

## 1. Business Highlights for the 37th Business Period (Fiscal Year Ended March 31, 2021)

### (1) Overview of Consolidated Results of Operations for the Fiscal Year under Review

The Company applied “Accounting Standard for Revenue Recognition” and “Implementation Guidance on Accounting Standard for Revenue Recognition” from the beginning of the fiscal year under review. Consequently, consolidated results of operations for the fiscal year under review is explained without providing the year-on-year changes in amounts and percentage (%) as compared to the previous fiscal year.

During the fiscal year ended March 31, 2021, the outlook for the Japanese economy remains uncertain, despite a certain level of recovery of social and economic activities that were previously suppressed by the spread of the novel coronavirus (COVID-19), because Japan was unable to arrest the spread of COVID-19, primarily due to the declaration of a second state of emergency in January 2021, targeted measures to prevent the spread of COVID-19, and significant delays in vaccinations.

Under these circumstances, the Company regards ensuring safety and health of all stakeholders including employees and business partners, and maintaining and expanding stable business operation as matters of utmost importance. We also achieved stable provision of products and services to client companies and maintained our support systems, while proactively employing telecommuting.

In society as whole, a rapid shift toward new work styles is underway, including telecommuting. There is strong demand for regulatory reforms and aggressive policies, including abolition of general requirements for things to be done in person, in writing and by affixing seal in anticipation of a new mode of society that utilizes digital technologies, including telework, online diagnosis in the medical field, online classes in the educational field, and the use of cloud services. As various procedures are completed on an online basis, and people are able to work anytime and anywhere, it is necessary to take appropriate measures against cyber-attacks and the risk of leaking personal information. Under these circumstances, information security-related demand is vigorous despite the current economic headwinds, as the public and private sectors must further enhance their defenses against cyber-attacks. Furthermore, a global trend of strengthening regulations on personal information protection and transfers to outside of regions has been reinforced, such as the enactment of GDPR (the General Data Protection Regulation) in the EU, and the importance of information security has been highlighted. In addition, from the perspective of swift development and establishment of system environments, the usage of cloud-based services is expanding, and the field of information security is no exception.

The world after the containment of the COVID-19 pandemic will see a society more deeply permeated by information technology (IT) and accelerating change in the external environment. The world will not return to the pre-pandemic society, rather, it is expected that societal structures will be altered irreversibly.

The Company announced the Medium-term Management Plan “GO BEYOND 3.0” on May 22, 2018. The aim of “GO BEYOND 3.0,” which is intended for going beyond the previous Medium-term Management Plan “TMX 3.0,” is to decisively restructure our business with even more conviction in order to fully bring out the unique qualities of the Group and create foundations for sustainable growth in the future amid these significant social changes.

The core business strategies of “GO BEYOND 3.0”

- Strategic and accelerated promotion of cloud-related businesses (continued)
- Pursuit of security and safety (continued)

In addition to these ongoing strategies, the following additional strategies will be implemented.

- Diversification of business operating structure (capital alliances, business alliances, cooperation with universities and research institutions, open innovation)
- Acceleration of service provision (all business areas)
- Utilization of data (including big data analysis and usage of AI)
- Enter B2C (business to consumer) businesses
- Rapid expansion of businesses in overseas markets (next step out of market research phase)
- Strengthen business management foundation (effective use of human resources and technologies throughout the Group and within business departments, creation of new value through the fusion of respective fields, investment in human resources and development of the next generation, recruitment/development/evaluation/retention based on corporate philosophy)
- M&A (consider the use of treasury stocks)

Our Group implemented the following initiatives in accordance with the above business strategies.

1) We carried out initiatives to preempt changes in demand for IT by proactively launching new businesses.

◇ Information Infrastructure Business

First quarter ended June 30, 2020

- CROSS HEAD added a new function to its in-house service “CROSSLink” series to synchronize cybozu.com and Microsoft Office365 users information.
- CROSS HEAD achieved 97% of the operation of 24x7 IT Service Center done remotely.
- CROSS HEAD launched “Easy! Remote Work Connection Pack.”
- CROSSHEAD launched “CROSS HEAD Advanced Security Service,” a one-stop-service to counter information leakage and increase productivity for the era of teleworking.
- CROSS HEAD launched “BitMana Cloud Service,” a BitLocker management solution that counters information leakage and increases productivity.

