1. Business Highlights for the 39th Business Period (Fiscal Year Ended March 31, 2023)

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

During the fiscal year ended March 31, 2023 (the "fiscal year under review"), as the social disruption caused by COVID-19 has gradually come to an end, the Japanese economy witnessed normalization of social and economic activities with the easing of movement restrictions, but concerns over a possible resurgence of the virus are not completely dispelled. In addition, the prolonged invasion of Ukraine by Russia has triggered a global rise in commodity prices, most notably in food and energy prices, and the negative effects including inflation due to rising raw material prices and delivery delays for high-tech products due to semiconductor shortages continue to be felt. As for exchange rates, the yen has regained some stability, but Japan is expected to maintain its monetary easing policy for a while, whereas the central banks in the U.S. and other developed economies continue rate hikes amid uncertain outlook despite signs of inflation slowing down. Therefore the yen is still trading sideways, and given the widening trade deficit and rising consumer prices in Japan, the outlook for the Japanese economy remains uncertain.

Now that new work styles including remote working are taking root in the wake of the spread of COVID-19, ransomware and other types of cyber-attacks are becoming more intense. This has heightened awareness of security measures as a management issue, especially among large companies. As a result, the demand for cybersecurity products and services has continued to grow. Under these circumstances, in the Information Infrastructure Business, the Company's core business, we saw strong demand continuing for cloud-based security measure products. Integrated security monitoring services provided by the Company were also robust, proving that its value-added strategies are bearing fruits. Furthermore, to prepare for the full-blown arrival of the cloud era, we are shifting our approach to developing and operating infrastructure to be cloud-native and are providing solutions that take full advantage of cloud-native technologies.

In the Application Services Business, new inquiries are steady in the CRM field thanks to business collaborations with a major system integrator and telemarketing vendor, an expanding demand for cloud services, improved name recognition, and the expansion of business performance. For overseas markets, we have continued to work to accelerate business development in the ASEAN market based on the capital and business alliance with Wisesight (Thailand) Company Limited, the largest company in the social data analysis cloud field in Thailand, and the capital and business alliance with Choco Card Enterprise Co., Ltd., a leading CDP (Customer Data Platform) and marketing CRM provider in Thailand, and our local subsidiary in Thailand established on April 20, 2023. In the Software Quality Assurance field, demand remained robust for testing tools used to ensure quality of enterprise systems and embedded software. With the further application of IT in automobiles, there was strong demand for improvement in the quality of embedded software in the manufacturing industry, etc., which develops in-vehicle software, and orders continued to be favorable. In the EdTech field, we have constantly received inquiries for our school communication platform, resulting in an increase in adoption especially among famous private schools. We aim to further expand our business through a capital and business alliance with Educa & Quest Inc.

In the Medical Systems Business, which was newly spun out as a separate business segment this fiscal year, the new PSP Corporation ("PSP") started several initiatives (PSP was established on April 1, 2022, with a merger between NOBORI Ltd., which spun out from the Company to become its consolidated subsidiary in 2018, and the former PSP Corporation, which became the Company's consolidated subsidiary in February 2022). PSP has been working to unify our customer base and integrate our products and services, as well as promoting cloud-based PACS (medical imaging management) with the aim of shifting to recurring revenue business models. PSP also collaborated with CANON MEDICAL SYSTEMS CORPORATION in the healthcare IT solution business field, and concluded a capital and business alliance with Medmain Inc. to promote the digital pathology-related business. In addition, PSP has endeavored to expand the number of users of Personal Health Record (PHR) services for individual customers, which were promoted by NOBORI Ltd. before. For the business of AI-based medical image diagnostic support services, M3 AI, Inc. (established as a joint venture between PSP and M3, Inc.

on April 1, 2022) has been taking the lead in accelerating the distribution of AI to medical practices.

