

Consolidated Financial Report for Fiscal 2019 Ended March 31, 2020 [Japanese GAAP]

May 20, 2020

Listed exchange: 1st Section, Tokyo Stock Exchange
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 Scheduled date of the ordinary general meeting of shareholders: June 26, 2020
 Scheduled date of dividend payment: June 29, 2020
 Scheduled date of filing securities report: June 26, 2020
 Preparation of explanatory materials for annual financial results: Yes
 Holding of a briefing on annual financial results: None

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for Fiscal 2019 Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Consolidated operating results (cumulative) (Percentages represent year-on-year changes)

(Millions of yen)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
As of March 31, 2020	27,795	4.5%	2,206	2.3%	2,265	0.7%	1,500	2.1%
As of March 31, 2019	26,590	11.0%	2,157	16.5%	2,248	17.9%	1,469	17.7%

Note: Comprehensive income:

As of March 31, 2020: ¥1,171 million [(24.3)%]

As of March 31, 2019: ¥1,547 million [(3.6)%]

(Yen)

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating profit margin
As of March 31, 2020	62.29	—	12.7%	13.7%	7.9%
As of March 31, 2019	61.02	—	13.5%	14.4%	8.1%

Reference: Equity Gains/(Losses) of Affiliates

As of March 31, 2020: —

As of March 31, 2019: —

Note: The Company conducted a two-for-one stock split of its common shares effective October 1, 2018. Accordingly, basic earnings per share has been calculated under the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2019.

(2) Consolidated financial position (Millions of yen)

	Total assets	Net assets	Owners' equity ratio	Net assets per share
As of March 31, 2020	16,652	12,107	72.7%	502.43
As of March 31, 2019	16,353	11,466	70.1%	475.43

Reference: Owners' equity

As of March 31, 2020: ¥12,107 million

As of March 31, 2019: ¥11,466 million

Note: The Company conducted a two-for-one stock split of its common shares effective October 1, 2018. Accordingly, net assets per share has been calculated under the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2019.

(3) Consolidated Cash Flows (Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents balance at end of year
As of March 31, 2020	1,299	(218)	(518)	8,379
As of March 31, 2019	1,576	(8)	(355)	7,816

2. Dividends

(Yen)

	Dividends per share					Dividends (Total)	Dividend payout ratio (consolidated)	Dividend payout ratio on net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total			
Fiscal year ended March 31, 2019	—	0.00	—	22.00	22.00	538 million	36.1%	4.9%
Fiscal year ended March 31, 2020	—	0.00	—	24.00	24.00	587 million	38.5%	4.9%
Fiscal year ending March 31, 2021 (forecast)	—	—	—	—	—		—	

Note: The dividend forecast for the fiscal year ending March 31, 2021 has not been determined at this time.

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

The consolidated financial results forecast for the fiscal year ending March 31, 2021 has not been determined, considering the present difficulty to calculate the impact of COVID-19 rationally. We will disclose results forecast information as soon as we are able to do so.

*Notes

(1) Changes in significant subsidiaries during the period: None

(Changes in specified subsidiaries resulting from changes in the scope of consolidation)

(2) Adoption of special accounting methods for preparing the quarterly consolidated financial statements: Yes

Note: For details, please refer to “(3) Notes to Quarterly Consolidated Financial Statements” under “2. Quarterly Consolidated Financial Statements and Primary Notes” on page 9 of the appendix to this consolidated financial report.

(3) Changes in accounting policies, changes in accounting estimates, and restatements

a. Changes in accounting policies due to amendments of accounting standards: None

b. Changes in accounting policies other than those in (a): None

c. Changes in accounting estimates: None

d. Restatements: None

(4) Number of shares outstanding (common stock)

(Shares)

a. Number of shares outstanding at the end of period (including treasury stock)	As of March 31, 2020	25,113,600	As of March 31, 2019	25,113,600
b. Number of treasury shares at the end of period	As of March 31, 2020	1,015,071	As of March 31, 2019	1,021,434
c. Average number of shares during the period (cumulative for the quarter)	As of March 31, 2020	24,096,537	As of March 31, 2019	24,091,615

Notes: 1. The Company conducted a two-for-one stock split of its common shares effective October 1, 2018. Accordingly, the average number of shares during the period has been calculated under the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2018.