Second quarter ended September 30, 2020

- Signed a partner agreement with grasys.
- Started providing the integrated monitoring/incident response service “TPS” pre-packaged with cyber security insurance.
- Opened the Kyushu Sales Office in Fukuoka, Fukuoka Prefecture and stepped up service provision in western Japan.
- Okinawa Cross Head Co., Ltd. concluded a sales agency agreement and formed business alliance with Rozetta Corp.
- CROSS HEAD started providing solutions that link a file encryption solution “DataClasys” and “BRODIAEA safeAttach,” a solution that prevents misaddressed emails.
- CROSS HEAD started providing a service that enables schedule synchronization between Cybozu’s Garoon and Microsoft Teams.

Third quarter ended December 31, 2020

- Okinawa Cross Head Co., Ltd., in collaboration with OCC, Co., Ltd., started providing a telework service for video creators based on the remote access tool developed by HP Japan Inc.
- Received the Services Delivery Excellence Award from Dell Technologies.
- Started sales of “NGINX Application Platform,” a product of F5 Networks, Inc.

- Developed the AI that replaces judgments and analysis performed by security analysts in cooperation with CROSS HEAD.
- Received the 2020 JAPAN Distribution Partner of the Year from Palo Alto Networks, Inc.

Fourth quarter ended March 31, 2021

- Expanded an optional vulnerability management service to our “TPS” service, which provides integrated monitoring and incident response support.
- Received the “PARTNER OF THE YEAR” from Proofpoint Japan, Inc.
- CROSS HEAD started providing “CROSSLINK 365 Teams Alliance” plugin, an alliance API from Cybozu’s Garoon to Microsoft Teams.
- Launched a new service providing incident response and forensics.

#### ◇ Application Services Business

First quarter ended June 30, 2020

- Healthcare field: NOBORI Ltd. formed business alliance with M3, Inc.
- Healthcare field: NOBORI Ltd. launched PHR (Personal Health Record) services.
- Healthcare field: NOBORI Ltd. invested in and formed capital and business alliance with DeepTek Inc. in India.
- Healthcare field: NOBORI Ltd. provided COVID-19 teleradiology and image diagnostic support AI systems to 100 medical institutions nationwide free of charge for a limited time.
- Healthcare field: NOBORI Ltd. agreed on forming a business alliance with LPIXEL Inc., and launched provision of LPIXEL’s EIRL aneurysm service via the medical image diagnostic support AI platform jointly operated with M3, Inc.
- Healthcare field: NOBORI Ltd. started sales of “COVID-19 Pneumonia Image Analysis Program Ali-M3,” an AI-based medical technology.
- Software Quality Assurance field: Started sales of “Parasoft Selenic” that augments the testing done using Selenium with self-healing function and recommendation function based on AI technology.
- Software Quality Assurance field: Rolled out Version 9.3 as the latest “Ranorex Japanese version,” a UI test automation tool with great object recognition ability.
- Business Solution field: Newly developed and introduced “typhoon,” a communication platform that achieves personalized learning, for Karuizawa Kazakoshi Gakuen, an incorporated educational institution.
- Business Solution field: Launched domestic sales of the latest version of “F3,” a financial instrument evaluation/analysis tool, with an eye to the abolition of LIBOR.

Second quarter ended September 30, 2020

- Healthcare field: NOBORI Ltd. formed business alliance with TXP Medical, Inc.
- Healthcare field: NOBORI Ltd. announced the expansion of the free AI support project for COVID-19 pneumonia.
- Business Solution field: Enhanced the F3 CVA estimation/measurement service, and added a “marginal CVA measurement function” that is effective for checking the impact of each transaction on CVA.
- Software Quality Assurance field: Launched sales of Version II of “Lattix Japanese version,” an architecture analysis tool.
- Software Quality Assurance field: Launched sales of “Jtest 2020.1,” a Java testing automation tool.
- CASAREAL, Inc. signed a training partner agreement with HashiCorp.

Third quarter ended December 31, 2020

- Healthcare field: NOBORI Ltd. supported the trial implementation of chest X-ray image diagnostic

- supplementary tool used for lung cancer screening in Kyoto Prefecture.
- Healthcare field: NOBORI Ltd. expanded provision of the image diagnostic support software services on the medical image diagnostic support AI platform.