With a mission statement of being “the IT professional group who create a better future,” the Company announced the new Medium-term Management Plan “BEYOND THE NEW NORMAL” on May 10, 2021. In the future, as “digital” is built into every corner of society and digital transformation (DX), which reforms business models using digital technology, advances rapidly, the Company sees this rapid shift to digitization and the dramatic restructuring of industry as a new growth opportunity and aims to contribute to the creation of a sustainable society by providing services to solve social issues. The spread of COVID-19 has prompted us to shift to a new mode of life called the “New Normal.” In the new Medium-term Management Plan, we will accelerate businesses oriented toward domains that will be essential to society, incorporating an SDG perspective with an eye on the new society to come after the “New Normal.”

The new Medium-term Management Plan “BEYOND THE NEW NORMAL” states seven key strategies to be achieved while carrying on with the core business strategies of the previous Medium-term Management Plan “GO BEYOND 3.0.”

■ The core business strategies (continued)
- Strategic and accelerated promotion of cloud-related businesses
- Pursuit of security and safety

■ The seven key strategies
1) Expanding portfolio of products and services
2) Accelerated servicization (increasing service ratio)
3) Utilization of data (including use of AI)
4) Diverse alliances/M&A (expansion of existing business, creation of new business)
5) Expanding business in the overseas market
6) Creation of synergies by strengthening group collaboration
7) Human resource development/organizational development (including promotion of diversity)

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

◇ Information Infrastructure Business

First quarter ended June 30, 2022
- Okinawa Cross Head Co., Ltd. renamed to OCH Co., Ltd. and changed its corporate logo.
- OCH Co., Ltd. launched OCH SG-ONE, an easy-to-implement, one-stop security solution for small and medium-sized businesses.
- Received the Partner of the Year 2022 and Deal Registration of the Year 2022 from Proofpoint Japan K.K.
- Received the MVP Partner of the Year 2021 from TANIUM.

Second quarter ended September 30, 2022
- CROSS HEAD started to provide “Cloud Compass,” a next-generation solution for comprehensive cloud support services.
- Released “TechMatrix NEO,” a solution for cloud-native deployment.
- OCH Co., Ltd. concluded a business alliance agreement with JR Kyushu System Solutions Inc. (JRQSS) to support new working styles.
- Started to sell “Votiro Cloud” from Votiro Cybersec Ltd., a cloud-based solution to disarm files.
- CROSS HEAD launched “Pleasanter on AWS.”
- OCH Co., Ltd. launched “octpath,” which helps companies standardize and streamline their business operations, in collaboration with acrorea, Inc., a digital transformation solutions company.
- Started to offer SentinelOne Vigilance MDR services.

- Started to provide Attack Surface Management services to offer support for Palo Alto Networks Cortex® Xpanse.

Third quarter ended December 31, 2022

- CROSS HEAD started to provide “Digital Wagon for File Server.”

Fourth quarter ended March 31, 2023

- Received the 2022 JAPAN Distribution Partner of the Year from Palo Alto Networks, Inc.
- CROSS HEAD launched a new CROSSLink 365 service that links “Yoyaku Rooms,” a meeting room booking system, with Garoon.
- OCH Co., Ltd. released Remote Rack, a service that enables IT operations management remotely with a multi-SIM router.
- OCH Co., Ltd. launched MIRACLE With EPP support pack, a package of Linux and antivirus software.

◇ Application Services Business

First quarter ended June 30, 2022

- Software Quality Assurance field: Started to sell the Japanese version of the latest Ranorex 10.2, a UI testing automation tool with powerful object recognition capabilities.
- EdTech field: Started a joint project for the use of study logs with Compass Inc., which develops and provides Qubena, AI-based teaching materials.
- EdTech field: Acquired a patent for a class scheduling system that supports individually optimized learning.
- EdTech field: Implemented “tsumugino” cloud services for Baika Junior High School and Baika High School.

