

Consolidated Financial Results for 2nd Quarter of Fiscal Year Ending March 2023

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2nd Quarter of FY2022 Consolidated Financial Results

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Summary of Financial Results from Apr. to Sep.

(PL/Incoming Orders/Backlog)

(Millions of yen)

	FY2021 (Apr. 2021 - Sep. 2021)	FY2022 (Apr. 2022 - Sep. 2022)	Increase/Decrease	
			Amount	%
Net Sales	200,025	213,099	13,074	6.5%
Gross Profit	51,983	55,224	3,241	6.2%
Gross Profit Margin	26.0%	25.9%	-0.1%	
SG&A Expenses*	- 29,392	- 32,709	- 3,316	11.3%
Operating Profit	22,590	22,515	- 75	-0.3%
Operating Profit Margin	11.3%	10.6%	-0.7%	
Profit attributable to owners of parent	15,784	16,226	442	2.8%
Incoming Orders	194,918	204,888	9,969	5.1%
Backlog	158,165	168,870	10,705	6.8%

*Including other income and expenses

Summary of Financial Results from Jul. to Sep.

(PL/Incoming Orders/Backlog)

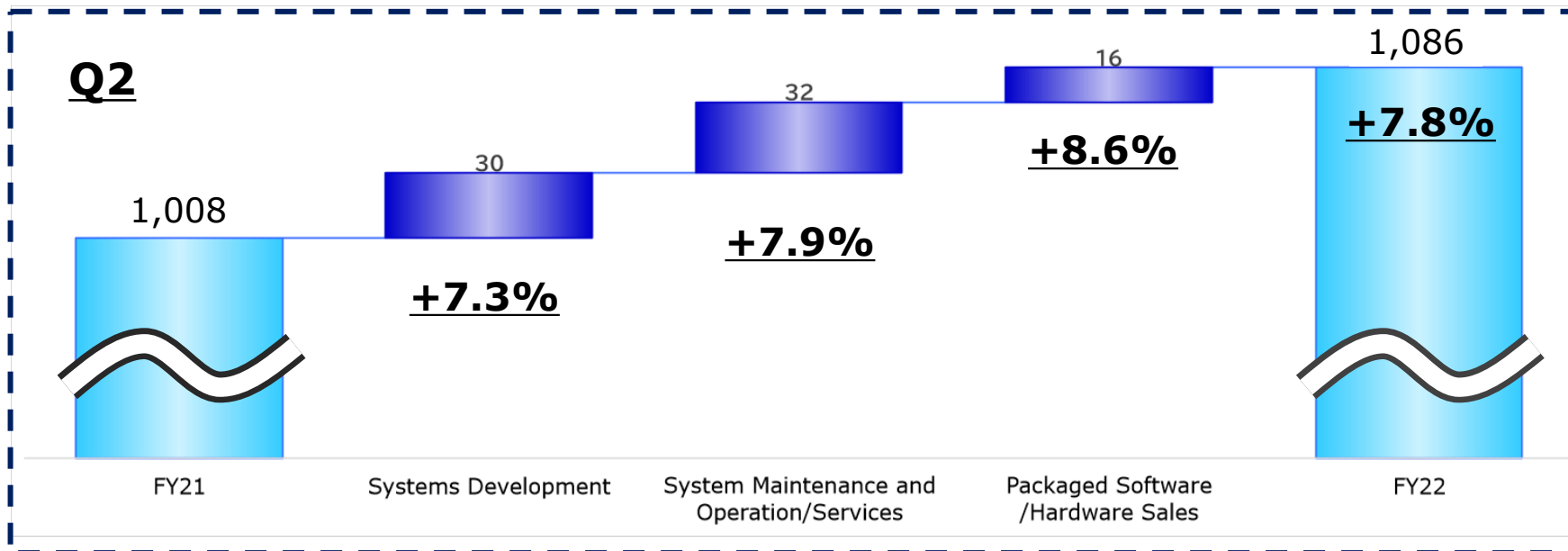
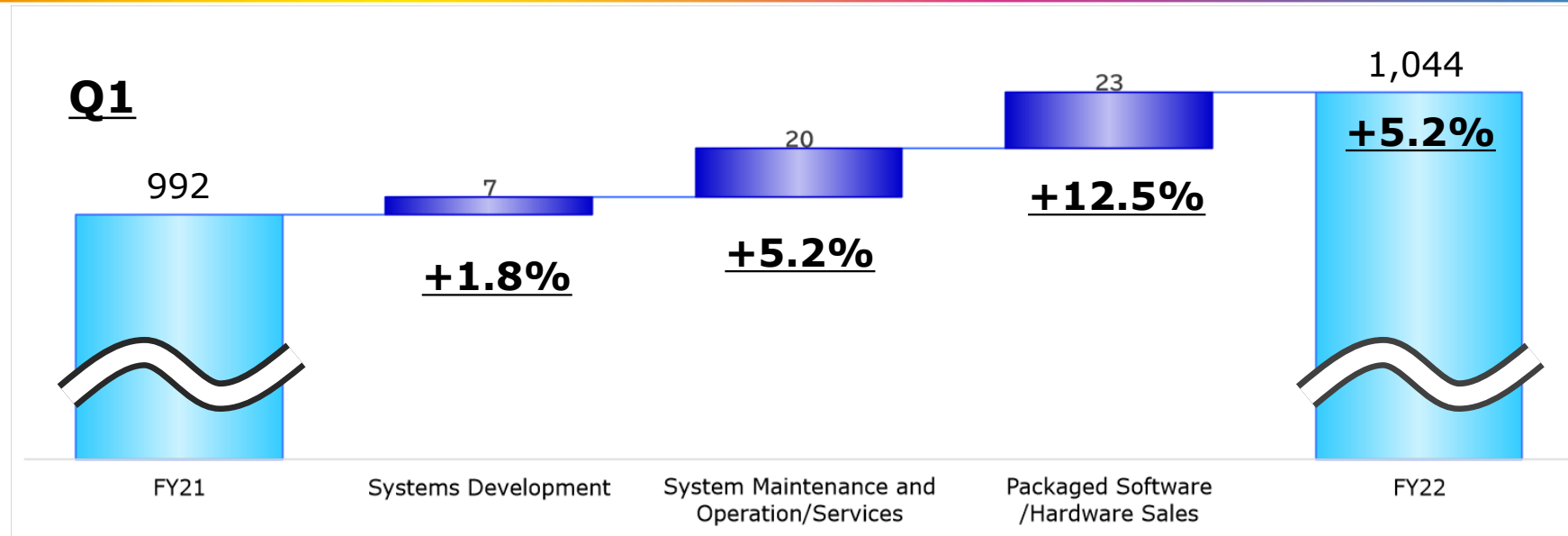
(Millions of yen)

