



**Consolidated Financial Results for the Fiscal Year Ended September 30,2022**  
(Under Japanese GAAP)

November 11, 2022

Listed company name: Systemsoft Corporation  
 Listing: Tokyo Stock Exchange  
 Code number: 7527  
 URL: <https://www.systemsoft.co.jp/>  
 Representative: President and Representative Director: Haruki Yoshio  
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 Scheduled date of the Ordinary General Meeting of Shareholders: December 21, 2022  
 Scheduled date to file annual securities report: December 21, 2022  
 Scheduled start date to commence dividend payments: December 7, 2022  
 Preparation of supplementary materials on annual financial results: Yes  
 Holding of annual financial results briefings: Yes

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

1. Consolidated Financial Results for the fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(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, 2022	4,704	-4.4	382	1.3	377	10.0	201	-58.4
September 30, 2021	4,920	71.8	377	—	342	—	483	—

Note: Comprehensive income For the fiscal year ended, September 30, 2022 ¥119 million yen (-74.7%)  
 For the fiscal year ended, September 30, 2021 ¥472 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, 2022	2.37	2.37	3.5	5.1	8.1
September 30, 2021	6.15	6.06	9.9	5.5	7.7

Note: The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others are applied from the beginning of the current fiscal year, and the figures for the fiscal year ended September 30, 2022 are after the application of the said accounting standard and others. Therefore, the percentage change from the previous fiscal year is calculated based on the application of the said accounting standards. As a result, the percentage change from the previous period is based on the calculation method used by the different standards.

(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, 2022	7,224	5,865	80.7	68.79
September 30, 2021	7,467	5,838	77.6	68.90

Reference: Shareholders' equity As of September 30, 2022 ¥5,833 million  
 As of September 30, 2021 ¥5,794 million

Note: The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others are applied from the beginning of the current fiscal year, and the figures for the fiscal year ended September 30, 2022 are after the application of the said accounting standard and others.

## (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	%	yen
September 30, 2022	168	-195	-104	1,949
September 30, 2021	115	-200	228	2,081

## 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, 2021	—	0.00	—	2.00	2.00	168	32.5	3.2
September 30, 2022	—	0.00	—	2.00	2.00	169	75.1	2.9
September 30, 2023 (Forecast)	—	—	—	—	—		—	

Note: The source of dividends for the fiscal years ended September 30, 2022 and 2021 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, 2023 is undetermined at this time.

## 3. Forecast of consolidated financial results for the fiscal year ending September 30, 2023 (October 1, 2022 – September 30, 2023)

(% increase or decrease from the previous year)

	Net 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	4,400	-6.5	310	-19.0	220	-41.7	110	-45.3	1.31

## \* 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, SS Support Co., Ltd. was included in the scope of consolidation from the current fiscal year following the acquisition of its shares on April 1, 2022.

(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: Yes

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(Note) For details, please refer to "3. Consolidated Financial Statements and Key Notes (5) Notes on consolidated financial statements " on page 17 of the attached materials.

(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, 2022	84,834,140 shares
As of September 30, 2021	84,136,240 shares

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

As of September 30, 2022	31,987 shares
As of September 30, 2021	31,864 shares

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

Fiscal year ended September 30, 2022	84,708,524 shares
Fiscal year ended September 30, 2021	78,526,881 shares

## Reference: Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(1) Non-Consolidated financial results

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

	Net Sales		Operating Income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended								
September 30, 2022	2,909	-2.9	34	—	224	79.0	73	—
September 30, 2021	2,997	86.7	-86	—	125	—	-41	—

	Net income per share	Diluted net income per share
	yen	yen
Fiscal year ended		
September 30, 2022	0.87	0.86
September 30, 2021	-0.53	—

Note: The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others are applied from the beginning of the current fiscal year, and the figures for the fiscal year ended September 30, 2022 are after the application of the said accounting standard and others. Therefore, the percentage increase/decrease from the previous period is calculated based on the application of the said accounting standards. As a result, the percentage change from the previous period is based on a calculation method using different standards.