Second quarter ended September 30, 2022

- Software Quality Assurance field: Launched the Japanese version of Lattix 2022.1.1, an architecture analysis tool.
- Software Quality Assurance field: Started to provide “TechMatrix Redmine Cloud Services.”
- Software Quality Assurance field: Launched “Jtest 2022.1,” a Java-supported testing automation tool.
- EdTech field: Implemented “tsumugino” cloud services for Momoyama Primary School Attached to Kyoto University of Education.
- EdTech field: Acquired a patent for a comment posting system that is best suited to educational institutions.
- CASAREAL, Inc. was selected as an IT implementation support provider; as subsidized IT tools, it started to provide “Boisuke/Modesuke,” cloud-based schedulers for the voice acting and modeling industries.

Third quarter ended December 31, 2022

- CRM field: Formed a capital and business alliance with Choco Card Enterprise Co., Ltd., a leading CDP provider in Thailand; accelerated the expansion of the CRM solution business in Thailand and the ASEAN region.
- CRM field: BELLSYSTEM 24, Intumit, and TECHMATRIX started to jointly provide “CRM Next,” a customer analysis and utilization service for the Taiwanese market.
- CRM field: Central Nippon Expressway Company Limited, a company that has implemented the FastSeries, was awarded the “2022 CRM Best Practice Award.”
- EdTech field: Acquired a patent for a report-generating device and a report-generating method for report cards and various certificates.

- EdTech field: Implemented “tsumugino” cloud services for Nagisakoen Elementary School of TSURU Educational Foundation.
- EdTech field: Started system linkage between “tsumugino” and “Manabi Pocket,” a cloud educational platform.
- Information Design & Architecture Yamazaki Co., Ltd. changed its trade name to ARECCIA Fintech Corp.
- Awarded the “Outstanding Business Utilization Award” and the “Outstanding Certification Award” by ASPIC, a cloud services information disclosure certification organization.

Fourth quarter ended March 31, 2023

- Software Quality Assurance field: Launched “SOAtest/Virtualize 2022.2,” a support tool for developing and testing microservices.
- Software Quality Assurance field: Launched “C++test 2022.2,” a testing tool supporting C language/C++ language.
- Software Quality Assurance field: Launched “dotTEST 2022.2,” a C#/VB.NET-supported static analysis/dynamic analysis tool.
- EdTech field: Formed a capital and business alliance with Educa & Quest Inc. in the EdTech filed for educational institutions

◇ Medical Systems Business

First quarter ended June 30, 2022

- PSP Corporation started to provide Brain Healthcare Program that visualizes brain health together with Splink and Millennia.
- PSP Corporation started integration of NOBORI (a PHR app) with Mynaportal.

Second quarter ended September 30, 2022

- PSP Corporation concluded a capital and business alliance with Medmain, accelerating the promotion of digital pathology.

Third quarter ended December 31, 2022

- PSP Corporation increased opportunities to propose the cloud-based PACS to new medical facilities, in line with the progress made in the business integration between the former NOBORI Ltd. and the former PSP Corporation.

Fourth quarter ended March 31, 2023

- PSP Corporation was selected as an IT implementation support provider under the 2023 Subsidy Program for IT Implementation.

As a result of the above, consolidated revenue during the year ended March 31, 2023 was ¥45,950 million, a year-on-year increase of ¥9,436 million (25.8%), achieving a record high. Gross profit amounted to ¥16,369 million, a year-on-year increase of ¥3,913 million (31.4%). Selling, general and administrative expenses were ¥11,173 million, a year-on-year increase of ¥2,903 million (35.1%), mainly due to an increase in personnel expenses. As a result, operating profit came to ¥5,098 million, a year-on-year increase of ¥1,363 million (36.5%).

Consequently, profit before tax was ¥5,066 million, a year-on-year increase of ¥1,348 million (36.3%), and profit attributable to owners of parent was ¥2,950 million, a year-on-year increase of ¥578 million (24.4%).

Results by operating segment were as follows:

The Company has changed its reportable segments from the first quarter ended June 30, 2022. For the details, refer to "(2) Information related to changes in reportable segments" in "(5) Notes to Consolidated Financial Statements" (in Japanese only).