	FY2021 (Jul. 2021 - Sep. 2021)	FY2022 (Jul. 2022 - Sep. 2022)	Increase/Decrease Amount %	
Net Sales	100,814	108,682	7,867	7.8%
Gross Profit	26,554	29,235	2,680	10.1%
Gross Profit Margin	26.3%	26.9%	0.6%	
SG&A Expenses*	- 14,851	- 16,657	- 1,805	12.2%
Operating Profit	11,703	12,577	874	7.5%
Operating Profit Margin	11.6%	11.6%	-0.0%	
Profit attributable to owners of parent	8,080	9,220	1,140	14.1%
Incoming Orders	107,603	105,154	- 2,449	-2.3%
Backlog	158,165	168,870	10,705	6.8%

*Including other income and expenses

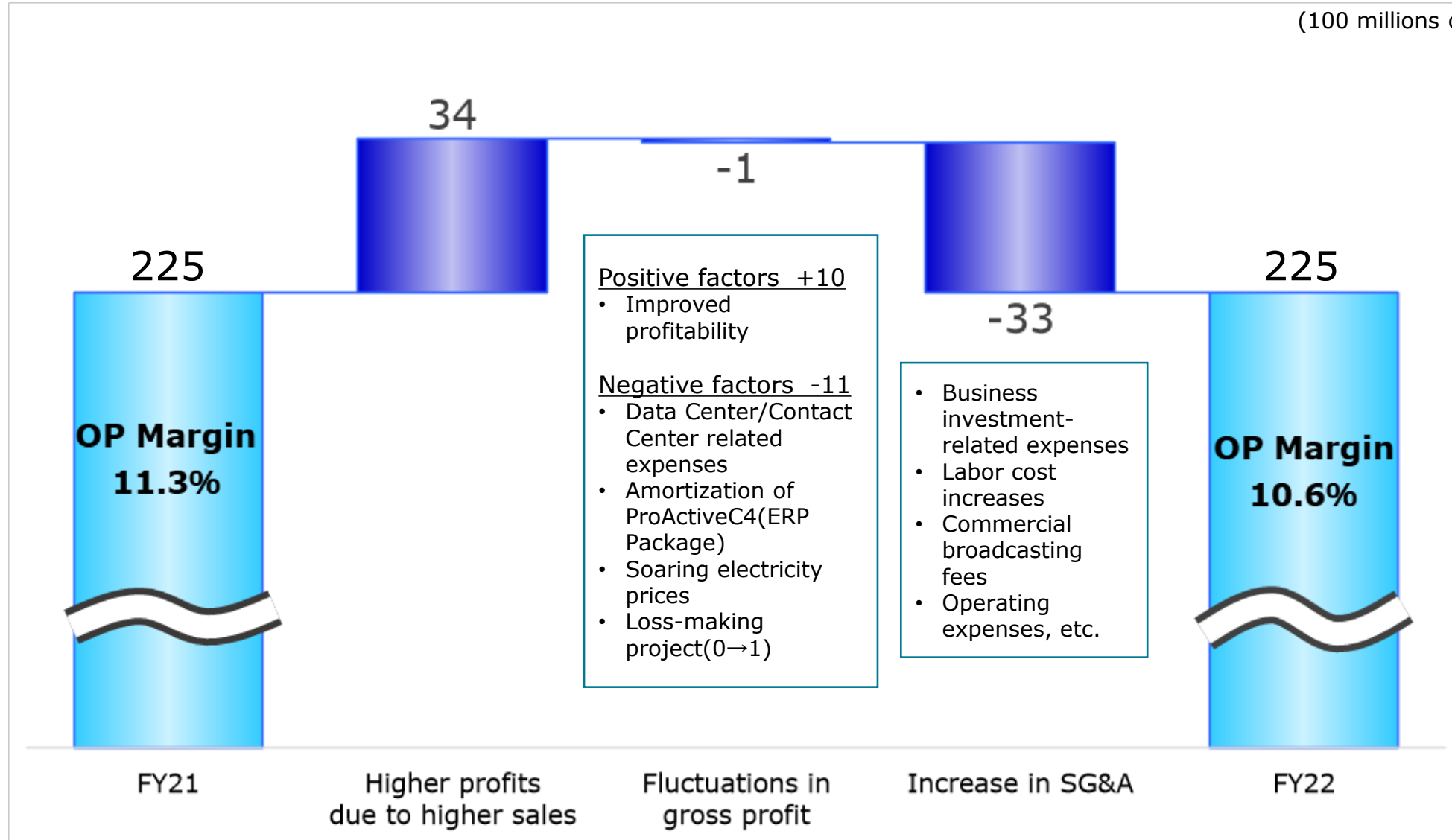
FY2022 Q2 Net Sales Analysis

(100 millions of yen)



FY2022 Q2 Operating Profit Analysis

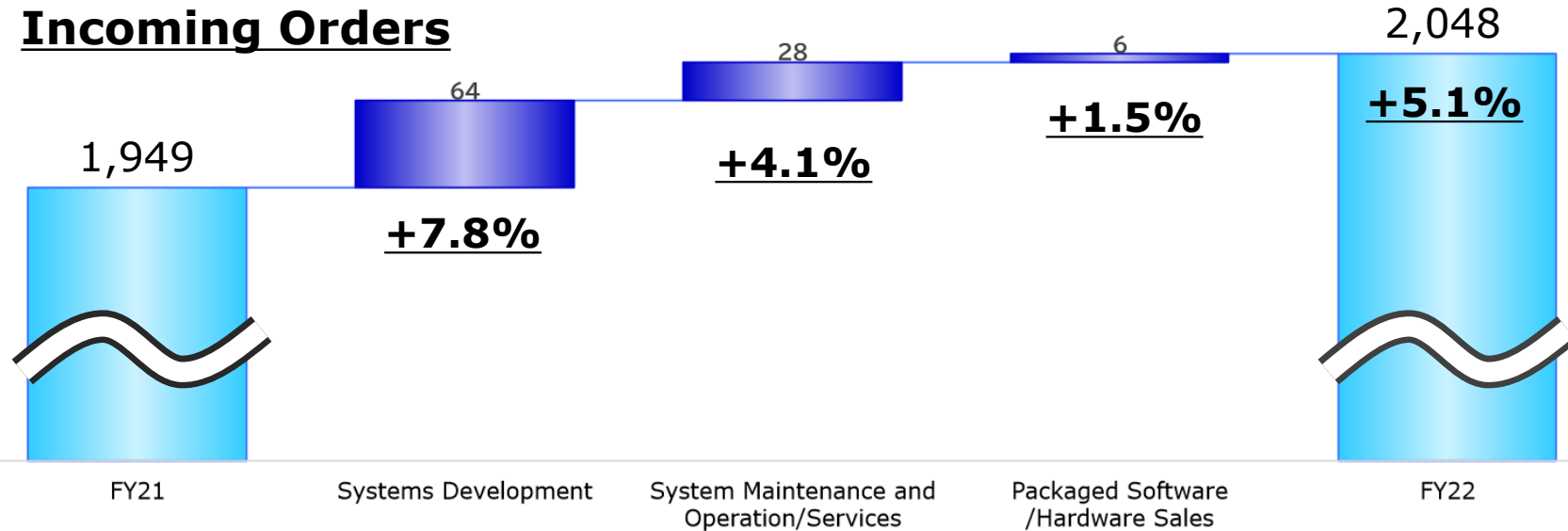
(100 millions of yen)