## (2) Non-Consolidated financial condition

	Total Assets	Net Assets	Shareholders' equity ratio	Net assets per share
Fiscal year ended	million yen	million yen	%	yen
September 30, 2022	6,642	5,579	83.6	65.51
September 30, 2021	6,814	5,601	81.7	66.18

Note: Shareholders' Equity: As of September 30, 2022 ¥5,555 million  
As of September 30, 2021 ¥5,565 million

\*Financial Results reports are exempt from annual 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 8 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, 2022, 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	169 million yen	169 million yen

Note: Ratio of decrease in net assets: 0.032

The breakdown of dividends for the fiscal year ended September 30, 2021, 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	168 million yen	168 million yen

Note: Ratio of decrease in net assets: 0.033

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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, 2021 to September 30, 2022), the Japanese economy showed a gradual recovery due to the expansion of vaccinations and the easing of behavioral restrictions, but the yen continued to depreciate, raw material prices soared, and the tense situation in Ukraine and other factors raised concerns about an economic downturn due to turmoil in the international community. Accordingly, the outlook for the Japanese economy remained uncertain.

In the information service industry, of which our group is a part, the government-recommended 4th Industrial Revolution is accelerating the use of technologies such as AI, IoT, RPA, and blockchain, as well as the sharing economy, and the efforts of companies to transform themselves into digital native companies. As companies accelerate their efforts, there is an increasing need to provide technological support and services to support the "new normal," an era of drastic changes in social concepts. In addition, securing and training on-site engineers and field workers due to the chronic shortage of human resources is a major challenge, and the market environment remains challenging due to soaring costs and other factors.

In this environment, the Company has worked to provide SaaS products and improve the value of its services in the overall system development field, while actively hiring personnel and training quality engineers.

In the future, we aim to create new value by adding the SaaS-based DX domain, RPA solutions, open innovation offerings, alliance services, FA (financial advisory) and other consulting services that have been the focus of the Company and its subsidiary SS Technologies, Inc. We aim to create new value and increase our corporate value.

As a result, net sales for the current consolidated fiscal year decreased 215 million yen (4.4%) year on year to 4,704 million yen, and operating income increased 4 million yen (1.3%) year on year to 382 million yen. Ordinary income increased 34 million yen (10.0%) year on year to 377 million yen, and net income attributable to owners of the parent decreased 282 million yen (58.4%) year on year to 201 million yen.

Segment results are as follows.

The Company has changed the classification of its reportable segments from the current consolidated fiscal year, and the following year-on-year comparisons are based on figures for the same period of the previous year prepared according to the segment classification after the change. For details, please refer to "3. Consolidated Financial Statements and Key Notes (5) Notes on consolidated financial statements (Segment Information, etc.) 2 Matters related to changes in reportable segments, etc." for details.

#### (i) Technology business

Leveraging its long-standing expertise in system development related to the real estate business, the Company provides SaaS, including the SS Cloud Series and SS Payment Series. This has boosted IT in the real estate industry and contributed to improved productivity, such as increased operational efficiency. Our SS Cloud Series has been expanded to include a wide variety of services, both developed in-house and in collaboration with other companies, and we are strong in system development based on Web technology. We have long been providing system development and solution services, operating rental real estate information websites, and RPA solution services to clients in the real estate, information and telecommunications, life and non-life insurance, and education sectors.

In the current consolidated fiscal year, some orders received were behind schedule, but the delays were resolved, and ongoing projects remained steady. Although sales decreased, segment income increased as a result of cost reduction efforts.

As a result, net sales in the technology business decreased 385 million yen (10.3%) year on year to 3,349 million yen, and segment income increased 41 million yen (14.2%) year on year to 336 million yen.

(ii) Open Innovation Business

We provide consulting services to startup companies to help them launch their businesses and provide a place for innovation by incorporating technologies and ideas from different industries and fields.

In the current consolidated fiscal year, although revenues decreased due to the closure of offices, consulting services were in line with plans, and both net sales and segment income increased.

As a result, net sales in the open innovation business increased 316 million yen (29.7%) year on year to 1,384 million yen, and segment income increased 113 million yen (116.4%) year on year to 210 million yen.