1) Information Infrastructure Business

Results of the Information Infrastructure Business for the fiscal year ended March 31, 2023 were strong thanks to abundant order backlog accumulated in the previous fiscal year and orders for new projects. Orders are on the increase for cloud security measure products with subscription-based pricing models. Sales in western Japan have also remained strong from the previous fiscal year. Orders received and revenue for the fiscal year under review exceeded the results for the previous fiscal year on a consolidated basis. On the other hand, operating profit increased only slightly compared to the previous fiscal year. This is mainly due to the rapid yen depreciation, increases in labor costs and selling, general and administrative expenses, investments in cloud-native solutions—a new business we started to work on, and the recording of office relocation expenses. By product, a new generation of security measure products, including "SASE (Secure Access Service Edge)," "CASB (Cloud Access Security Broker)," "Cyber Hygiene" and "SDP (Software Defined Perimeter)" are also attracting attention with an increase in adoption. Since Russia's military invasion of Ukraine, infection with malware such as Emotet and ransomware attacks has been spreading. As such infections are primarily introduced via emails, demand for next-generation email security products was also strong. Orders for storage products were robust reflecting the exponential increase in digital content.

At CROSS HEAD, orders received, revenue and operating profit all exceeded the plan. Orders for infrastructure development projects continued to be solid. Furthermore, CROSS HEAD established its Chubu Office to explore business opportunities in the Tokai region.

At OCH Co., Ltd., both revenue and operating profit slightly fell short of the planned figures., Orders were strong for the services and products that were originally developed by OCH. In addition, a shift to recurring revenue business models has been underway as subscription-based services increase. The product portfolio is being revised, as necessary, due to the intensified competition in the market for a portion of its major products.

As a result, the business achieved record high revenue and operating profit, with revenue of ¥29,305 million, a year-on-year increase of ¥4,594 million (18.6%), and operating profit of ¥3,125 million, a year-on-year increase of ¥70 million (2.3%).

2) Application Services Business

For the fiscal year under review, the Application Services Business saw strong orders, with both revenue and operating profit exceeded those for the previous year. Meanwhile, operating profit fell short of the plan as we accelerated investment in the education business backed by strong orders and unprofitable projects occurred in the Business Solutions field.

In the CRM field, orders received exceeded the planned figure for the full year, but revenue was below the planned figure due to the delay in orders received in the first half of the year. Operating profit exceeded both the result for the previous fiscal year and the plan.

In the Software Quality Assurance field, orders received exceeded the plan driven by strong demand for testing tools for in-vehicle software, but revenue and operating profit fell slightly short of the plan as subscription-based services have increased.

In the Business Solutions field, we lost some orders, which we had anticipated in the first half, and orders received decreased from that of the previous year. Operating profit was negatively impacted by unprofitable projects that occurred in the financial related field.

At ARECCIA Fintech Corp. (former Information Design & Architecture Yamazaki Co., Ltd.), revenue and operating profit were below the plan as new sales activities were slow partly because it focused on existing projects. The challenge to be addressed is to increase orders by rebuilding the sales structure and promoting sales activities. At CASAREAL, Inc., orders received, revenue and operating profit all exceeded those of the previous year. In particular, the education business such as IT training was robust, leading the overall performance.

In the new EdTech field, our school communication platform has been adopted by famous private advanced schools as well as national and other public schools. To start up the business swiftly, we will continue active investments, strengthening sales and marketing activities intensively and increasing engineers required to implement the platform.

As a result, revenue of the business amounted to ¥7,300 million, a year-on-year increase of ¥58 million (0.8%), posting a record high, while operating loss decreased ¥27 million (56.8%) year on year to ¥20 million.