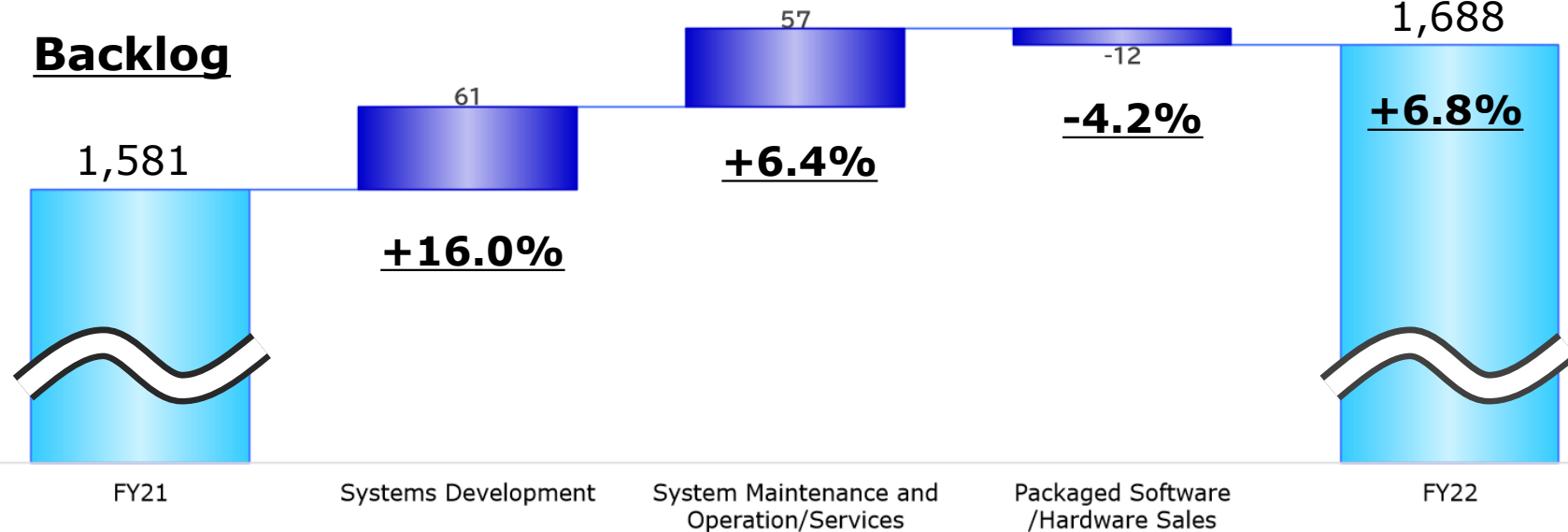
FY2022 Q2 Incoming Orders/Backlog Analysis

(100 millions of yen)

