulated other comprehensive income (loss)			Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on other securities	Foreign currency translation adjustments	Other comprehensive income Cumulative total			
Balance at the beginning of current period	-7,963	-88	-8,052	13,801	8,196	3,964,852
Changes during the period						
Exercise of stock acquisition rights						305,000
Increase due to merger						1,210,015
Dividends from Surplus						-136,017
Net income attributable to shareholders of the parent company						483,312
Acquisition of treasury stock						-13
Transfer from capital surplus to retained earnings						—
Changes in items other than shareholders' equity (net)	5,440	-15,654	-10,214	21,884	-23,820	-12,150
Total changes of items during the period	5,440	-15,654	-10,214	21,884	-23,820	1,850,145
Balance at the end of current period	-2,523	-15,743	-18,266	35,686	-15,624	5,814,998

(4) Consolidated Statements of Cash Flows

(Unit: thousands of yen)

	Previous consolidated fiscal year (October 1, 2019 to September 30, 2020)	Current consolidated fiscal year (October 1, 2020 to September 30, 2021)
Cash flow from operating activities		
Net income (loss) before income taxes and minority interests	-621,899	565,232
Depreciation	159,831	176,349
Impairment loss	4,560	—
Amortization of goodwill	50,122	101,148
Increase or decrease in reserve for shareholder special benefit	-28,820	—
Increase or decrease in allowance for loss on relocation	11,579	-11,579
Increase or decrease in provision for loss on order received	5,523	-594
Interest and dividends income	-2,287	-3,229
Interest expense	1,027	11,561
Loss on disposal of fixed assets	—	4,691
Loss (gain) on valuation of securities	334,514	14,109
Net gain/loss on step acquisitions (- is gain)	—	-238,106
Gain on reversal of provision for loss on relocation	—	-3,244
Gain on reversal of subscription rights to shares	-4,542	—
Increase or decrease in notes and accounts receivable-trade	25,001	-629,408
Increase or decrease in inventories	-54,823	-37,235
Increase or decrease in marketable securities	195,513	25,455
Increase or decrease in notes and accounts payable-trade	14,357	213,334
Increase or decrease in accrued expenses	-7,418	-166,802
Increase or decrease in accrued consumption tax, etc.	16,285	37,070
Increase or decrease in liabilities for retirement benefits	-8,393	—
Foreign exchange loss (gain)	5,721	-15,883
Other	-14,404	43,985
Subtotal	81,450	86,853
Interest and dividends received	2,287	3,229
Amount of interest paid	-1,120	-12,492
Income taxes paid or refunded (paid)	-129,771	37,827
Cash flow from operating activities	-47,154	115,417
Cash flow from investment activities		
Payments for acquisition of tangible fixed assets	-21,640	-6,862
Payments for retirement of tangible fixed assets	—	-1,294
Payments for acquisition of intangible fixed assets	-17,388	-4,087
Payments for purchase of investment securities	—	-175,000
Payments for loans receivable	-81,000	—
Proceeds from collection of loans receivable	1,180	336
Payment for guarantee money deposited	—	-8,040
Proceeds from collection of guarantee money deposited	—	21,783
Payments for acquisition of shares of non-consolidated subsidiaries	-10,000	—
Payments for acquisition of shares in subsidiaries and affiliates	—	-27,158
Cash flow from investment activities	-128,848	-200,323

(Unit: thousands of yen)

	Previous consolidated fiscal year (October 1, 2019 to September 30, 2020)	Current consolidated fiscal year (October 1, 2020 to September 30, 2021)
Cash flow from financial activities		
Proceeds from short-term loans payable	–	200,000
Proceeds from issuance of bonds	300,000	–
Payments for redemption of bonds	–40,000	–100,000
Dividends paid	–135,885	–136,017
Proceeds from issuance of shares upon exercise of stock acquisition rights	4,950	265,000
Proceeds from issuance of stock acquisition rights	4,694	–
Other	–111	–13
Cash flow from financial activities	133,647	228,968
Increase or decrease in cash and cash equivalents	–42,355	144,062
Cash and cash equivalents at beginning of period	1,831,696	1,789,340
Increase or decrease in cash and cash equivalents resulting from change in scope of consolidation	–	674
Increase in cash and cash equivalents associated with the merger	–	147,283
Cash and cash equivalents at end of period	1,789,340	2,081,361

(5) Notes on consolidated financial statements

(Notes on going concern assumptions)

Nothing applicable.