Fourth quarter ended March 31, 2021

- CRM field: Began research into correlation between employee conditions and productivity.
  - CRM field: Concluded a sales agency agreement with NEC Corporation.
  - CRM field: Announced results of demonstration experiment for “FastHelp Ce,” a back-office system for citizen feedback/public hearings, in collaboration with city of Mito.
  - Software quality assurance field: Started sales of “SOAtest/Virtualize 2020.2,” delivering API test automation and API test environment virtualization that is essential for DX data integration, in a single tool.
  - Software quality assurance field: Started sales of “C++test 2020.2” testing tool for C/C++.
  - Software quality assurance field: Started sales of “dotTEST 2020.2” static/dynamic analysis tool for C#/VB.NET.
  - Business solutions field: Started sales of “tsumugino” school communication platform + school affairs support system for education industry.
  - Business solutions field: Started domestic sales of “FINCAD Analytics Suite 2021” a financial product evaluation/analysis tool.
  - CASAREAL, Inc. joined business partner program of nonprofit LPI-Japan.
- 2) We accelerated our efforts in expanding our stock-type business by capturing orders for our maintenance, operation and monitoring services in the Information Infrastructure Business, and promoting sales of NOBORI Ltd. and Ichigo LLC services, among other activities in the CRM and Healthcare fields of the Application Services Business.
  - 3) In the Information Infrastructure Business, we focused on the development and increased sales of uniquely value-added services including automatic traffic control solutions for Microsoft Office 365 using our cloud service “Techma Cloud,” file sanitization solution, and integrated security monitoring services.
  - 4) The Group has continued to work on maximizing synergies with CROSS HEAD, Okinawa Cross Head Co., Ltd., CASAREAL, Inc., NOBORI Ltd., and Ichigo LLC, and on increasing a comprehensive set of capabilities of the Group. In particular, we promoted self-independence in the Group by bringing back to the Group such functions as maintenance, operation and monitoring services, and contracted development that were previously outsourced. Collaboration within the Group is in progress in the fields of software quality assurance and IT trainings as well.
  - 5) Reflecting the cloud-native era, we conducted measures including sales of open-source systems, management of open-source communities, and IT technology training services for open-source programming techniques for corporations.
  - 6) The Group promoted measures to drive business expansion in fields such as CRM field’s cloud services in overseas markets, primarily Asian emerging countries that are continuing to grow.
  - 7) The Company currently has abundant fund in hand. With the aim of expanding market share and making the business more diverse, the fund in hand will be used to promote collaboration with outside companies including venture companies, universities, and companies in other industries, with a focus on open innovation, as well as to boldly execute M&A and capital/business alliances targeting competitors as well as other companies that complement the Group’s businesses.

As a result of the above, consolidated net sales during the year ended March 31, 2021 were ¥30,603 million (¥28,553 million during the same period of the previous year) and gross profit amounted to ¥11,179 million (¥10,264 million during the same period of the previous year). Selling, general and administrative expenses were ¥7,493 million (¥7,235 million during the same period of the previous year), due to an increase in personnel expense and other factors. Accordingly, operating income came to ¥3,686 million (¥3,028 million during the same period of the previous year), and ordinary income amounted to ¥3,655 million (¥3,018 million during the same period of the previous year). We also recorded a loss on valuation of investment securities of ¥51 million, and provision of allowance for doubtful accounts of ¥94 million, as extraordinary losses.

Consequently, income before income taxes was ¥3,509 million (¥2,914 million during the same period of the previous year), and profit attributable to owners of parent was ¥2,340 million (¥1,863 million during the same period of the previous year).

Net sales, operating income, ordinary income, and profit attributable to owners of parent all achieved record highs.

Results by operating segment were as follows:

### **(1) Information Infrastructure Business**

Results of the Information Infrastructure Business for the fiscal year ended March 31, 2021 were very strong thanks to abundant order backlog accumulated in the previous fiscal year and orders for new large-scale projects. These projects are trending increasingly large, and the Company received the largest-ever orders. We have also seen a continued increase in orders for subscription-based cloud services. Particularly, during the first quarter, demand for security-related products that support remote working surged due to the spread of COVID-19. Meanwhile, as large-scale exhibitions to acquire new customers were cancelled across the board, we struggled to acquire sales leads that may open up new business negotiations due to decreased customer contact. From the second quarter onward, however, we sought to gain new sales leads by holding online private events and invigorating marketing activities using the Internet and online sales activities.

By product, demand for additional licenses of “SSL-VPN” remote-access security technology was steady. With regard to the mainstay next-generation firewalls, demand for cloud-based services is rapidly expanding. Large-scale orders for swift development of remote working environment and for centralization of security measures in various business locations have contributed to expansion of the business. Orders for personal authentication systems were strong, owing to a surge in telework due to the spread of COVID-19. Orders for storage products also steadily increased.