Incoming Orders



Backlog

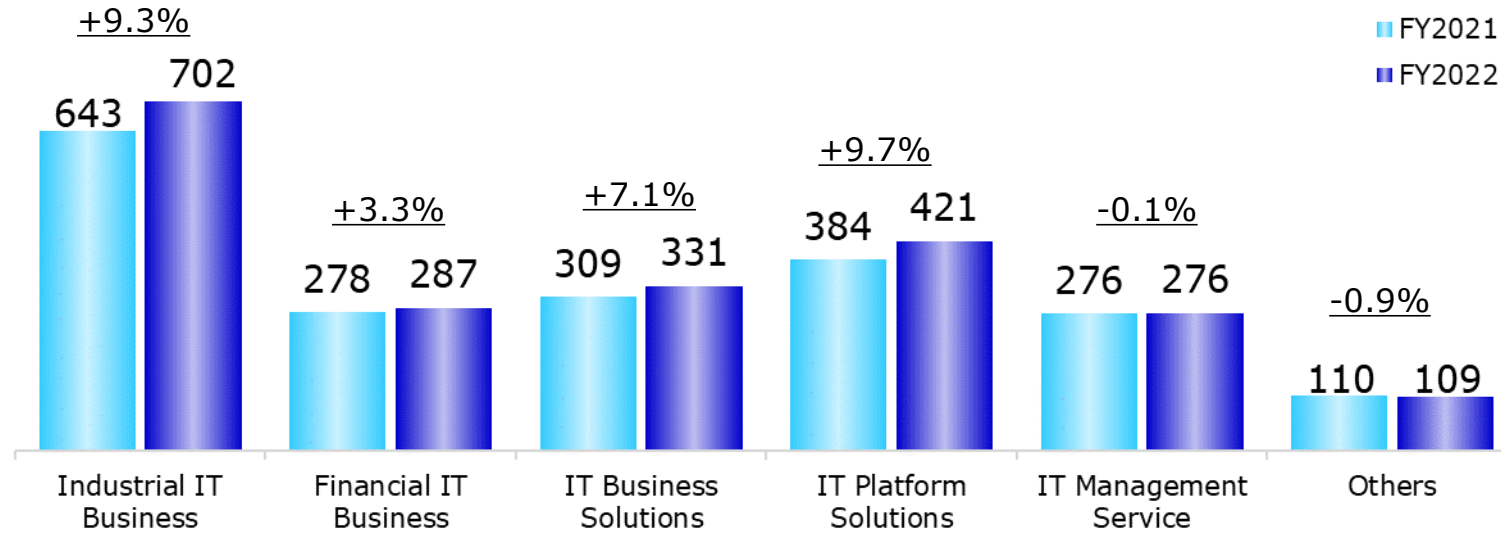


FY2022 Q2 Business Performance by Reportable Segment

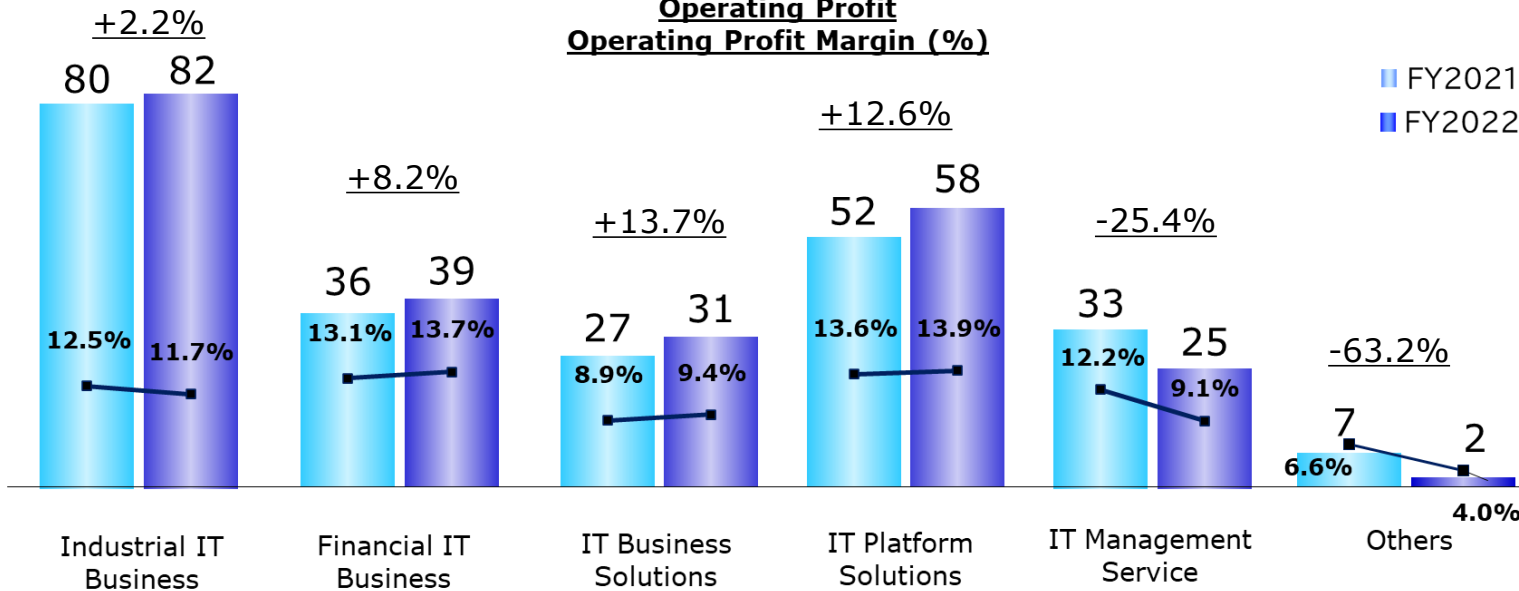


Net Sales

(100 millions of yen)