(iii) Other business

Subsidiary S2I Co., Ltd. is in the business of providing IoT-related products and services.

There were no sales in the other segment (sales of 0 million yen in the same period of the previous year). Segment loss was 0 million yen (segment income of 0 million yen in the same period of the previous year).

(2) Summary of financial condition

Assets, Liabilities and Net Assets

Current assets at the end of the current consolidated fiscal year were 3,994 million yen, a decrease of 163 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 131 million yen decrease in cash and deposits and a 131 million yen decrease in notes and accounts receivable-trade and contract assets.

Fixed assets decreased 78 million yen from the end of the previous fiscal year to 3,230 million yen. This was mainly due to a 40 million yen decrease in goodwill and a 24 million yen decrease in software.

As a result, total assets decreased 242 million yen from the end of the previous fiscal year to 7,224 million yen.

Current liabilities decreased 327 million yen to 775 million yen. This was mainly due to a 255 million yen decrease in notes and accounts payable-trade and a 42 million yen decrease in accounts payable-other.

Fixed liabilities increased 57 million yen to 583 million yen. This was mainly due to a decrease of 100 million yen in bonds payable and an increase of 170 million yen in long-term loans payable.

As a result, total liabilities decreased 269 million yen from the end of the previous fiscal year to 1,359 million yen.

Total net assets increased by 27 million yen from the end of the previous fiscal year to 5,865 million yen. This was mainly due to an increase in retained earnings resulting from the posting of net income attributable to parent company and equity ratio reached 80.7%.

### (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 decreased 131 million yen from the end of the previous consolidated fiscal year to 1,949 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 increase in operating activities totaled 168 million yen, compared to a 115 million yen increase during the last fiscal year. This was mainly due to a 121 million yen increase in accounts payable and a 68 million yen decrease in consumption tax payable.

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

Net cash used in investing activities totaled 195 million yen, compared with 200 million yen used in the same period of the previous fiscal year. This was mainly due to a 162 million yen increase in proceeds from sales of investment securities and a 150 million yen increase in purchase of investments in subsidiaries resulting in change in scope of consolidation.

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

Net cash used in financing activities amounted to 104 million yen, compared with 228 million yen provided in the same period of the previous fiscal year. This was mainly due to a decrease of 200 million yen in proceeds from short-term loans payable and an increase of 200 million yen in repayment of short-term loans payable.

### (4) Outlook for the future

With the goal of "driving DX in society through IT technology and innovation," our group is working to become a company that creates new value through the fusion of technology and open innovation.

In the SaaS business, the number of users of the SS Cloud series is steadily increasing and we aim to further expand the number of users.

In line with the review of the timing and scope of the SaaS business to be paid for, we will conservatively estimate and determine the contracted projects in the system development business.

In addition, the Company has changed the basis for recording sales for some services (from gross sales to net sales).

The gap with the medium-term management plan has become larger due to a number of factors.

In light of the above, the Company has decided to completely review its business environment and business strategies, and to formulate a new medium-term management plan.

We are also promoting ReTech (Re-Tech) and FinTech (FinTech) by developing the "SS Cloud Series" and "SS Payment Series" that leverage our track record and know-how accumulated through system development to date.

Based on these circumstances, the Company forecasts net sales of 4,400 million yen, operating income of 310 million yen, ordinary income of 220 million yen, and net income attributable to owners of the parent of 110 million yen for the next fiscal year.