Sales of integrated security operation and monitoring services were also favorable. In addition, a new generation of security measure products, including “CASB (Cloud Access Security Broker)” that supports security for the era of the cloud, “SASE (Secure Access Service Edge),” “SOAR (Security Orchestration, Automation and Response),” and “EDR (Endpoint Detection and Response)” are also attracting attention with an increase in adoption.

CROSS HEAD is slightly struggling with receiving new orders for infrastructure development projects.

At Okinawa Cross Head Co., Ltd., sales of security-related products and remote desktop services were strong owing to adoption of telework. Profitability also improved due to business restructuring.

As a result, net sales of the business amounted to ¥20,997 million (¥19,006 million during the same period of the previous year), and operating income amounted to ¥2,761 million (¥2,280 million during the same period of the previous year), and both net sales and operating income achieved record highs.

### **(2) Application Services Business**

As with the Information Infrastructure Business, results of the Application Services Business for the fiscal year ended March 31, 2021 were solid thanks to abundant order backlog accumulated in the previous fiscal year and orders for new projects.

In the Healthcare field, orders for “NOBORI,” a cloud service for healthcare information offered by NOBORI Ltd., have remained strong, and the cumulative number of contracting facilities increased. In addition, service contracts with existing users have been renewed without exception. Meanwhile, upfront investments are continuing in projects such as the development of PHR (Personal Health Record) services targeted at consumers (patients) and the joint development of medical image diagnostic support systems in conjunction with AI venture companies and doctors, and they have achieved strong results. At Ichigo LLC, the number of teleradiology orders was sluggish due to a temporary decline in the number of image inspections mainly at health checkup facilities, owing to the spread of COVID-19. However, once the first state of emergency was lifted, the number of teleradiology orders has returned to usual levels, with health checkup facilities and medical institutions gradually coming back to normal operation. There has also been a steady increase in orders for a medical radiation dose management system “MINCADI,” which was developed by our subsidiary A-Line Co., Ltd.

In the CRM field, new orders increased steadily thanks to enhanced competitiveness from entry of the next-generation products and functionally enhanced FAQ systems into the market, business collaborations with a

major system integrator and telemarketing vendor, expanding demand for cloud services, improved name recognition, and the expansion of business performance.

In the Software Quality Assurance field, with the further application of IT in automobiles, there is a greater need for improvement in the quality of embedded software and functional safety in the manufacturing industry, etc., which develops in-vehicle software. During the first quarter, amid concerns about the slowdown of investment in the manufacturing industry due to the spread of COVID-19, large-scale exhibitions to acquire new customers were cancelled across the board, resulting in decreased customer contact. However, inquiries from corporate customers are recovering gradually, and toward the end of the fiscal year, demand recovered to the same level as the previous fiscal year. Meanwhile, in the Enterprise Software Development field, project delays and suspensions became more noticeable, giving the impression of slow recovery in demand.

In the Business Solutions field, system development projects were robust for public academic institutions, one of our existing customers. Demand for fund operation and management systems for venture capital companies has been also strong. During the first quarter, the training services of CASAREAL, Inc. were negatively affected by many cancelations of face-to-face IT trainings due to the spread of COVID-19. We therefore proactively worked on developing and increasing sales of online training courses. Demand for face-to-face IT trainings has gradually recovered since the second quarter, but it has slowed down again due to the recent spread of COVID-19. However, the latent demand for IT training is high, and there was a rush of last-minute demand for IT training at the end of the fiscal year.

As a result, net sales of the business amounted to ¥9,605 million (¥9,546 million during the same period of the previous year), and operating income amounted to ¥925 million (¥747 million during the same period of the previous year), and both net sales and operating income achieved record highs.

## (2) Overview of Consolidated Financial Position for the Fiscal Year under Review

### (Overview of Consolidated Financial Position for the Fiscal Year under Review)

Current assets increased ¥6,360 million from March 31, 2020 to ¥30,727 million as of March 31, 2021. The principal factor in this change was an increase of ¥7,094 million in advance payments – trade as a result of the application of “Accounting Standard for Revenue Recognition” and “Implementation Guidance on Accounting Standard for Revenue Recognition.” Non-current assets stood at ¥5,879 million, an increase of ¥622 million from March 31, 2020. The principal factor in this change was a ¥338 million increase in other investment securities under investments and other assets. As a result, total assets amounted to ¥36,607 million, an increase of ¥6,983 million from March 31, 2020.