(Segment Information, etc.)

[Segment Information]

1 Outline of reportable segments

The Company's reportable segments are the Company's constituent units for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating business performance.

The Company formulates comprehensive strategies for each of its major services, and divisional units (units) are responsible for the management of these strategies and for the development of business activities.

Therefore, the Company consists of segments by major service, and the three reportable segments are "Technology Business," "Open Innovation Business" and "Investment Business."

"In the Technology business, we mainly provide system development and solution services. "In the Open Innovation Business, we provide consulting services to start-up companies for business launch, etc., and operate shared offices to provide a place for innovation. The "Investment Business" is engaged in the investment business related to our group's business fields.

2 Matters related to changes in reportable segments, etc.

From the current consolidated fiscal year, following the absorption of fabbit Corporation in January 2021, the Company has reviewed its management system with the aim of more accurately grasping the actual operating results of each segment, and changed the reporting segments from the previous three segments of "System Solution Business," "Marketing Business," and "Investment Business" to the three segments of "Technology Business," "Open Innovation Business," and "Investment Business. As a result, the Company has changed its reportable segments from the previous three segments of "System Solutions," "Marketing," and "Investment" to the three segments of "Technology," "Open Innovation," and "Investment."

The segment information for the previous fiscal year has been prepared based on the reporting segment classification after the change.

3 Calculation method for the amount of net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting method for the reported business segments is generally the same as the accounting method used in the preparation of the consolidated financial statements. Income of reportable segments is based on operating income. Inter-segment internal revenues and transfers are based on prevailing market prices.

4 Information on net sales, income or loss, assets and other items by reportable segment

Previous consolidated fiscal year (October 1, 2019 to September 30, 2020)

Information on net sales, income or loss, assets and other items by reportable segment

(Unit: thousands of yen)

	Reporting Segment				Other*	Total
	Technology business	Open Innovation Business	Investment	Subtotal		
Sales						
Sales to external customers	2,774,296	—	89,030	2,863,327	300	2,863,627
Sales or transfers inside or between segments	—	—	—	—	—	—
Subtotal	2,774,296	—	89,030	2,863,327	300	2,863,627
Segment profit or Loss	40,890	—	-123,533	-82,643	-6	-82,649
Segment assets	3,869,712	—	228,278	4,097,991	17,465	4,115,456
Other items						
Depreciation and amortization	154,582	—	—	154,582	—	154,582
Increase in tangible fixed assets and intangible fixed assets	7,141	—	—	7,141	—	7,141

Note: *"Other" refers to business segments not included as reporting segments.

Current consolidated fiscal year (October 1, 2020 to September 30, 2021)

Information on net sales, income or loss, assets and other items by reportable segment

(Unit: thousands of yen)

	Reportable segment				Other*	Total
	Technology Business	Open Innovation Business	Investment Business	Total		
Sales						
Sales to external customers	3,731,118	1,031,476	156,931	4,919,526	600	4,920,126
Sales or transfers inside or between segments	4,159	35,953	—	40,112	—	40,112
Subtotal	3,735,277	1,067,429	156,931	4,959,639	600	4,960,239
Segment profit or Loss	295,092	97,233	148,674	540,999	157	541,157
Segment assets	4,788,291	1,586,967	286,707	6,661,967	16,824	6,678,791
Other items						
Depreciation and amortization	154,445	17,434	—	171,879	—	171,879
Increase in tangible fixed assets and intangible fixed assets	5,244	5,706	—	10,950	—	10,950

Note: *"Other" refers to business segments not included as reporting segments.