The above forecasts are based on information currently available to the Company and certain assumptions that are judged to be reasonable, and are not intended to be a promise by the Company that they will be achieved. Actual results may differ significantly 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, 2020 to September 30, 2021)	Current consolidated fiscal year (October 1, 2021 to September 30, 2022)
<b>ASSETS</b>		
Current assets		
Cash and deposits	2,081,361	1,949,892
Notes and accounts receivable	1,678,727	–
Notes, accounts receivable and contract assets	–	1,547,341
Work in progress	122,725	35,049
Raw materials and stored products	21	39
Prepaid expenses	99,803	200,236
Other	181,289	292,168
Allowance for doubtful accounts	–5,397	–30,084
<b>Total current assets</b>	<b>4,158,531</b>	<b>3,994,644</b>
Fixed assets		
Tangible fixed assets		
Property, plant and equipment (net)	27,853	32,976
Tools, equipments and fixtures (net)	19,318	14,159
<b>Total tangible fixed assets</b>	<b>47,172</b>	<b>47,135</b>
Intangible fixed assets		
Goodwill	2,044,403	2,069,524
Business right	210,420	170,340
Software	118,686	94,064
Other	85,207	77,313
<b>Total intangible assets</b>	<b>2,458,718</b>	<b>2,411,242</b>
Investments and other assets		
Investment securities	483,564	409,531
Stocks of subsidiaries	137,698	137,698
Other securities of subsidiaries and affiliates	52,038	122,984
Long-term prepaid expenses	29,361	12,594
Deferred tax assets	63,316	51,897
Other	37,076	37,076
<b>Total investments and other assets</b>	<b>803,055</b>	<b>771,782</b>
<b>Total fixed assets</b>	<b>3,308,946</b>	<b>3,230,160</b>
<b>Total assets</b>	<b>7,467,478</b>	<b>7,224,804</b>

(Unit: thousand yen)

	Previous consolidated fiscal year (October 1, 2020 to September 30, 2021)	Current consolidated fiscal year (October 1, 2021 to September 30, 2022)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	436,292	181,058
Short-term loans payable	200,000	—
Bonds due within one year	100,000	100,000
Long-term debt due within one year	—	120,000
Accounts payable	142,000	99,822
Accrued expenses	17,779	11,657
Income taxes payable	82,010	84,827
Accrued consumption tax, etc.	74,810	43,435
Advance received	11,679	8,990
Allowance for loss on orders received	4,929	—
Other	33,610	126,058
Total current liabilities	1,103,113	775,849
Fixed liabilities		
Corporate bonds	380,000	280,000
Long-term debt	—	170,000
Long-term accrued liabilities	126,722	115,741
Asset retirement obligations	10,145	10,176
Other	8,974	7,372
Total fixed liabilities	525,841	583,290
Total liabilities	1,628,954	1,359,140
Equity		
Shareholders' equity		
Capital stock	1,663,904	1,706,476
Capital surplus	3,879,259	3,712,343
Retained earnings	278,103	522,094
Treasury stock	-8,064	-8,078
Total shareholders' equity	5,813,203	5,932,836
Accumulated other comprehensive income (loss)		
Valuation difference on available-for-sale securities	-2,523	1,675
Foreign currency translation adjustments	-15,743	-101,032
Total accumulated other comprehensive income (loss)	-18,266	-99,357
Stock acquisition rights	35,686	24,519
Non-controlling interests	7,900	7,665
Total net assets	5,838,523	5,865,664
Total liabilities and net assets	7,467,478	7,224,804

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

### Consolidated statement of income

(Unit: Thousand yen)

	Previous consolidated fiscal year (October 1, 2020 to September 30, 2021)	Current consolidated fiscal year (October 1, 2021 to September 30, 2022)
Sales	4,920,126	4,704,404
Cost of sales	3,619,066	3,367,906
Gross profit	1,301,060	1,336,498
Selling, general and administrative expenses	923,266	953,761
Operating income	377,793	382,736
Non-operating income		
Interest income	2,735	278
Dividend received	494	3,404
Foreign exchange gains	15,883	88,205
Subsidy income	7,748	3,316
Consulting revenue	15,000	1,250
Other	2,269	726
Total non-operating income	44,130	97,180
Non-operating expenses		
Interest expenses	11,561	17,438
Payment fees	27,634	16,753
Consumption tax difference	393	912
Donation	10,300	20,000
Reorganization costs	13,457	520
Allowance for doubtful accounts	—	24,686
Other	15,895	22,493
Total non-operating expenses	79,241	102,803
Ordinary income	342,682	377,113
Extraordinary gains		
Gain on sales of investment securities	—	4,464
Marginal gain on stage acquisition	238,106	-
Gain on reversal of provision for loss on transfer	3,244	-
Total extraordinary gains	241,350	4,464
Extraordinary loss		
Loss on retirement of fixed assets	4,691	9,804
Loss on impairment of fixed assets	—	12,063
Loss on sales of investment securities	—	3,063
Loss on valuation of investment securities	14,109	1,313
Loss on store closing	—	31,470
Total extraordinary loss	18,800	57,714
Net Income before taxes or net loss before adjustments to taxes, etc	565,232	323,864
Corporate tax, municipal tax and business taxes	77,040	111,697
Adjustment to corporate taxes, etc	5,174	11,384
Total income taxes	82,215	123,081
Net income	483,016	200,782
Net loss attributable to non-controlling shareholders	-295	-234
Net income attributable to owners of parent or net loss attributable to owners of parent	483,312	201,017