Current liabilities stood at ¥17,839 million, an increase of ¥5,930 million from March 31, 2020. The principal factor in this change was an increase of ¥6,003 million in advances received as a result of the application of “Accounting Standard for Revenue Recognition” and “Implementation Guidance on Accounting Standard for Revenue Recognition.” Non-current liabilities stood at ¥2,450 million, a ¥259 million decrease from March 31, 2020. The principal factor in this change was a ¥200 million decrease in long-term loans payable. As a result, total liabilities amounted to ¥20,290 million, an increase of ¥5,671 million from March 31, 2020.

Net assets were ¥16,316 million, up ¥1,311 million from March 31, 2020. The principal factor in this change was an increase of ¥2,340 million in profit attributable to owners of parent. In addition, as a result of application of “Accounting Standard for Revenue Recognition” and “Implementation Guidance on Accounting Standard for Revenue Recognition” from the beginning of the fiscal year under review, the beginning balance of retained earnings decreased by ¥716 million. As a result, the equity ratio declined to 40.5%.

### (Basic Principle of Profit Distribution and Dividends for Current and Next Period)

As part of its efforts to increase shareholder value, the Company positions the return of profits to shareholders as an important management task. The basic principle of profit distribution is to make decisions by comprehensively determining the balance between returns to shareholders and maintaining sufficient internal reserves. The basic principle of the dividend policy is to have a consolidated payout ratio of at least 20% of the fiscal year’s earnings. Based on these policies, for the fiscal year ended March 31, 2021, it was resolved at the Board of Directors meeting held on September 18, 2020 that the Company will pay an interim dividend of ¥7 per share, and it was resolved at the Board of Directors meeting held on October 30, 2020 that the Company will pay a year-end dividend of ¥10 per share (for an annual dividend of ¥17 per share). However, for the fiscal year under review, the Company will pay an interim dividend of ¥7 per share, and it was resolved at the Board of Directors meeting held on April 23, 2021 that the Company will pay a year-end dividend of ¥12 per share, for an annual dividend of ¥19 per share.

In the fiscal year ending March 31, 2022, the Company plans to pay an interim dividend of ¥7 per share, and a year-end dividend of ¥12 per share, for an annual dividend of ¥19 per share.



### (3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the fiscal year under review amounted to ¥14,229 million, an increase of ¥833 million (6.2%) from March 31, 2020. Cash flows in each area of activity for the fiscal year under review are as follows.

#### (Cash Flows from Operating Activities)

Net cash provided by operating activities for the fiscal year under review was ¥2,845 million, a year-on-year increase of ¥375 million (15.2%). This was primarily due to an increase in advances received and advance payments – trade and an increase in trade receivables.

#### (Cash Flows from Investing Activities)

Net cash used in investing activities for the fiscal year under review was an expenditure of ¥911 million, a year-on-year decrease of ¥87 million (8.8%). This was primarily due to no purchase of shares of subsidiaries compared to the previous fiscal year.

#### (Cash Flows from Financing Activities)

Net cash used in financing activities for the fiscal year under review was an expenditure of ¥1,102 million, a year-on-year decrease of ¥1,226 million. This was primarily due to no proceeds from disposal of treasury shares from exercise of share acquisition rights compared to the previous fiscal year.

#### (Reference) Trends in Cash Flow Indicators

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Equity ratio (%)	43.2	46.1	40.5
Equity ratio based on fair value (%)	137.2	148.2	213.5
Ratio of interest-bearing liabilities to cash flows (%)	135.2	89.2	61.6
Interest coverage ratio (times)	84.0	124.6	167.6

Equity ratio:  $\text{Equity} / \text{Total assets}$

Equity ratio based on fair value:  $\text{Total market value of shares} / \text{Total assets}$

Ratio of interest-bearing liabilities to cash flows:  $\text{Interest-bearing liabilities} / \text{Cash flows}$

Interest coverage ratio:  $\text{Cash flows} / \text{Interest payments}$

(Note 1) Calculations were based on financial data on a consolidated basis.

(Note 2) The total market value of shares is calculated based on the number of outstanding shares without the treasury shares.

(Note 3) Cash flows refer to cash flows from operating activities.

(Note 4) Interest-bearing liabilities include all liabilities recorded on the consolidated balance sheet for which interest is paid.