2. The number of treasury shares at the end of period includes the Company's shares (391,200 shares as of December 31, 2019 and 397,600 shares as of March 31, 2019) held by Trust & Custody Services Bank, Ltd. (Trust Account E) as trust assets in a Board Benefit Trust (BBT) and an Employee Stock Ownership Plan (J-ESOP). In addition, the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) are included in the treasury shares deducted from the calculation of the average number of shares during the period (As of March 31, 2020: 393,211 shares; As of March 31, 2019: 398,192 shares).

Reference: Summary of Individual Financial Results

(Amounts are rounded to the nearest million yen)

1. Individual Financial Results for Fiscal 2019 Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Individual operating results (cumulative)

(Percentages represent year-on-year changes)

(Millions of yen)

	Net sales		Operating profit		Ordinary profit		Net profit	
As of March 31, 2020	26,381	1.6%	2,099	1.1%	2,157	(0.6)%	1,420	0.0%
As of March 31, 2019	25,964	12.9%	2,076	18.2%	2,169	19.8%	1,420	19.6%

(Yen)

	Earnings per share	Diluted earnings per share
As of March 31, 2020	58.95	—
As of March 31, 2019	58.98	—

(2) Individual financial position

(Millions of yen)

	Total assets	Net assets	Owners' equity ratio	Net assets per share (yen)
As of March 31, 2020	15,986	11,686	73.1%	484.95
As of March 31, 2019	15,905	11,130	70.0%	462.00

Reference: Owners' equity

As of March 31, 2020: ¥11,686 million

As of March 31, 2019: ¥11,130 million

* This consolidated financial report is exempt from the review procedures of certified public accountants or an audit firm.

* Explanation on the proper use of financial results forecasts and other noteworthy items

The report contains forward-looking statements such as financial results forecasts that are based on information available to the Company at the time of disclosure and certain assumptions the Company believes to be reasonable. The Company gives no assurance that these forward-looking statements will prove to be accurate. Actual results may differ significantly from these forecasts due to various factors. For matters related to the abovementioned financial results forecasts, please refer to “(4) Business Outlook under 1. Overview of Operating Results and Related Information” on page 6 of the appendix to this consolidated financial report.

Table of Contents — Appendix

1. Overview of Operating Results and Related Information.....	2
(1) Overview of Operating Results for the Period.....	2
(2) Overview of the Financial Status for the Period.....	4
(3) Overview of Cash Flow for the Period.....	5
(4) Business Outlook.....	6
(5) Business and Other Risks Related to the Impact of COVID-19.....	6
2. Basic Views on the Choice of Accounting Standards.....	6
3. Consolidated Financial Statements and Primary Notes.....	7
(1) Consolidated Balance Sheet.....	7
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income.....	9
(3) Consolidated Statement of Changes in Net Assets.....	11
(4) Consolidated Statement of Cash Flows.....	12
(5) Notes on Consolidated Financial Statements.....	13
(Notes on Going Concern Assumption).....	13
(Supplemental Information).....	13
(Segment Information and Related Matters).....	14
(Per Share Information).....	15
(Significant Subsequent Events).....	15

1. Overview of Operating Results and Related Information

(1) Overview of Operating Results for the Period

Economic trends during this fiscal year (April 1, 2019 to March 31, 2020) include growing negative impact on the global economy as a whole due to the novel Coronavirus (COVID-19), with uncertainties remaining internationally, such as lingering U.S.-China trade frictions and uncertain foreign economic trends and policies. In Japan also, the domestic economy has started to decline rapidly, partly due to growing social concerns caused by COVID-19. In the information services industry, the business trend is generally steady, we have wide range of services demanded for Digital Transformation (“DX”) that are projected to change the way businesses operate and the way we work, including telework, and process automation using AI (Artificial Intelligence) and/or RPA (Robotic Process Automation), triggered by the COVID-19 crisis. The Group is promoting telework in both internal and external projects in the effort to both maintain provision of services for enabling continuity of our customers’ business and to ensure the health safety of all stakeholders including our customers, and employees of the Company and partner companies.