5 Difference between the total amount of reportable segments and the amount recorded in the consolidated financial statements, and main contents of the difference (matters related to difference adjustment)

(Unit: thousands of yen)

Sales	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	2,863,327	4,959,639
Net sales in "Other" segment	300	600
Elimination of inter-segment transactions	—	-40,112
Net sales in consolidated financial statements	2,863,627	4,920,126

(Unit: thousands of yen)

Profit	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	-82,643	540,999
Profit in "Other" category	-6	157
Corporate expenses*	-168,368	-163,363
Operating income in consolidated financial statements	-251,017	377,793

Note: "Corporate expenses" are mainly general and administrative expenses that do not belong to any particular reportable segment.

(Unit: thousands of yen)

assets	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	4,097,991	6,661,967
Assets in the "Other" category	17,465	16,824
Corporate assets*	882,016	765,161
Total assets in consolidated financial statements	4,997,473	7,443,953

Note: "Corporate assets" are mainly head office buildings that do not belong to any reportable segment.

(Unit: thousands of yen)

Other items	Total of reportable segments		Other		Adjustment amount		Amount recorded in consolidated financial statements	
	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year
Depreciation and amortization	154,582	171,879	—	—	5,248	4,469	159,831	176,349
Increase in tangible and intangible fixed assets	7,141	10,950	—	—	31,886	—	39,028	10,950

(Business Combinations, etc.)

Business combination through acquisition

1 Outline of the business combination

(1) Name of the acquired company and its business

Name of the acquired company: fabbit Co., Ltd.
Business activities: Coworking space and rental office management

(2) Main reason for the business combination

The objective is to increase corporate value by enhancing and strengthening total services and expanding business in the new normal.

(3) Date of business combination

January 1, 2021

(4) Legal form of the business combination

The merger was an absorption-type merger, with this Company as the surviving company and fabbit Corporation as the absorbed company.

(5) Name of the company after the merger

SystemSoft Corporation (this Company)

(6) Percentage of voting rights acquired

Ratio of voting rights held immediately prior to the merger: 17%
Ratio of voting rights additionally acquired on the date of business combination: 83%
Ratio of voting rights after the acquisition 100%.

(7) Main basis for determining the acquiring company

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10), SystemSoft Corporation was determined to be the acquiring company.

2 Period of the acquired company's business results included in the consolidated financial statements

From January 1, 2021 to September 30, 2021

3 Breakdown by type of acquisition cost and consideration of the acquired company

The acquisition cost will be undisclosed due to the intention of the other party, but will be determined in consideration of the results of the calculation of the share value by a third party.

4 Exchange ratio by type of shares, its calculation method and the number of shares delivered

(1) Exchange ratio by type of shares

1,393 shares of common stock of the Company were allotted and delivered for each share of common stock of fabbit Co., Ltd.

(2) Exchange ratio by type of shares

In order to ensure the fairness of the exchange ratio for the Share Exchange, the Company requested Shinobi umu Co., Ltd., a third-party appraiser independent of the Company and fabbit Co., Ltd., to calculate the share value of fabbit Co., Ltd.

After careful discussions with fabbit Co., Ltd. on the share exchange ratio, the Company agreed on the share exchange ratio after referring to the calculation results by Shinobiumu Co., Ltd. and comprehensively considering factors such as the financial conditions, asset conditions and future prospects of both companies.

(3) Number of shares delivered

Common stock 13,595,680 shares

5 Details and amounts of major acquisition-related expenses

Fees and commissions, etc. for advisory services 4 million yen

6 Difference between the acquisition cost of the acquired company and the total acquisition cost for each transaction that led to the acquisition

Gain on step acquisition 238 million yen

7 Amount of goodwill generated, reason for generation, amortization method and amortization period

(1) Amount of goodwill generated

1,360 million yen

(2) Cause of occurrence

This is the excess earning power expected from future business development.