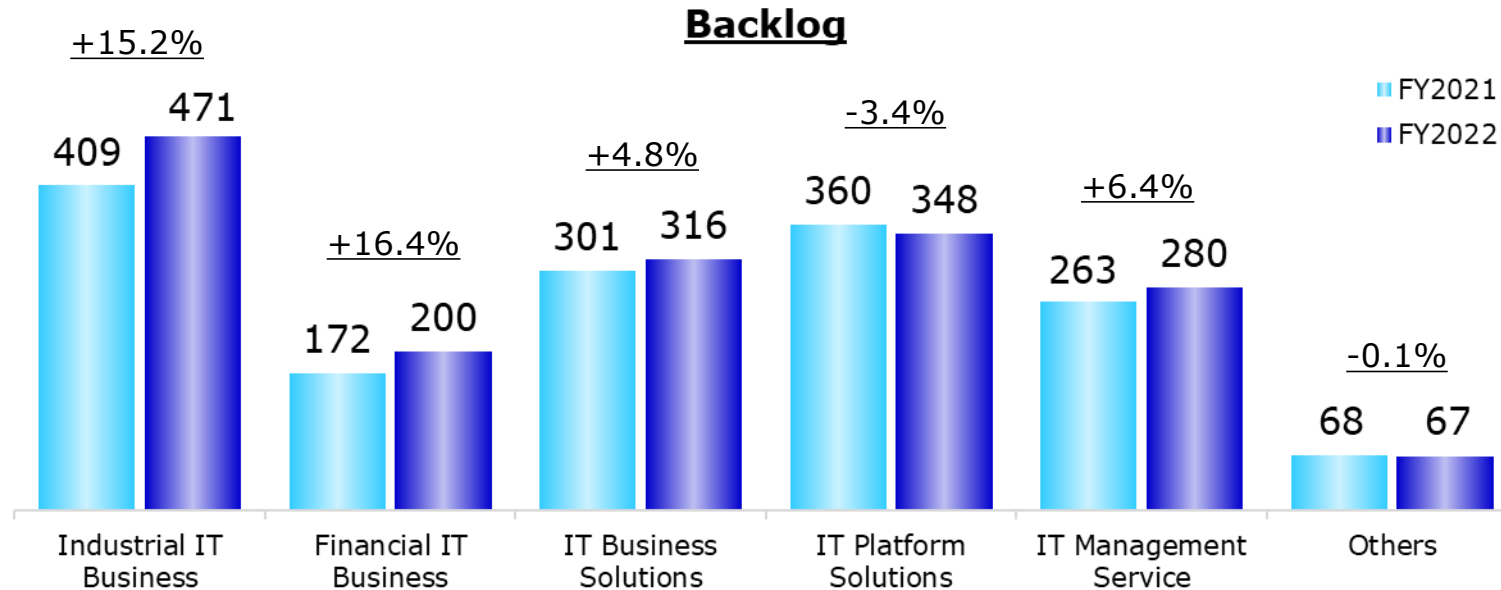
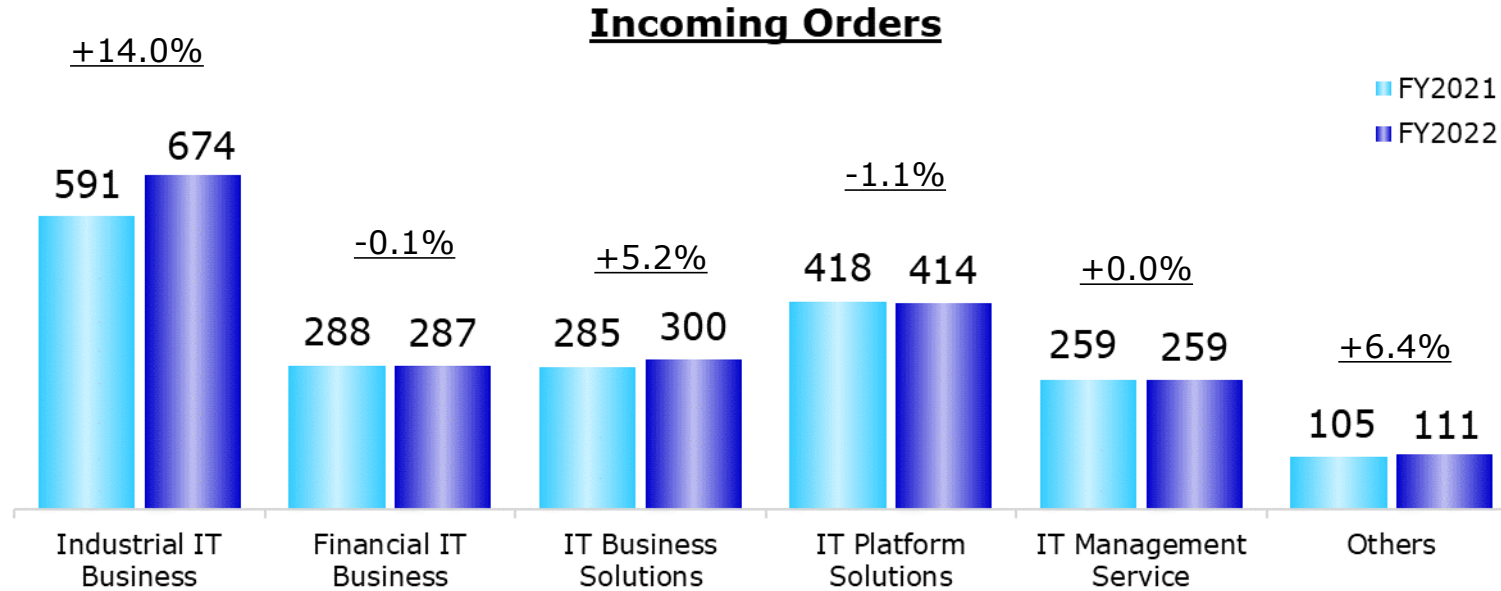
Operating Profit Operating Profit Margin (%)



FY2022 Q2 Business Performance by Reportable Segment



(100 millions of yen)



Business Performance by Reportable Segment Analysis

Segment	Net Sales	Operating Profit	Incoming Orders/Backlog
Industrial IT Business	<ul style="list-style-type: none"> ↗ Demand for strategic investment in the automotive industry ↗ Increased in the number of projects for rebuilding core systems in the distribution industry ↗ Expansion of verification services 	<ul style="list-style-type: none"> ↗ Contribution of projects for the automotive and distribution industries ↘ Impact of DX commercialization investment costs ↘ Depreciation due to replacement of some assets ↘ Loss-making project 	<ul style="list-style-type: none"> ↗ Demand for strategic investment in the automotive industry ↗ Increased in the number of projects for rebuilding core systems in the distribution industry ↗ Expansion of verification services
Financial IT Business	<ul style="list-style-type: none"> ↗ Increased in international-related business system projects for the banking industry ↗ Expansion of DevOps projects in the credit and leasing industries ↘ Decreased in reaction to large-scale projects for life and non-life insurance companies in the previous fiscal year 	<ul style="list-style-type: none"> ↗ Contribution of projects for banking, credit, and leasing industries ↘ Decreased in reaction to large-scale projects for life and non-life insurance companies in the previous fiscal year ↘ Upfront costs associated with the launch of new services 	<ul style="list-style-type: none"> ↗ Acquisition of projects to renew the foundations of the banking industry ↗ Acquisition of Fraud detection system sales projects in the credit and leasing industries ↗ Expansion of DevOps projects in the credit and leasing industries ↘ Decreased in reaction to large-scale projects for the securities industry in the previous fiscal year
IT Business Solution	<ul style="list-style-type: none"> ↗ Acquisition of core system development projects in the manufacturing and service industries, etc. ↗ Increase in BPO business ↘ Cancellation and downsizing of some customers in the fulfillment service 	<ul style="list-style-type: none"> ↗ Contribution of core system development projects ↘ Business investment by expanding contact center business bases ↘ Increase of amortization of ERP package 	<ul style="list-style-type: none"> ↗ Acquisition of core system development projects in the several industries ↘ Cancellation and downsizing of some customers in the contact center business