3) Medical Systems Business

In the Medical field, orders for “NOBORI,” a cloud service for medical information offered by the new PSP Corporation, established on April 1, 2022, remained strong, and the cumulative number of contracting facilities increased. We have also secured orders for the renewal of service agreements with existing users. Meanwhile, upfront investments are continuing in projects such as the development of PHR services targeted at consumers (patients) and the joint development with medical institutions, AI venture companies and external partners, and they have achieved strong results. The overall performance of PSP resulted in a significant excess of revenue and operating profit compared to the planned figures. This is because the shift to the cloud in the former PSP Corporation’s PACS (medical imaging management) business, where sales were comprised of sale and maintenance of on-premise products, is taking place at a more moderate pace than initially anticipated. The shift to the cloud was planned to be implemented at the beginning of the fiscal year under review, but did not fully proceed during the year.

At Ichigo LLC, our medical-related consolidated subsidiary, results remained strong, with orders received, revenue and operating profit overachieving the plan.

With respect to safety management systems for medical radiation, the Ministerial Order Partially Amending the Enforcement Regulations on the Medical Care Act was already enforced. However, supervisory bodies have made little progress on audits due to the pandemic, and medical institutions’ investment appetite for installation of radiation dose management systems is not as high as anticipated. Despite all this, at A-Line Co., Ltd., orders were on the rise for MINCADI, a radiation dose management system, resulting in a steady increase in revenue and a reduction in operating loss.

As a result, revenue of the business increased ¥4,784 million (104.9%) year on year to ¥9,344 million. Operating profit increased ¥1,265 million (173.8%) year on year to ¥1,993 million.

(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 ¥9,503 million (22.5%) from March 31, 2022 to ¥51,770 million as of March 31, 2023. The principal factor in this change was an increase of ¥4,950 million in advance payments to suppliers. Non-current assets stood at ¥13,920 million, an increase of ¥3,684 million (36.0%) from March 31, 2022. The principal factor in this change was a ¥2,615 million increase in property, plant and equipment. As a result, total assets amounted to ¥65,691 million, an increase of ¥13,187 million (25.1%) from March 31, 2022.

Current liabilities stood at ¥36,044 million, an increase of ¥8,054 million (28.8%) from March 31, 2022. The principal factor in this change was an increase of ¥9,343 million in contract liabilities. Non-current liabilities stood at ¥5,729 million, a ¥1,417 million (32.9%) increase from March 31, 2022. The principal factor in this change was a ¥1,461 million increase in lease liabilities. As a result, total liabilities amounted to ¥41,773 million, an increase of ¥9,472 million (29.3%) from March 31, 2022.

Total equity was ¥23,917 million, an increase of ¥3,715 million (18.4%) from March 31, 2022. The principal factor in this change was an increase of ¥2,231 million in retained earnings. As a result, the ratio of equity attributable to owners of parent to total assets was 28.9%.

(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, 2023, it was resolved at the Board of Directors meeting held on May 9, 2022 that the Company will pay an interim dividend of ¥7 per share and a year-end dividend of ¥14 per share (for an annual dividend of ¥21 per share). However, for the fiscal year under review, the Company paid an interim dividend of ¥7 per share, and it was resolved at the Board of Directors meeting held on April 27, 2023 that the Company will pay a year-end dividend of ¥16 per share, for an annual dividend of ¥23 per share.

In the fiscal year ending March 31, 2024, the Company plans to pay an interim dividend of ¥8 per share, and a year-end dividend of ¥16 per share, for an annual dividend of ¥24 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 ¥20,071 million, an increase of ¥1,915 million (10.6%) from March 31, 2022. 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 ¥6,348 million, a year-on-year increase of ¥1,065 million (20.2%). This was primarily due to an increase in contract liabilities.

(Cash Flows from Investing Activities)

Net cash used in investing activities for the fiscal year under review was ¥3,131 million, a year-on-year increase of ¥3,326 million (–%). This was primarily due to purchase of property, plant and equipment, and purchase of investments.

(Cash Flows from Financing Activities)

Net cash used in financing activities for the fiscal year under review was ¥1,299 million, a year-on-year decrease of ¥659 million (33.7%). This was primarily due to proceeds from sale of interests in subsidiaries to non-controlling interests.