In this environment, the Group aims to be a “Next-Generation System Integrator” based on its Medium-Term Management Plan “Shift to the Smart SI,” which runs from April 2019 to March 2022. The Group has laid out a vision for evolving into a next-generation system integration business that captures unmet market needs and addresses new currents in digital technology.

In order to realize this vision, the Group has established two basic strategies.

The Group’s first strategy is to pursue high-value-added system integration services. The Group’s customers are pushing ahead with digital transformation. In response, the Group will implement a service business that fulfills customers’ value creation needs by harnessing the latest core technologies underlying systems.

The Group’s second strategy is to promote transformation of the system integration model. The Group will implement innovative approaches to achieve priorities such as developing a platform for realizing high-value-added system integration services and establishing system integration processes that deliver both high productivity and quality, as it works to differentiate itself from other companies.

In the fiscal year ending March 31, 2020, the Group’s policy is to lay a foundation for sustained growth by vigorously pushing ahead with restructuring initiatives, with the aim of evolving into a “Next-Generation System Integrator” under the vision set forth in the Medium-Term Management Plan. Guided by this policy, the Group has been implementing reorganization encompassing its framework for advancing its basic medium-term strategies and other initiatives.

Specifically, the Group seeks to form an organization that will promote sales activities by, for example, supporting the innovation of customers’ businesses, along with accelerating their digital transformation. To this end, the Group has set up an organization that fosters collaboration with the account business departments to solve issues speedily and efficiently by leveraging cutting-edge technologies. It has also strengthened measures to secure and develop engineers, invest in research and development, and carry out activities to offer proposals to customers.

In particular, in the agile development area, we have increased the number of certified Scrum Masters, which are regarded as the de facto standard, to expand agile development services. Further, by concluding a contract to become the second gold partner in Japan with Scaled Agile, Inc. in the U.S., which offers scaled agile framework, we are progressing to provide total agile solutions by providing consulting and/or training services to help introduce large scale agile framework. In the security market, which is expected to grow in the future, we have added a new suite of security services to provide “Safety and Security” to customers, and we have entered into a capital and business alliance with LTE-X, Inc. to co-create new solutions for the provision of services in the local 5G field. As such, we are steadily expanding high-value-added system integration (SI) service business.

As a result, the Group’s business performance for the current consolidated fiscal year was as follows. With growth strategies trending firmly in each business field, net sales amounted to ¥27,795 million, up 4.5% year on year. Operating profit amounted to ¥2,206 million, up 2.3% year on year. Ordinary profit amounted to ¥2,265 million, up 0.7% year on year. Profit attributable to owners of parent amounted to ¥1,500 million, up 2.1% year on year.

Status of activities by field

< Application development field (finance) >

In the application development field (finance), the Group provides business application development services for the finance sector. As of March 31, 2020, the Group made solid progress on a project to develop large-scale systems for the insurance and credit businesses. As a result, net sales in this field increased 7.3% year on year to ¥15,405 million.

< Application development field (corporate) >

In the application development field (corporate), the Group provides business application development services for the distribution, manufacturing, service, and public sectors. As of March 31, 2020, the Group made steady progress on development projects for the distribution sectors. As a result, net sales in this field rose 3.4% year on year to ¥6,295 million.

< Solution field (infrastructure and networks) >

In the solution field (infrastructure and networks), the Group provides environmental design, construction, and operational support for IT infrastructure, as well as development of network products, network integration and other services. As of March 31, 2020, IT infrastructure construction projects for the manufacturing sector progressed steadily, but sales in the government and non-manufacturing projects declined. As a result, net sales in this field decreased by 5.6% year on year to ¥3,572 million.

< Solution field (packages, etc.) >

In the solution field (packages, etc.), the Group provides cloud applications developed internally, and Trustpro, a PaaS-type cloud service. It also provides solutions related to BI/DWH and ERP/CRM. As of March 31, 2020, cloud-related solutions, such as CRM, performed steadily. As a result, net sales in this field rose 6.8% year on year to ¥2,521 million.