#### (4) Future Outlook

##### (Outlook for the Next Fiscal Year)

COVID-19 that broke out in the Hubei Province of China in November 2019 had a massive impact on the business environments in which we operate on a daily basis. For example, work styles such as work from home and telework, once seen in the health and welfare field and as part of work-style reforms, have become commonplace in the era of “New Normal.” Even once vaccinations bring COVID-19 under control, the fight against infections will not end, and so it is difficult to imagine going back to exactly the same work styles as before. We also expect that what we currently consider the “New Normal” may change as our common understanding evolves.

Under these circumstances, on May 10, 2021, the Company announced its new Medium-Term Management Plan, “BEYOND THE NEW NORMAL.”

The Company named the plan “BEYOND THE NEW NORMAL” because it will roll out businesses oriented to the new society to come after the “New Normal.” In the future, the Company expects “digital” to be built into every corner of society, and for DX, which reforms business models using digital technology, to advance rapidly. The Company sees this rapid shift to digitization and the dramatic restructuring of industry as a new growth opportunity. The targets of the new Medium-Term Management Plan “BEYOND THE NEW NORMAL” include accelerating businesses oriented toward domains that will be essential to society, and contributing to the creation of a sustainable society by providing services to solve social issues.

Increased attention is being placed on IT, but the age in which IT is only used by technically specialized companies is coming to an end. Together with the greater penetration of the open source philosophy and the shift to the cloud, the trend towards internal system development is accelerating. Although internal software development is becoming more widespread, there is an increasingly pronounced tendency for companies to actively use external services such as cloud services for common services used in all companies, and for operation systems used in specific industries, instead of developing these services and systems on their own. Cloud services that have systematized best practices are expected to be core businesses, which should continue to be provided by supply side companies. IoT technology, which connects all kinds of devices to the internet, is producing massive amounts of data regarding corporate activities and peoples’ behavior every day. This data is being collected from sensors, social networks (SNS), cloud services, and other sources around the world. This data is starting to be finely analyzed as a new asset, to be used as a driving force for future business expansion. The advances in the technologies used to collect and analyze data are enabling new types of IT service companies to use this data to create innovative services for individual customers (BtoC business) and corporate customers. Data owners will be able to overwhelmingly differentiate themselves in future business competition. It will be possible to make future predictions and difficult decisions by using data obtained through AI and other technologies.

Furthermore, the day has come when data provides greater value as a new asset, and the IoT connects hundreds of millions of devices via the Internet. This has been accompanied by an equal increase in the number of entry points that can be leveraged by malicious parties. Cybersecurity measures will become increasingly important for the protection of the data assets of companies, national governments, and local municipalities. Cybersecurity measures are already elements of national and corporate strategies, and both the private and public sectors are working to promote cybersecurity. Investing in the prevention and detection of cyber-attacks is now one of the management responsibilities of companies and public institutions. The cybersecurity market is expected to continue to steadily grow.

In the Information Infrastructure Business, in response to the cloud era, the Company aims not only to prevent cyber-attacks on conventional IT infrastructure (corporate networks and the like), but also to expand next-generation network security-related products and services that can

provide protection in more expansive cloud and virtualized environments.

With the spread of cloud services and social media, coupled with a larger number of smartphone users, the amount of communication traffic over the Internet is increasing rapidly, and amid the rise of threats related to information security, we expect the positive attitude of data center operators, cloud service operators and general corporations towards capital investments in information infrastructure to continue. By pre-empting trends of cutting-edge network and security-related technologies, actively searching for new potential products, and combining them with each of the Company's in-house services, the Company will advance its differentiation from its competitors.

Today, security technologies themselves are moving to the cloud, and the advancement of endpoint prevention and detection technologies is accelerating. Cybersecurity measures are engaged in a game of cat and mouse with the threat of cyber-attacks, which are becoming more advanced and sophisticated. Companies must continuously invest in detection and monitoring, and increasingly advanced threats must be handled by personnel with greater expertise. As these expertise requirements are showing the limits of what companies can handle in-house, we will not only sell security devices for defending against cyber-attacks, but also actively invest in the development of high value-added products such as managed services. We will accelerate business cooperation with consolidated subsidiaries in this segment, and work on improving the ability to comprehensively provide services covering the entire life cycle of an information infrastructure.

Demand for security products and cloud security products that enable remote access is currently expanding on the back of a surge in telework demand during the COVID-19 crisis. In particular, there is strong demand for cloud security products, and attempts to move security measures to the cloud at once are resulting in increasingly larger business negotiations.

Accordingly, sales revenue of the above segment are expected to amount to ¥23.0 billion.