(Reference) Trends in Cash Flow Indicators

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Ratio of equity attributable to owners of parent to total assets (%)	32.4	28.9
Ratio of equity attributable to owners of parent to total assets based on fair value (%)	162.5	90.2
Ratio of interest-bearing liabilities to cash flows (%)	25.6	18.9
Interest coverage ratio (times)	413.2	613.6

Ratio of equity attributable to owners of parent to total assets: Equity attributable to owners of parent / Total assets

Ratio of equity attributable to owners of parent to total assets based on fair value: Total market value of shares / Total assets

Ratio of interest-bearing liabilities to cash flows: Interest-bearing liabilities / Cash flows

Interest coverage ratio: Cash flows / 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 statement of financial position for which interest is paid.

(4) Future Outlook

(Outlook for the Next Fiscal Year)

During the fiscal year under review, the second year of the new Medium-Term Management Plan, "BEYOND THE NEW NORMAL" announced on May 10, 2021, orders received, revenue and operating profit substantially exceeded the plan, hitting new record highs.

In addition to the quantitative achievements as shown above, the Company focused its efforts on measures in line with the key strategies under the new Medium-Term Management Plan. One such example is the relocation and aggregation of the head office functions and five of its group companies in December 2022. With this aggregation of the head office functions, the Company is pursuing "Creation of synergies by strengthening group collaboration," one of the key strategies under the Medium-Term Management Plan, thereby striving to implement the Plan steadily and achieve sustainable growth.

As part of our efforts to realize "Diverse alliances/M&A," which is also a key strategy in the Medium-Term Management Plan, we formed capital and business alliances with Choco Card Enterprise Co., Ltd. to expand the overseas business in the CRM field, Educa & Quest Inc. to reinforce our business in the EdTech field, and Medmain Inc. to advance the digital pathology-related business.

In the Information Infrastructure Business, the Company will continue to work on expanding its portfolio of products and services by pre-empting trends of cutting-edge network and security-related technologies and actively searching for new potential products. Furthermore, by combining them with the Company's in-house services, the Company will advance its differentiation from its competitors. As for development of in-house services, we will make an active investment to bring our cloud-native solution NEO to market, and promote the sales of TPS, a next-generation integrated monitoring service.

We will also 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.

Accordingly, revenue of the above segment is expected to amount to ¥32.26 billion.

With regards to the Application Services Business, in each of the CRM field, the Business Solutions field, the Software Quality Assurance field, and the EdTech 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 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 our businesses targeting local government agencies with public opinion research work as well as the private sector. In addition, using a capital and business alliance signed with WISESIGHT (THAILAND) CO., LTD., the largest social data analysis cloud provider in Thailand, and a capital and business alliance with Choco Card Enterprise Co., Ltd., a leading marketing CRM provider in Thailand, as well as our newly-established local subsidiary, we will 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 medical 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 are also promoting the provision of 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. We will also work to utilize our expertise in academic fields and financial engineering technology to expand our business in the field of risk management for financial institutions.

The Japanese government's GIGA School Program is rapidly advancing the digitization of the Edtech 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 will be active in expanding sales of the tsumugino cloud service it developed. Furthermore, we will continue to seek various forms of alliances and M&As to enhance and expand business opportunities in the Edtech field.

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, revenue of the above segment is expected to amount to ¥7.85 billion.

In the Medical Systems Business, the new PSP Corporation ("PSP") started several initiatives (PSP was established on April 1, 2022, with a merger between NOBORI Ltd., which spun out from the Company to become its consolidated subsidiary in 2018, and the former PSP Corporation, which became the Company's consolidated subsidiary in February 2022). PSP has been working to unify our customer base and integrate our products and services, as well as promoting cloud-based PACS with the aim of shifting to recurring revenue business models. In particular, "NOBORI," the cloud service for medical information launched by the Group ahead of other companies, has won an overwhelming share of the cloud-based PACS (medical imaging management system), and continues to lead this market today. In addition, PSP will continue upfront investments in new businesses that utilize accumulated medical data, such as personal health record (PHR) services for individual customers, which were promoted by NOBORI Ltd. before, and AI-based medical image diagnostic support services, while striving to make the businesses profitable. For the business of AI-based medical image diagnostic support services, M3 AI, Inc. (established as a joint venture between PSP and M3, Inc. on April 1, 2022) has been taking the lead in accelerating the distribution of AI to medical practices.