(Millions of yen)

Field	As of March 31, 2019		As of March 31, 2020		Year-on-year percentage change
	Net sales	Share	Net sales	Share	
Application development field (finance)	14,356	54.0%	15,405	55.4%	+7.3%
Application development field (corporate)	6,086	22.9%	6,295	22.6%	+3.4%
Solution field (infrastructure and networks)	3,786	14.2%	3,572	12.9%	(5.6)%
Solution field (packages, etc.)	2,361	8.9%	2,521	9.1%	+6.8%
Total	26,590	100.0%	27,795	100.0%	+4.5%

(2) Overview of the Financial Status for the Period

Total assets at the end of the fiscal year increased by ¥298 million from the end of the previous fiscal year to ¥16,652 million.

Current assets at the end of the fiscal year increased by ¥533 million from the end of the previous fiscal year to ¥13,463 million, mainly due to increased cash and deposits, despite a decrease in notes and accounts receivable – trade.

Fixed assets at the end of the fiscal year decreased by ¥234 million from the end of the previous fiscal year to ¥3,188 million, mainly due to decreases in investment securities and software, and an increase in shares of subsidiaries and associates.

Current liabilities at the end of the fiscal year decreased by ¥370 million from the end of the previous fiscal year to ¥4,347 million, mainly due to decreased accrued expenses and income taxes payable, and increased accrued consumption taxes.

Non-current liabilities at the end of the fiscal year increased by ¥27 million from the end of the previous fiscal year to ¥197 million, mainly due to increased provision for share benefits for directors (and other officers) and for employees.

Net assets at the end of the fiscal year increased by ¥641 million from the end of the previous fiscal year to ¥12,107 million, mainly due to an increase in retained earnings, and despite a decrease in the valuation difference on available-for-sales securities.

(3) Overview of Cash Flows for the Period

The balance of cash and cash equivalents at the end of this fiscal year increased by ¥563 million from the end of previous fiscal year to ¥8,379 million (¥7,816 million at the end of previous fiscal year). Cash flows by activities and the details are described as below:

(Cash flows from operating activities)

Cash flows from operating activities were ¥1,299 million (¥1,576 million in the previous period), with profit before income taxes of ¥2,265 million, and despite income tax payments of ¥856 million and a ¥271 million decrease in accrued expenses.

(Cash flows from investing activities)

Cash flows from investing activities were negative ¥218 million (negative ¥8 million in the previous period) mainly due to expenditure for the acquisition of ¥300 million of affiliate companies' stock, and purchase of ¥116 million of investment securities, despite income of ¥142 million from business transfer.

(Cash flows from financing activities)

Cash flows from financing activities were negative ¥518 million (negative ¥355 million in the previous period) mainly due to dividend payments of ¥538 million.

Reference: Trends in cash flow related indices

	As of March 31, 2016	As of March 31, 2017	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020
Equity ratio	67.2%	67.6%	69.9%	70.1%	72.7%
Equity ratio based on market value	67.4%	120.3%	114.0%	129.1%	115.0%
Ratio of interest-bearing liabilities to cash flow	0.5 year	0.4 year	0.2 year	0.3 year	0.3 year
Interest coverage ratio	215.5	298.9	461.0	505.2	391.9

Notes: Equity ratio: Owners' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Ratio of liabilities with interest over cash flows: Liabilities with interest / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest payment

* Calculated from consolidated financial figures.

* Market capitalization is calculated by multiplying the closing stock price at the fiscal year end by outstanding stock issued (after subtracting treasury shares).

* Liabilities with interest refer to those listed in the consolidated balance sheet. The interest payment is from that in the consolidated statements of cash flows.

* The Company has applied ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting" issued on February 16, 2018, from the beginning of the fiscal year ended March 31, 2019. Furthermore, the Company has applied the statement retroactively to the primary management indices for the periods ended March 31, 2016, March 31, 2017, and March 31, 2018.

(4) Business Outlook

Negative impacts on the global economy on the whole are growing due to the recent COVID-19 health issue, on top of lingering U.S.-China trade frictions and concerns over foreign economic trends and policies. In Japan also, the domestic economy has started to decline rapidly partly due to growing social concerns caused by COVID-19. In the information services industry the overall trend is steady, and, triggered by the COVID-19 crisis, we have wide range of service demanded that are expected, through DX, to change the way businesses operate and the way we work, including telework, and process automation using AI (Artificial Intelligence) and/or RPA (Robotic Process Automation).