* ↗: Factors for increase ↘: Factors for decrease →: No change

Business Performance by Reportable Segment Analysis

<u>Segment</u>	<u>Net Sales</u>	<u>Operating Profit</u>	<u>Incoming Orders/Backlog</u>
IT Platform Solution	<ul style="list-style-type: none"> ↗ Firm sales of network equipment to the communications industry ↗ Increased in sales of network and security equipment to the distribution industry ↘ Declined in reaction to sales of hardware to academic institutions 		<ul style="list-style-type: none"> ↘ Declined in reaction to front-loading of orders for network equipment for the communications industry ↗ Increased in sales of hardware to the service and manufacturing industries
IT Management Service	<ul style="list-style-type: none"> ↗ Increased the data center business in response to brisk demand for cloud services ↘ Declined in management services for the communications industry ↘ Declined in infrastructure construction project for the distribution industry 	<ul style="list-style-type: none"> ↘ Accrual of depreciation of newly established data center ↘ Impact of soaring electricity prices in the energy market ↘ Declined in reaction to high-profit projects in the previous fiscal year 	<ul style="list-style-type: none"> ↗ Increased the data center business in response to brisk demand for cloud services ↘ Declined in reaction to infrastructure construction project for finance industry and customers of the services and others.
Others	→ Almost unchanged from the previous fiscal year	<ul style="list-style-type: none"> ↘ Decreased due to expenses for strengthening the management base and expenses for expanding local bases 	<ul style="list-style-type: none"> ↗ Increased in incoming orders due to the impact of timing differences in contract conclusion

* ↗ : Factors for increase ↘ : Factors for decrease → : No change

Full-year Consolidated Financial Forecasts/Dividends Forecasts



No Change in Full-year Forecasts

	FY2021 Results (A)	FY2022 Forecasts (B)	(Millions of yen)	
			Increase/Decrease Amount (B-A)	%
Net Sales	414,150	450,000	35,850	8.7%
Gross Profit	108,187	119,000	10,813	10.0%
Gross Profit Margin	26.1%	26.4%	0.3%	
SG&A Expenses ^{*1}	-60,632	-65,000	- 4,368	7.2%
Operating Profit	47,555	54,000	6,445	13.6%
Operating Profit Margin	11.5%	12.0%	0.5%	
Profit attributable to owners of parent	33,470	38,000	4,530	13.5%

*1 Including other income and expenses

		(Yen)		
Dividends		FY2021	FY2022	Increase/ Decrease
Dividends per share	Interim dividends	23.33	26.00	2.67
	Year-end dividends	23.34	26.00	2.66

Appendix

Comparison by Sales Segment (Sales/Incoming Orders/Backlog)

Systems Development

(Lower row: The three-month period from Jul. to Sep.)

(Millions of yen)

	FY2021	FY2022	YoY	YoY %
Net Sales	82,022	85,807	3,785	4.6%
	41,527	44,569	3,041	7.3%
Incoming Orders	83,404	89,901	6,497	7.8%
	43,605	45,899	2,293	5.3%
Backlog	38,563	44,751	6,187	16.0%

- Net Sales
 - Decreased in reaction to development projects for life and non-life insurance companies and communications industries
 - Continuous Demand for investment in strategic areas for the automotive industry
 - Increased in core system development projects for manufacturing and service industries
- Incoming Orders/Backlog
 - Decreased in reaction to projects for strengthening the business foundation in the securities industry
 - Increased due to projects for the construction of core systems for the distribution industry, demand for strategic investment for the automotive industry, and demand for system development for the gas industry

Comparison by Sales Segment (Sales/Incoming Orders/Backlog)

System Maintenance and Operation/Services

(Lower row: The three-month period from Jul. to Sep.)

(Millions of yen)

	FY2021	FY2022	YoY	YoY %
Net Sales	79,935	85,204	5,268	6.6%
	40,420	43,625	3,205	7.9%
Incoming Orders	69,531	72,381	2,849	4.1%
	37,477	39,930	2,452	6.5%
Backlog	90,136	95,883	5,746	6.4%

- Net Sales
 - Cancellation and downsizing of some customers in the EC fulfillment service
 - Strong demand for data center business, verification services and system maintenance
- Incoming Orders
 - Decreased due to cancellation and downsizing of some customers in the BPO business
 - Increased verification services
- Backlog
 - Increased verification services and data center business

Comparison by Sales Segment (Sales/Incoming Orders/Backlog)

Packaged Software/Hardware Sales

(Lower row: The three-month period from Jul. to Sep.)