We will also strategically accelerate a shift from the on-premise medical image management system offered by former PSP Corporation to cloud-based PACS.

Accordingly, revenue of the above segment is expected to amount to ¥9.39 billion.

As a result, revenue of ¥49.5 billion, operating profit of ¥5.3 billion, and profit attributable to owners of parent of ¥3.21 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 Medium-Term Management Plan “BEYOND THE NEW NORMAL”

(Millions yen)

Consolidated Fiscal Year	Indicators	Information Infrastructure Business	Application Services Business	Medical Systems Business	Total
Targets for fiscal year ended March 31, 2022	Revenue	23,000	10,000	–	33,000
	Operating profit	3,000	700	–	3,700
Results for fiscal year ended March 31, 2022	Revenue	24,700	11,800	–	36,500
	Operating profit	3,050	680	–	3,730
Targets for fiscal year ended March 31, 2023	Revenue	27,500	15,500	–	43,000
	Operating profit	3,250	750	–	4,000
Results for fiscal year ended March 31, 2023	Revenue	29,300	7,300	9,340	45,950
	Operating profit	3,130	(20)	1,990	5,100

Note: The Medical Systems Business spun out from the Application Services Business segment in the fiscal year ended March 31, 2023. Accordingly, the results of the Application Services Business for the fiscal year ended March 31, 2022 are the sum of the Application Services Business and Medical Systems Business.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statement of Financial Position

(Thousand yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	18,155,903	20,071,540
Trade and other receivables	5,925,359	6,274,018
Inventories	561,382	559,016
Advance payments to suppliers	11,280,216	16,230,848
Advance payment - cost of maintenance service	5,510,575	7,665,807
Other current assets	833,884	969,585
Total current assets	42,267,321	51,770,817
Non-current assets		
Property, plant and equipment	3,506,475	6,121,593
Goodwill	171,978	171,978
Intangible assets	1,752,207	2,141,912
Investments accounted for using equity method	–	128,995
Other financial assets	2,739,527	3,693,551
Deferred tax assets	1,645,860	1,277,041
Other non-current assets	420,341	385,471
Total non-current assets	10,236,391	13,920,545
Total assets	52,503,713	65,691,363

(Thousand yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Trade and other payables	2,158,981	2,145,253
Borrowings	595,000	570,000
Lease liabilities	867,594	782,071
Income taxes payable	1,115,294	657,354
Contract liabilities	19,692,808	29,035,461
Other financial liabilities	–	45,257
Provisions	505,468	–
Other current liabilities	3,054,843	2,809,108
Total current liabilities	27,989,991	36,044,508
Non-current liabilities		
Borrowings	500,000	300,000
Lease liabilities	1,534,536	2,995,542
Retirement benefit liability	1,857,080	1,912,880
Provisions	–	165,219
Deferred tax liabilities	52,622	–
Other non-current liabilities	367,205	355,680
Total non-current liabilities	4,311,445	5,729,323
Total liabilities	32,301,437	41,773,831
Equity		
Share capital	1,298,120	1,298,120
Capital surplus	4,861,825	4,594,827
Treasury shares	(975,804)	(974,569)
Retained earnings	11,149,198	13,380,739
Other components of equity	685,431	671,876
Total equity attributable to owners of parent	17,018,771	18,970,993
Non-controlling interests	3,183,504	4,946,537
Total equity	20,202,276	23,917,531
Total liabilities and equity	52,503,713	65,691,363