Based on our vision to become a “Next-Generation System Integrator” outlined in the mid-term management plan for the period from April 2019 to March 2022, the Group will pursue high value-added SI services to evolve into a next-generation system integration business that meets the latent needs of our customers, and we will strive to continuously improve sales and profits by developing new business processes that are not constrained by conventional practices and frameworks.

The situation at the beginning of the fiscal year ending March 31, 2021 is that we have, in principle, shifted to working from home, in order to prevent the spread of the COVID-19 infection and to ensure the health and safety of employees. The number of man-hours worked in April 2020 increased compared to the same period in the previous year, and the impact of the COVID-19 health issue on our business results is deemed as minimal. However, the current man-hours are based on orders received up to the previous fiscal year, prior to the spread of COVID-19. Although the impact of weak demand due to the declining market environment caused by the COVID-19 health issue will likely be observed in the second or third quarter or later, the magnitude of this impact is difficult to estimate at this time.

In light of these circumstances, the impact of the COVID-19 health issue on future results is uncertain. As there are various factors that are unclear and make it difficult to generate business forecasts, the consolidated financial forecast for the next fiscal year is yet to be determined. We will disclose the forecast as soon as it becomes available.

(5) Business and Other Risks Related to the Impact of COVID-19

a. Risks of infection among employees, and business continuity

The Group has shifted in principle to working from home and promoted staggered working hours for employees who are required to come to the office, to prevent the spread of COVID-19 infection, and to ensure both health and safety of our employees, and business continuity. However, if any development project member, customer, or employee of a partner company is infected with COVID-19, and the infection spreads due to contact or other reasons, related development projects may be suspended for a certain period of time, with the possibility of work at a customer’s workplace being suspended. If such a situation continues, there is a risk of decline in our business performance.

b. Impact of business environment changes and price competition in the information service industry

In the information services industry, business demand is expanding along with the rise in demand for IT, such as the introduction of national IT strategies and strategic information systems for corporate survival, as well as increases in the numbers of users due to the spread of mobile and broadband services. However, if the Japanese economy remains stagnant or worsens, customers’ investment in the information technology could decrease, which could affect the Group’s business performance.

c. Cooperation with alliance partners

The Group has established cooperative relationship with various partners, including vendors and subcontractors, with respect to business operations. If there are any changes in the relationships with these partners, triggered by the COVID-19 health issue, the Group’s business results could be affected by difficulties in providing services or providing services at a reasonable price.

2. Basic View on the Choice of Accounting Standards

Since the Group operates mainly in Japan and the ratio of foreign shareholders is low, we have decided to adopt the Japanese accounting standards for the time being. Going forward, we plan to consider the application of IFRS (International Financial Reporting Standards), taking into account overseas business development and changes in the ratio of foreign shareholders.

3. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheet

(Thousands of yen)

	Fiscal 2018 (As of March 31, 2019)	Fiscal 2019 (As of March 31, 2020)
Assets		
Current assets:		
Cash and deposits	7,816,732	8,379,818
Notes and accounts receivable – trade	4,888,858	4,810,858
Work in process	66,542	81,204
Other	158,555	192,016
Total current assets	12,930,689	13,463,898
Non-current assets:		
Property, plant and equipment		
Buildings	118,635	114,506
Tools, furniture and fixtures	40,206	39,764
Leased assets	4,620	2,640
Total property, plant and equipment	163,462	156,911
Intangible fixed assets		
Software	153,935	99,248
Telephone subscription rights	4,095	4,247
Total intangible fixed assets	158,031	103,495
Investments and other assets:		
Investment securities	2,197,083	1,826,407
Shares of subsidiaries and associates	140,000	300,000
Deferred tax assets	295,838	333,146
Guarantee deposits	429,131	421,057
Other	39,326	47,323
Total investments and other assets	3,101,379	2,927,935
Total non-current assets	3,422,873	3,188,342
Total assets	16,353,563	16,652,240

(Thousands of yen)