### Consolidated statements of comprehensive income

(Unit: Thousand yen)

	Previous consolidated fiscal year (October 1, 2020 to September 30, 2021)	Current consolidated fiscal year (October 1, 2021 to September 30, 2022)
Net income	483,016	200,782
Other comprehensive income		
Valuation difference on available-for-sale securities	5,440	4,198
Exchange conversion adjustment account	-15,654	-85,289
Total other comprehensive income	-10,214	-81,091
Comprehensive income	472,802	119,691
(Breakdown)		
Comprehensive income for owners of parent	473,097	119,926
Comprehensive income for non-controlling shareholders	-295	-234

(3) Consolidated Statement of Changes in Shareholders' equity

Previous 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 owners of the parent			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			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	-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 owners of the parent						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	-295	11,375
Total changes of items during the period	5,440	-15,654	-10,214	21,884	-295	1,873,671
Balance at the end of current period	-2,523	-15,743	-18,266	35,686	7,900	5,838,523

Current consolidated fiscal year (October 1, 2021 to September 30, 2022)

(Unit: thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	1,663,904	3,879,259	278,103	-8,064	5,813,203
Cumulative effect of a change in accounting policy			1,693		1,693
Balance at beginning of current period reflecting change in accounting policy	1,663,904	3,879,259	279,797	-8,064	5,814,897
Changes during the period					
Exercise of stock acquisition rights	42,571	42,571			85,143
Dividends from surplus		-168,208			-168,208
Net income attributable to shareholders of the parent company			201,017		201,017
Acquisition of treasury stock				-13	-13
Transfer from capital surplus to retained earnings		-41,279	41,279		-
Changes in items other than shareholders' equity (net)					
Total changes of items during the period	42,571	-166,916	242,297	-13	117,939
Balance at the end of current period	1,706,476	3,712,343	522,094	-8,078	5,932,836

	Accumulated other comprehensive income			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	-2,523	-15,743	-18,266	35,686	7,900	5,838,523
Cumulative effect of a change in accounting policy						1,693
Balance at beginning of current period reflecting change in accounting policy	-2,523	-15,743	-18,266	35,686	7,900	5,840,217
Changes during the period						
Exercise of stock acquisition rights						85,143
Dividends from surplus						-168,208
Net income attributable to shareholders of the parent company						201,017
Acquisition of treasury stock						-13
Transfer from capital surplus to retained earnings						-
Changes in items other than shareholders' equity (net)	4,198	-85,289	-81,091	-11,166	-234	-92,492
Total changes of items during the period	4,198	-85,289	-81,091	-11,166	-234	25,446
Balance at the end of current period	1,675	-101,032	-99,357	24,519	7,665	5,865,664