(3) Amortization method and period

Equal amortization over 20 years

8 Amount of assets received and liabilities assumed on the date of business combination and their major breakdown

(thousand yen)

Current assets:	322,728
Fixed assets:	125,512
Total assets:	448,241
Current liabilities:	333,345
Long-term liabilities:	17,637
Total liabilities:	350,982

9 Estimated amount and calculation method of the effect on the consolidated statement of income for the current consolidated fiscal year on the assumption that the business combination was completed as of the beginning of the consolidated fiscal year

(thousand yen)

Sales:	313,530
Operating income:	-64,194
Ordinary income:	-78,643
Net income before income taxes and minority interests:	-78,643
Net income attributable to owners of the parent:	-68,435
Net income per share:	-0.87 yen

(Method of calculating the estimated amount)

The estimated amount of impact is the difference between the net sales and profit and loss information calculated as if the business combination had been completed at the beginning of the consolidated fiscal year and the net sales and profit and loss information in the consolidated statement of income of the acquiring company.

This note has not been audited by the Company.

Overview of Corporate Merger

1 Outline of the business combination

(1) Name of the combined company and its business

Name of the combined company: SS Technologies Co., Ltd. (formerly DigilT Co., Ltd.)

Business description Real estate tech, RPA solutions, web consulting

Name of the combined company Alliance Technology, Co., Ltd.

Business description Investment trust management business

(2) Date of business combination

July 1, 2021

(3) Legal form of the business combination

The merger was an absorption-type merger, with SS Technologies Co., Ltd. as the surviving company and Alliance Technology Corporation as the dissolving company.

(4) Name of the company after the merger

SS Technologies Co., Ltd.

(5) Other matters concerning the outline of transactions

The purpose is to promote the effective use of human resources and management resources in the Group, to improve management efficiency, and to enhance corporate value.

In addition, since both mergers are between wholly owned subsidiaries of the Company, no consideration will be delivered as a result of the merger.

2. Overview of accounting to be performed

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10), the transaction was accounted for as a transaction under common control.

(Per share information)

	Previous consolidated fiscal year (October 1, 2019 to September 30, 2020)	Current consolidated fiscal year (October 1, 2020 to September 30, 2021)
Net assets per share	57.98 yen	68.90 yen
Net income (loss) per share	-9.64 yen	68.90 yen
Net income per share after adjustment of potential shares	-	6.06 yen

Note: 1. Diluted net income per share for the previous fiscal year is not shown because the Company posted a net loss per share, although there were residual shares.

2 The basis for calculating net income (loss) per share and diluted net income per share is as follows

	Previous consolidated fiscal year (October 1, 2019 to September 30, 2020)	Current consolidated fiscal year (October 1, 2020 to September 30, 2021)
(1) Net income (loss) per share		
Net income (loss) per share		
(Basis for calculation)		
Net income (loss) attributable to owners of the parent (thousand yen)	-655,775	483,312
Amount not attributable to common shareholders (thousand yen)	-	-
Net income (loss) attributable to owners of the parent attributable to common stock (thousand yen)	-655,775	483,312
Average number of shares of common stock during the period (shares)	67,944,755	78,526,881
(2) Net income per share after adjustment for residual securities		
(Basis for calculation)		
Adjustment of net income attributable to owners of the parent (thousand yen)	-	-
Increase in the number of common stocks (shares)	-	1,203,122
Outline of latent shares not included in the calculation of diluted net income per share due to the absence of dilutive effects	Fourth series of stock acquisition rights (Number of shares: 1,427,300 shares) Fifth Series of stock acquisition rights (Number of shares: 4,694,700 shares)	Fourth series of stock acquisition rights (Number of shares: 1,427,300 shares)

(Significant subsequent events)

Nothing applicable.