	Fiscal 2018 (As of March 31, 2019)	Fiscal 2019 (As of March 31, 2020)
Liabilities		
Current liabilities:		
Accounts payable – trade	1,013,939	1,086,674
Short-term borrowings	404,000	430,000
Accounts payable – other	351,863	208,250
Accrued expenses	1,932,411	1,674,745
Income taxes payable	514,129	342,144
Accrued consumption taxes	254,566	379,063
Provision for bonuses for directors (and other officers)	124,100	106,200
Provision for loss on orders received	22,874	—
Other	99,961	120,164
Total current liabilities	4,717,846	4,347,242
Non-current liabilities:		
Provision for share-based remuneration for employees	28,589	44,338
Provision for share-based remuneration for directors (and other officers)	35,736	50,600
Asset retirement obligations	62,801	63,522
Other	42,312	38,819
Total non-current liabilities	169,438	197,280
Total liabilities	4,887,285	4,544,522
Net assets		
Shareholders' equity:		
Share capital	970,400	970,400
Capital surplus	986,228	986,228
Retained earnings	8,970,723	9,938,020
Treasury shares	(387,680)	(383,662)
Total shareholders' equity	10,539,671	11,510,985
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	926,606	596,732
Total accumulated other comprehensive income	926,606	596,732
Total net assets	11,466,277	12,107,718
Total liabilities and net assets	16,353,563	16,652,240

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

As of March 31, 2020

(Thousands of yen)

	Fiscal 2018 (from April 1, 2018 to March 31, 2019)	Fiscal 2019 (from April 1, 2019 to March 31, 2020)
Net sales	26,590,095	27,795,304
Cost of sales	21,513,589	22,518,021
Gross profit	5,076,505	5,277,283
Selling, general and administrative expenses	2,918,942	3,070,295
Operating profit	2,157,563	2,206,987
Non-operating income:		
Interest income	200	185
Dividend income	38,194	51,077
Gain on investments in partnerships	51,274	505
Other	8,687	10,941
Total non-operating income	98,357	62,710
Non-operating expenses:		
Interest expenses	3,113	3,292
Other	3,942	847
Total non-operating expenses	7,055	4,139
Ordinary profit	2,248,865	2,265,557
Profit before income taxes	2,248,865	2,265,557
Income taxes—current	777,176	676,736
Income taxes—deferred	1,732	87,924
Income taxes	778,909	764,661
Profit	1,469,955	1,500,896
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,469,955	1,500,896

Consolidated Statement of Comprehensive Income

As of March 31, 2020

	(Thousands of yen)	
	Fiscal 2018 (from April 1, 2018 to March 31, 2019)	Fiscal 2019 (from April 1, 2019 to March 31, 2020)
Profit	1,469,955	1,500,896
Other comprehensive income:		
Valuation difference on available-for-sale securities	77,169	(329,873)
Total other comprehensive income	77,169	(329,873)
Comprehensive income	1,547,125	1,171,022
Comprehensive income attributable to:		
Owners of parent	1,547,125	1,171,022
Non-controlling shareholders	—	—

(3) Consolidated Statements of Shareholders' Equity

Previous fiscal year (from April 1, 2018 to March 31, 2019)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at the beginning of the period	970,400	986,228	7,929,341	(389,068)	9,496,901	849,436	849,436	10,346,337
Changes of items during the period								
Dividends of surplus			(428,573)		(428,573)			(428,573)
Profit attributable to owners of parent			1,469,955		1,469,955			1,469,955
Purchase of treasury shares				(130)	(130)			(130)
Disposal of treasury shares				1,518	1,518			1,518
Increase by corporate division					—			—
Net changes of items other than shareholders' equity					—	77,169	77,169	77,169
Total changes of items during the period	—		1,041,382	1,387	1,042,769	77,169	77,169	1,119,939
Balance at the end of the period	970,400	986,228	8,970,723	(387,680)	10,539,671	926,606	926,606	11,466,277

Current fiscal year (from April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at the beginning of the period	970,400	986,228	8,970,723	(387,680)	10,539,671	926,606	926,606	11,466,277
Changes of items during the period								
Dividends of surplus			(538,774)		(538,774)			(538,774)
Profit attributable to owners of parent			1,500,896		1,500,896			1,500,896
Purchase of treasury shares				(30)	(30)			(30)
Disposal of treasury shares				4,048	4,048			4,048
Increase by corporate division			5,175		5,175			5,175
Net changes of items other than shareholders' equity					—	(329,873)	(329,873)	(329,873)
Total changes of items during the period	—		967,297	4,017	971,314	(329,873)	(329,873)	641,441
Balance at the end of the period	970,400	986,228	9,938,020	(383,662)	11,510,985	596,732	596,732	12,107,718