(4) Consolidated Statements of Cash Flows

	(Unit: thousands of yen)	
	Previous consolidated fiscal year (October 1, 2020 to September 30, 2021)	Current consolidated fiscal year (October 1, 2021 to September 30, 2022)
<b>Cash flow from operating activities</b>		
Net income before income taxes and minority interests	565,232	323,864
Depreciation	176,349	125,055
Impairment loss	–	12,063
Amortization of goodwill	101,148	130,592
Increase (decrease) in allowance for doubtful accounts	–	24,686
Increase (decrease) in allowance for loss on transfer	-11,579	–
Increase (decrease) in allowance for loss on order received	-594	-4,929
Interest and dividends income	-3,229	-3,682
Interest expense	11,561	17,438
Loss on disposal of fixed assets	4,691	9,804
Loss (gain) on sales of securities	–	-1,401
Loss (gain) on valuation of securities	14,109	1,313
Loss on store closures	–	31,470
(Gain) loss on step acquisitions	-238,106	–
(Increase) decrease in trade receivables	-629,408	–
(Increase) decrease in trade receivables and contract assets	–	131,386
(Increase) decrease in inventories	-37,235	90,098
Decrease (increase) in marketable securities	25,455	–
Increase (decrease) in notes and accounts payable-trade	213,334	-255,234
Increase (decrease) in accounts payable-other	-166,802	-44,920
Increase (decrease) in accrued consumption taxes	37,070	-31,375
Foreign exchange loss (gain)	-15,883	-88,205
Other	40,740	-150,985
<b>Subtotal</b>	<b>86,853</b>	<b>317,038</b>
Interest and dividends received	3,229	10,470
Amount of interest paid	-12,492	-14,518
Income taxes paid or refunded (paid)	37,827	-144,484
<b>Cash flow from operating activities</b>	<b>115,417</b>	<b>168,505</b>
<b>Cash flow from investment activities</b>		
Payments for acquisition of tangible fixed assets	-6,862	-16,564
Payments for retirement of tangible fixed assets	-1,294	–
Payments for acquisition of intangible fixed assets	-4,087	-29,958
Payments for purchase of investment securities	-175,000	-160,000
Proceeds from sales of investment securities	–	162,779
Payments for loans receivable	–	-2,400
Proceeds from collection of loans receivable	336	414
Payment for guarantee money deposited	-8,040	–
Proceeds from collection of guarantee deposited	21,783	–
Payments for acquisition of shares of non-consolidated subsidiaries	–	-150,000
Payments for acquisition of shares in subsidiaries and affiliates	-27,158	–
<b>Cash flow from investment activities</b>	<b>-200,323</b>	<b>-195,729</b>

(Unit: thousands of yen)

	Previous consolidated fiscal year (October 1, 2020 to September 30, 2021)	Current consolidated fiscal year (October 1, 2021 to September 30, 2022)
<b>Cash flow from financial activities</b>		
Proceeds from short-term loans payable	200,000	—
Repayment of short-term borrowings	—	-200,000
Proceeds from long-term debt	—	300,000
Repayment of long-term debt	—	-10,000
Payments for redemption of bonds	-100,000	-100,000
Dividends paid	-136,017	-168,208
Proceeds from issuance of shares upon exercise of stock acquisition rights	265,000	73,977
Other	-13	-13
Cash flow from financial activities	228,968	-104,244
Increase (decrease) in cash and cash equivalents	144,062	-131,468
Cash and cash equivalents at beginning of period	1,789,340	2,081,361
Increase (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	2,081,361	1,949,892



## (5) Notes on consolidated financial statements

### (Notes on going concern assumptions)

Nothing applicable.

### (Change in scope of consolidation or application of equity method)

Effective April 1, 2022, the Company acquired shares of SS Support Corporation, and as a result, the company was included in the scope of consolidation from this fiscal year.

### (Change in accounting policy)

(Application of accounting standard for revenue recognition, etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. (hereinafter referred to as the "Accounting Standard for Revenue Recognition") and others are applied from the beginning of the current fiscal year, and revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

In the past, the percentage-of-completion method was applied to made-to-order software development contracts if the outcome of the construction activity is deemed certain during the course of the activity, while the completed-contract method was applied to other contracts. Effective from the beginning of the fiscal year ended March 31, 2022, the Company changed its accounting method to recognize revenue over a period of time as the performance obligation to transfer goods or services to customers is satisfied, provided that control over the goods or services is transferred to customers over a specified period of time. For performance obligations to be satisfied over a specified period of time, if the degree of progress toward satisfying the performance obligation cannot be reasonably estimated at the initial stage of the contract, the Company does not recognize revenue at the initial stage of the contract but recognizes revenue when the degree of progress can be reasonably estimated.