With regards to the Application Services Business, in each of the Healthcare field, the CRM field, the Business Solutions field, and the Software Quality Assurance field, we will promote the acceleration of cloud services (SaaS). As software is increasingly being developed internally by client companies, some technology resources that have been responsible for contracted development for customers will be shifted to "proprietary in-house service development (best practice cloud services)" and "expansion of existing cloud services that increase in-house added value."

In the Healthcare field, "NOBORI," the cloud service for healthcare information launched by the Group ahead of other companies, has won an overwhelming share of the cloud-based PACS (medical imaging management system) market, and leads this market today. Going forward, in addition to the management of healthcare images data, the Company and its partners plan to expand and enhance "NOBORI" into a new cloud service, namely "NOBORI PAL," a cloud platform for healthcare information services. Through strategic business alliances, we are also actively pushing the AI platform business that provides medical image diagnostic support, accelerating the use of our stored data. Furthermore, our PHR services targeting healthcare institutions as well as consumers (patients) has started billing individual patients, and aim for full-scale proliferation and to make the business profitable.

In the CRM field, the Company offers contact center CRM solutions supporting traditional means of communication such as telephone and email, as well as a variety of other channels including social media. We will contribute to the improved operational efficiency of contact centers using such leading-edge technologies as AI-powered chat bots. As this field moves progressively to the cloud, we are also expanding its businesses targeting local government agencies with public opinion research work as well as the private sector. We will also work to expand our customer base in the rapidly developing ASEAN region (especially Thailand and Indonesia), promoting business globalization.

In the Software Quality Assurance field, through the spread of M2M (Machine to Machine: communication between devices) and IoT where various devices are interlinked through the Internet, improving the quality of

embedded software has become an extremely important issue in society. It is becoming increasingly necessary to meet international standards for functional safety in various fields such as healthcare equipment, automobiles, railways and electronic devices. Besides accurately capturing demand for quality enhancement and functional safety of embedded software, we will respond to the software quality improvement needs of the corporate internal information system field, as it becomes more complex and larger in scale. The Company will also devote efforts to supplying development support tools that support DevOps and OSS. We have also begun offering cloud-based services in this field.

In the Business Solutions field, we are using the technical capabilities we have developed through our conventional contracted development business for specific customers, to create cloud services that systematize best practices in new fields. The Japanese government's GIGA School Program is rapidly advancing the digitization of the education field. The government's educational curriculum was revised for the first time in 10 years to call for "proactive, interactive and authentic learning" (active learning) and "learning optimized to the individual." Achieving these objectives will require a new communication platform and school affairs support cloud services completely different from conventional thinking. In order to respond to these changes in the market and new needs, the Company has developed the tsumugino cloud service, and has already begun providing it to multiple schools. We will also work to utilize financial-engineering technology to expand our business in the field of risk management for financial institutions.

Consolidated subsidiaries in this segment will seek to expand their businesses in their respective fields of specialization, while pursuing synergy with non-consolidated businesses.

Accordingly, sales revenue of the above segment are expected to amount to ¥10.0 billion.

As a result, sales revenue of ¥33.0 billion, operating income of ¥3.7 billion, and profit attributable to owners of parent of ¥2.4 billion are expected for the next fiscal year.

The financial results forecast uses accounting figures based on the International Financial Reporting Standards (IFRS).

(Results of previous Medium-Term Management Plan "GO BEYOND 3.0")

The results for the targets in the final year of the plan are as follows:

(millions of yen)

Consolidated Fiscal Year	Indicators	Information Infrastructure Business	Application Services Business	Total
Targets for fiscal year ended March 31, 2021	Net sales	18,500	9,500	28,000
	Operating income	1,750	950	2,700
Results for fiscal year ended March 31, 2021	Net sales	20,997	9,605	30,603
	Operating income	2,761	925	3,686