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal 2018 (from April 1, 2018 to March 31, 2019)	Fiscal 2019 (from April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before income tax	2,248,865	2,265,557
Depreciation and amortization	100,517	88,659
Increase (decrease) in provision for bonuses for directors (and other officers)	20,700	(19,500)
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	21,030	18,911
Increase (decrease) in provision for share-based remuneration for employees	15,939	15,749
Increase (decrease) in provision for loss on order received	22,874	(22,874)
Interest and dividend income	(38,395)	(51,263)
Interest expenses	3,113	3,292
Loss (gain) on investments in partnerships	(51,274)	(505)
Decrease (increase) in notes and accounts receivable-trade	(353,621)	138,312
Decrease (increase) in inventories	135,239	(14,662)
Increase (decrease) in notes and accounts payable-trade	76,481	39,961
Increase (decrease) in accounts payable-other	27,886	(119,263)
Increase (decrease) in accrued expenses	(3,875)	(271,724)
Increase (decrease) in accrued consumption taxes	20,766	118,823
Other	2,701	(32,991)
Subtotal	2,248,948	2,156,483
Income taxes paid	(672,282)	(856,847)
Cash flows from operating activities	1,576,666	1,299,635
Cash flows from investing activities		
Payments into time deposits	—	(1,200)
Proceeds from withdrawal of time deposits	—	31,389
Purchase of property, plant and equipment	(17,725)	(63,824)
Purchase of intangible fixed assets	(2,244)	(164)
Purchase of investment securities	(23,689)	(116,689)
Purchase of shares of subsidiaries and associates	—	(300,000)
Proceeds of dividend distribution from partnerships	30,589	31,419
Payments of loans receivable from employees	(3,040)	(7,130)
Collection of loans receivable from employees	4,382	5,287
Payments for guarantee deposits	(34,829)	—
Interest and dividend income received	38,395	51,263
Proceeds from transfer of business	—	142,953
Other	—	8,404
Cash flows from investing activities	(8,162)	(218,290)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	78,000	26,000
Interest expenses	(3,121)	(3,315)
Dividend payment	(428,573)	(538,774)
Repayments of lease obligations	(2,138)	(2,138)
Other	(130)	(30)
Cash flows from financing activities	(355,963)	(518,259)
Net increase (decrease) in cash and cash equivalents	1,212,540	563,085
Balance of cash and cash equivalents at the beginning of the period	6,604,192	7,816,732
Balance of cash and cash equivalents at the end of the period	7,816,732	8,379,818

(5) Notes on Consolidated Financial Statements
(Notes on Going Concern Assumption)

Not applicable.

(Supplemental Information)

(Transaction in which the Company's shares are delivered to its employees, etc., through a trust)

1. Board Benefit Trust (BBT) for directors

The Company has introduced a share-based compensation plan (the "Compensation Plan") to directors of the Company pursuant to the resolution of the 64th ordinary general meeting of shareholders held on June 29, 2017.

(1) Transaction outline

In accordance with "the provision of share benefits for directors (and other officers) of the Company" set at the introduction of the Compensation Plan, points are granted to directors (and other officers) of the Company and the Company's shares equivalent to the points will be granted to them at the time of their resignation.

In order to preemptively acquire the shares to be granted in the future, the Company placed money in trust for the Board Benefit Trust (BBT) with Trust & Custody Services Bank, Ltd. (Trust Account E), and the Trust Bank acquired the Company's shares with the money held in trust.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury shares in net assets at their book value in the trust (excluding the amount of incidental expenses). The book value and number of shares of treasury shares were ¥122.452 million and 193,600 shares in the current fiscal year.

(3) Book value of loans calculated from the total market value

Not applicable.

2. Japanese version of the Employee Stock Ownership Plan (J-ESOP)

The Company has introduced an incentive plan (the "Incentive Plan") to provide employees with benefits in the form of shares of the Company, pursuant to a resolution by the Board of Directors on August 8, 2017.

(1) Transaction outline

In accordance with "the provision of share benefits for superior employees" set at the introduction of the Incentive Plan, the Company's shares will be granted to employees who meet certain requirements.