In addition, some made-to-order software development contracts that are determined to be a single performance obligation as a whole, although the contract with the customer is divided into processes, are combined and revenue is recognized over a certain period of time based on a reasonable estimate of the degree of progress.

The measurement of progress toward satisfying performance obligations is based on the percentage of development costs incurred by the end of each reporting period to the total expected development costs. For software development contracts with a very short period of time between the transaction start date and the point in time when the performance obligation is expected to be fully satisfied, an alternative treatment is applied, whereby revenue is not recognized over a specified period of time and revenue is recognized when the performance obligation is fully satisfied.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from such beginning balance. The new accounting policy is applied from the balance at the beginning of the current fiscal year.

As a result, net sales, operating income, ordinary income, and income before income taxes and minority interests each increased by 2,091 thousand yen in the current fiscal year. In addition, the balance of retained earnings at the beginning of the current period increased by 1,693 thousand yen.

Due to the application of the revenue recognition accounting standard, "Notes and accounts receivable," which was presented in "Current assets" in the consolidated balance sheet for the previous consolidated fiscal year, is included in "Notes and accounts receivable, trade and contract assets" from the beginning of the current consolidated fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous consolidated fiscal year using the new presentation.

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

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019. ("Accounting Standard for Fair Value Calculation"). The new accounting policy prescribed by the Accounting Standard for Fair Value Calculation, etc., is applied from the beginning of the current fiscal year, in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Calculation and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued on July 4, 2019). In accordance with the treatment, the new accounting policy stipulated by the fair value accounting standard will be applied prospectively. There is no impact on the consolidated financial statements.

(Segment Information, etc.)

[Segment Information]

1 Outline of reportable segments

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

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

Therefore, the Company consists of two reportable segments, "Technology Business" and "Open Innovation Business," which are organized by major services.

The Technology Business mainly provides system development and solution services. The "Open Innovation Business" provides consulting services to startup companies for business launches, etc. and operates shared offices to provide a place for innovation.

2 Matters related to changes in reportable segments, etc.

Effective from the current fiscal year, the "Investment Business" segment was discontinued due to a change in fund management policy.

As a result, the reporting segments were changed from the previous three segments of "Technology Business," "Open Innovation Business," and "Investment Business" to two segments of "Technology Business" and "Open Innovation Business."

As described in "Changes in Accounting Policies," the Company has applied the Accounting Standard for Revenue Recognition and other accounting standards from the beginning of the current fiscal year, and has changed its accounting method for revenue recognition, and therefore, the calculation method of profit or loss by business segment has been changed in the same manner.

As a result of this change, net sales and segment income of "Technology business" increased by 2,091 thousand yen in the consolidated fiscal year under review compared with the previous method.

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

The accounting methods used for the reported business segments are generally the same as those used in the preparation of the consolidated financial statements. Profits of reportable segments are based on operating income. Intersegment 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, 2020 to September 30, 2021)

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		
<b>Sales</b>						
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	4,811,816	1,586,967	286,707	6,685,492	16,824	6,702,316
<b>Other items</b>						
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.

Current consolidated fiscal year (October 1, 2021 to September 30, 2022)

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

	Reporting Segment			Other*	Total
	Technology Business	Open Innovation Business	Total		
<b>Sales</b>					
Sales to external customers	3,348,406	1,355,998	4,704,404	—	4,704,404
Sales or transfers inside or between segments	1,006	28,095	29,101	—	29,101
Subtotal	3,349,412	1,384,093	4,733,505	—	4,733,505
Segment profit or Loss	336,967	210,387	547,354	△314	547,039
Segment assets	4,430,699	2,003,508	6,434,208	16,299	6,450,508
<b>Other items</b>					
Depreciation and amortization	97,480	23,130	120,611	—	120,611
Increase in tangible fixed assets and intangible fixed assets	16,521	18,224	34,745	—	34,745

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	4,959,639	4,733,505
Net sales in "Other" segment	600	—
Elimination of inter-segment transactions	-40,112	-29,101
Net sales in consolidated financial statements	4,920,126	4,704,404

(Unit: thousands of yen)

Profit	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	540,999	547,354
Profit in "Other" category	157	-314
Corporate expenses*	-163,363	-164,303
Operating income in consolidated financial statements	377,793	382,736

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	6,685,492	6,434,208
Assets in the "Other" category	16,824	16,299
Corporate assets*	765,161	774,296
Total assets in consolidated financial statements	7,467,478	7,224,804

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	171,879	120,611	—	—	4,469	4,444	176,349	125,055
Increase in tangible and intangible fixed assets	10,950	34,745	—	—	—	11,777	10,950	46,522

(Business Combinations, etc.)