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	13,396,650	14,229,887
Notes and accounts receivable - trade	5,683,487	3,809,456
Inventories	423,919	66,210
Advance payments - trade	70,322	7,164,504
Advance payment-cost of maintenance service	4,187,100	4,572,799
Other	606,772	885,508
Allowance for doubtful accounts	(728)	(545)
Total current assets	24,367,524	30,727,820
Non-current assets		
Property, plant and equipment		
Buildings	339,648	353,472
Accumulated depreciation	(99,531)	(142,191)
Buildings, net	240,116	211,280
Tool, furniture and fixtures	1,622,314	2,088,963
Accumulated depreciation	(1,090,695)	(1,195,714)
Tool, furniture and fixtures, net	531,618	893,249
Leased assets	1,294,625	987,755
Accumulated depreciation	(748,102)	(625,096)
Leased assets, net	546,522	362,658
Total property, plant and equipment	1,318,257	1,467,189
Intangible assets		
Software	908,617	1,016,418
Other	464,430	392,769
Total intangible assets	1,373,047	1,409,187
Investments and other assets		
Investment securities	934,889	1,273,591
Deferred tax assets	683,719	785,802
Other	958,314	1,049,344
Allowance for doubtful accounts	(11,848)	(105,848)
Total investments and other assets	2,565,074	3,002,890
Total non-current assets	5,256,380	5,879,266
Total assets	29,623,904	36,607,087

(Thousand yen)

	As of March 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,450,275	929,439
Short-term loans payable	450,000	450,000
Current portion of long-term loans payable	250,000	200,000
Lease obligations	214,114	137,909
Income taxes payable	725,301	522,990
Advances received	364,241	6,367,377
Advance received-sales of maintenance service	6,336,176	7,039,965
Provision for bonuses	547,349	585,592
Provision for loss on construction contracts	13,730	-
Other	1,557,756	1,606,597
Total current liabilities	11,908,947	17,839,871
Non-current liabilities		
Long-term loans payable	900,000	700,000
Lease obligations	388,988	263,383
Provision for directors' retirement benefits	14,387	18,176
Provision for executive officers' retirement benefits	64,424	72,151
Net defined benefit liability	1,164,009	1,219,226
Other	178,138	177,429
Total non-current liabilities	2,709,948	2,450,367
Total liabilities	14,618,895	20,290,239
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,298,120	1,298,120
Capital surplus	4,621,993	4,621,993
Retained earnings	8,743,202	9,732,113
Treasury shares	(1,011,553)	(1,011,805)
Total shareholders' equity	13,651,763	14,640,421
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	107,148	242,459
Deferred gains or losses on hedges	2,202	2,919
Remeasurements of defined benefit plans	(103,074)	(63,655)
Total accumulated other comprehensive income	6,276	181,723
Subscription rights to shares	77,561	98,152
Non-controlling interests	1,269,408	1,396,551
Total net assets	15,005,009	16,316,848
Total liabilities and net assets	29,623,904	36,607,087

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

(Thousand yen)

	For the fiscal year ended March 31, 2020	For the fiscal year ended March 31, 2021
Net sales	28,553,244	30,603,196
Cost of sales	18,289,042	19,423,814
Gross profit	10,264,201	11,179,381
Selling, general and administrative expenses	7,235,897	7,493,210
Operating income	3,028,303	3,686,171
Non-operating income		
Interest income	647	1,240
Dividend income	3,417	5,915
Foreign exchange gains	10,646	-
Subsidy income	11,529	3,317
Gain on investments in investment partnerships	-	1,154
Gain on donation of non-current assets	4,263	-
Other	7,451	4,641
Total non-operating income	37,954	16,269
Non-operating expenses		
Interest expenses	20,546	16,813
Loss on investments in investment partnerships	113	5,549
Foreign exchange losses	-	14,852
Loss on retirement of non-current assets	13,909	5,973
Other	12,941	3,921
Total non-operating expenses	47,512	47,110
Ordinary profit	3,018,746	3,655,330
Extraordinary income		
Gain on sales of investment securities	71,302	-
Total extraordinary income	71,302	-
Extraordinary losses		
Loss on valuation of investment securities	175,227	51,964
Provision of allowance for doubtful accounts	-	94,000
Total extraordinary losses	175,227	145,964
Profit before income taxes	2,914,821	3,509,365
Income taxes - current	1,046,168	910,990
Income taxes - deferred	(71,500)	135,405
Total income taxes	974,668	1,046,395
Profit	1,940,153	2,462,969
Profit attributable to non-controlling interests	76,978	122,150
Profit attributable to owners of parent	1,863,174	2,340,819

## Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended March 31, 2020	For the fiscal year ended March 31, 2021
Profit	1,940,153	2,462,969
Other comprehensive income		
Valuation difference on available-for-sale securities	738	135,311
Deferred gains or losses on hedges	813	717
Remeasurements of defined benefit plans, net of tax	11,955	44,411
Total other comprehensive income	13,508	180,439
Comprehensive income	1,953,661	2,643,409
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,873,235	2,516,267
Comprehensive income attributable to non-controlling interests	80,425	127,142