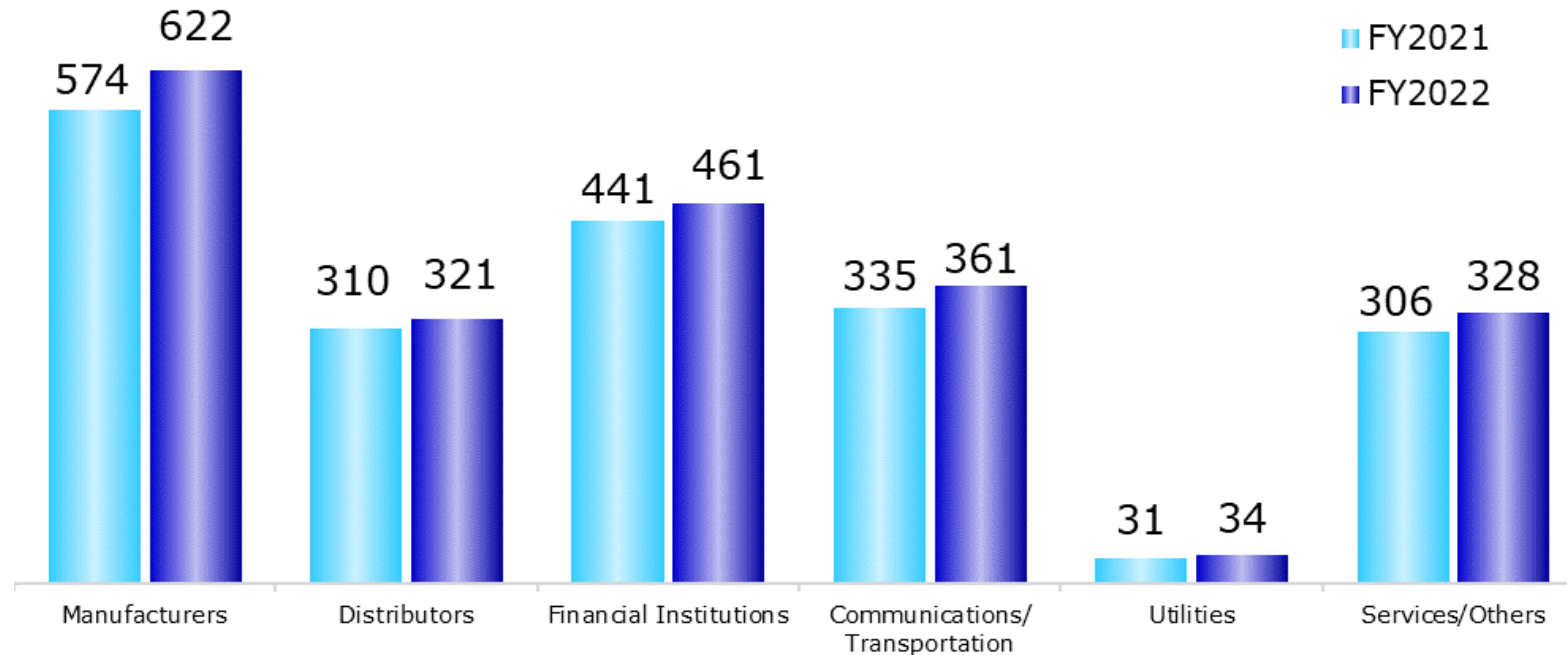
(Millions of yen)

	FY2021	FY2022	YoY	YoY %
Net Sales	38,067	42,087	4,020	10.6%
	18,866	20,487	1,620	8.6%
Incoming Orders	41,982	42,605	622	1.5%
	26,520	19,325	- 7,195	-27.1%
Backlog	29,465	28,235	-1,229	-4.2%

- Net Sales
 - Declined in reaction to sales of hardware to academic institutions
 - Increased in sales of hardware to the communications industry
- Incoming Orders/Backlog
 - Decreased due to sales of multiple network equipment to the communications industry
 - Increased sales of hardware to the service and manufacturing industries

Sales Comparison by Customer Industry

(100 millions of yen)



- In the manufacturing industry, sales rose due to strategic investment and verification services for the automotive industry
- In the distribution industry, sales of network and security equipment increased
- In the finance industry, data center business for the banking, credit and leasing industries increased
- In the communications and transportation industry, sales of network equipment increased in the communications industry
- Electricity and gas (utilities) industry remained almost unchanged from the same period of the previous fiscal year
- In the services and others business, in addition to projects for the construction of core systems, there was an increase in data center business and BPO-related business, etc.

Attention on the use of this document

- We have made amendment of previous year's data (Sales Comparison by Customer Industry) to reflect the revision of industry applied to some customers.
- Business Performance by Reportable Segments have been reclassified to reflect the change in segment classification in the fiscal year under review. Accordingly, results for the previous fiscal year have been reclassified to reflect this change in segment classification.

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