In order to preemptively acquire the shares to be granted in the future, the Company placed money in trust for the Japanese version of the Employee Stock Ownership Plan (J-ESOP) with Trust & Custody Services Bank, Ltd. (Trust Account E), and the Trust Bank acquired the Company's shares with the money held in trust.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury shares in net assets at their book value in the trust (excluding the amount of incidental expenses). The book value and number of shares of treasury shares were ¥124.982 million and 197,600 shares in the current fiscal year.

(3) Book value of loans calculated from the total market value

Not applicable.

(Segment Information and Related Matters)

Segment Information

As the Group has only one segment, the System Development segment, segment information and related matters are omitted in this consolidated financial report.

Related information

Previous fiscal year (from April 1, 2018 to March 31, 2019)

1. Information by product and service

As the net sales of one segment/service to external customers exceeds 90% of net sales in the consolidated statement of income, information by product and service is omitted in this consolidated financial report.

2. Information by region

(1) Net sales

As net sales to external customers in Japan exceeds 90% of net sales in the consolidated statement of income, net sales information on net sales by region is omitted in this consolidated financial report.

(2) Property, plant and equipment

As the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet, information on property, plant and equipment by region is omitted in this consolidated financial report.

3. Key customer information

(Thousands of yen)

Customer name	Net sales	Related segment
NTT DATA Corporation	5,636,053	System development
FUJITSU LIMITED	2,583,587	System development

Current fiscal year (from April 1, 2019 to March 31, 2020)

1. Information by product and service

As net sales of one segment/service to external customers exceeds 90% of net sales in the consolidated statement of income, information by product and service is omitted in this consolidated financial report.

2. Information by region

(1) Net sales

As net sales to external customers in Japan exceeds 90% of net sales in the consolidated statement of income, information on net sales by region is omitted in this consolidated financial report.

(2) Property, plant and equipment

As the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet, information on property, plant and equipment is omitted in this consolidated financial report.

3. Key customer information

(Thousands of yen)

Customer name	Net sales	Related segment
NTT DATA Corporation	5,366,462	System development
IBM Japan, Ltd.	2,845,096	System development

(Per Share Information)

(Yen)

	Fiscal 2018 (from April 1, 2018 to March 31, 2019)	Fiscal 2019 (from April 1, 2019 to March 31, 2020)
Book value per share	475.93	502.43
Earnings per share	61.02	62.29

Notes: 1. Diluted earnings per share is not listed as there are no dilutive shares.

2. Calculation of earnings per share is based on the following information:

	Fiscal 2018 (from April 1, 2018 to March 31, 2019)	Fiscal 2019 (from April 1, 2019 to March 31, 2020)
Profit attributable to owners of parent (thousands of yen)	1,469,955	1,500,896
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent on common shares (thousands of yen)	1,469,955	1,500,896
Average number of common shares during the period (shares)	24,091,615	24,096,537

3. Calculation of book value per share is based on the following information:

	Fiscal 2018 (as of March 31, 2019)	Fiscal 2019 (as of March 31, 2020)
Total net assets (thousands of yen)	11,466,277	12,107,718
Amount to be deducted from total net assets (thousands of yen)	—	—
Net assets of common shares at the end of this period (thousands of yen)	11,466,277	12,107,718
Number of common shares used for calculating book value per share at the end of the period (shares)	24,092,166	24,098,529

4. The Company's shares remaining in the trust, which are reported as treasury shares in shareholders' equity, are included in treasury shares to be deducted from the total number of shares outstanding at the end of the fiscal year for the purpose of calculating net book value per share, and are included in treasury shares to be deducted for the purpose of calculating net earnings per share for the fiscal year for the average number of shares outstanding. The average number of shares of treasury shares, which are deducted for the purpose of calculating book value per share, were 397,600 shares in the previous fiscal year and 391,200 shares in the current fiscal year, and the average number of shares of treasury shares during the fiscal year, which are deducted for the purpose of calculating earnings per share, was 398,192 shares in the previous fiscal year and 393,211 shares in the current fiscal year.

5. The Company conducted a two-for-one stock split of its common shares effective October 1, 2018. Accordingly, book value per share and earnings per share are calculated under the assumption that the stock split was conducted at the beginning of previous fiscal year.

(Significant Subsequent Events)

No applicable events.