Business combination through acquisition

1 Outline of the business combination

(1) Name of the acquired company and its business

Name of acquired company: SS Support Corporation

Business Description: On-site mobilization and maintenance of electrical, plumbing, air conditioning, ventilation, and other facilities when problems occur.

Rush services such as investigation of the problem and emergency work

(2) Main reason for the business combination

The purpose is to achieve greater operational efficiency and productivity and to further promote DX for real estate operators by developing and providing real estate operators with a one-stop cloud system that handles everything from subscription application procedures to subscriber status monitoring, in addition to emergency response services in the event of a problem.

(3) Date of business combination

April 1, 2022

(4) Legal form of the business combination

Acquisition of shares for cash

(5) Name of the company after the merger

The name will remain unchanged

(6) Percentage of voting rights acquired

87.7%

(7) Main basis for determining the acquiring company

The Company's consolidated subsidiary SS Technologies Corporation acquired the shares for cash consideration.

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

From April 1, 2022 to September 30, 2022

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

The acquisition cost, which is undisclosed due to contractual confidentiality obligations, was determined by taking into consideration the results of a third-party valuation of the shares.

4 Description and amount of major acquisition-related expenses

Fees and commissions for advisory services 520 thousand yen

5 Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

(1) Amount of goodwill incurred

155,713 thousand yen

(2) Cause of occurrence

This is the excess return expected from future business development.

(3) Amortization method and period

Equal amortization over 20 years

In the third quarter consolidated accounting period, based on the reasonable information available at the time of preparation of the quarterly consolidated financial statements, the Company had applied provisional accounting treatment for the allocation of acquisition costs and at the end of the current fiscal year, the allocation has been completed.

6 Amounts of assets received and liabilities assumed on the date of business combination and their breakdown

Current assets	143,854 thousand yen
Total assets	143,854 thousand yen
Current liabilities	149,567 thousand yen
Total liabilities	149,567 thousand yen

7 Estimated amount and calculation method of the effect on the consolidated statement of income for the current consolidated fiscal year as if the business combination had been completed on the first day of the consolidated fiscal year

Net sales	12,480 thousand yen
Operating income	11,274 thousand yen
Ordinary income	11,274 thousand yen
Income before income taxes and minority interests	11,274 thousand yen
Net income attributable to parent company shareholders	9,808 thousand yen
Net income per share	0.12 yen

(Method of calculating the estimated amount)

The difference between the net sales and profit/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/loss information in the consolidated statement of income of the acquired company is the estimated amount of impact.

(Per share information)

	Previous consolidated fiscal year (October 1, 2020 to September 30, 2021)	Current consolidated fiscal year (October 1, 2021 to September 30, 2022)
Net assets per share	68.90 yen	68.79 yen
Net income (loss) per share	6.15 yen	2.37 yen
Net income per share after adjustment of potential shares	6.15 yen	2.37 yen

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

	Previous consolidated fiscal year (October 1, 2020 to September 30, 2021)	Current consolidated fiscal year (October 1, 2021 to September 30, 2022)
(1) Net income (loss) per share		
(Basis for calculation)		
Net income (loss) attributable to owners of the parent (thousand yen)	483,312	201,017
Amount not attributable to common shareholders (thousand yen)	—	—
Net income (loss) attributable to owners of the parent attributable to common stock (thousand yen)	483,312	201,017
Average number of shares of common stock during the period (shares)	78,526,881	84,708,524
(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	90,640
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)	Fourth series of stock acquisition rights (Number of shares: 1,427,300 shares)

(Significant subsequent events)

Nothing applicable.