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Thousand yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Revenue	36,513,619	45,950,613
Cost of sales	(24,057,488)	(29,580,847)
Gross profit	12,456,130	16,369,766
Selling, general and administrative expenses	(8,269,613)	(11,173,564)
Other income	9,238	76,384
Other expenses	(461,248)	(174,185)
Operating profit	3,734,507	5,098,400
Finance income	15,918	25,249
Finance costs	(32,390)	(45,980)
Share of profit (loss) of investments accounted for using equity method	–	(11,004)
Profit before tax	3,718,035	5,066,665
Income tax expense	(1,159,944)	(1,428,715)
Profit	2,558,091	3,637,950
Profit attributable to:		
Owners of parent	2,371,920	2,950,390
Non-controlling interests	186,170	687,559
Earnings per share		
Basic earnings per share (Yen)	59.65	73.91
Diluted earnings per share (Yen)	59.46	73.67

Consolidated Statement of Comprehensive Income

(Thousand yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	2,558,091	3,637,950
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	1,342	106,417
Equity financial assets measured at fair value through other comprehensive income	282,430	15,574
Total of items that will not be reclassified to profit or loss	283,773	121,991
Items that may be reclassified to profit or loss		
Cash flow hedges	(2,919)	(20,322)
Total of items that may be reclassified to profit or loss	(2,919)	(20,322)
Other comprehensive income, net of tax	280,853	101,669
Comprehensive income	2,838,945	3,739,619
Comprehensive income attributable to:		
Owners of parent	2,631,494	3,002,931
Non-controlling interests	207,451	736,687

(3) Consolidated Statement of Changes in Equity

(Thousand yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Share acquisition rights	Remeasurements of defined benefit plans
Balance at April 1, 2021	1,298,120	4,619,915	(1,011,805)	9,450,986	98,152	–
Profit	–	–	–	2,371,920	–	–
Other comprehensive income	–	–	–	–	–	1,118
Comprehensive income	–	–	–	2,371,920	–	1,118
Dividends of surplus	–	–	–	(755,096)	–	–
Purchase of treasury shares	–	–	(243)	–	–	–
Changes due to share issuance	–	240,551	36,245	–	–	–
Share-based payment transactions	–	–	–	–	17,963	–
Change in scope of consolidation	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	81,388	–	(1,118)
Other increase or decrease	–	1,357	–	–	–	–
Total transactions with owners, etc.	–	241,909	36,001	(673,708)	17,963	(1,118)
Balance at March 31, 2022	1,298,120	4,861,825	(975,804)	11,149,198	116,116	–
Profit	–	–	–	2,950,390	–	–
Other comprehensive income	–	–	–	–	–	67,155
Comprehensive income	–	–	–	2,950,390	–	67,155
Dividends of surplus	–	–	–	(798,300)	–	–
Purchase of treasury shares	–	–	(121)	–	–	–
Disposal of treasury shares	–	3,679	1,356	–	–	–
Share-based payment transactions	–	10,684	–	–	42,896	–
Exercise of stock acquisition rights	–	–	–	–	(5,030)	–
Forfeiture of share options	–	–	–	12,295	(17,721)	–
Changes in ownership interest in subsidiaries	–	(281,362)	–	–	–	–
Transfer to non-financial assets	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	67,155	–	(67,155)
Total transactions with owners, etc.	–	(266,998)	1,235	(718,849)	20,144	(67,155)
Balance at March 31, 2023	1,298,120	4,594,827	(974,569)	13,380,739	136,261	–

	Equity attributable to owners of parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of parent		
	Equity financial assets measured at fair value through other comprehensive income	Cash flow hedges	Total			
Balance at April 1, 2021	386,476	2,919	487,548	14,844,764	1,509,964	16,354,728
Profit	–	–	–	2,371,920	186,170	2,558,091
Other comprehensive income	261,374	(2,919)	259,573	259,573	21,280	280,853
Comprehensive income	261,374	(2,919)	259,573	2,631,494	207,451	2,838,945
Dividends of surplus	–	–	–	(755,096)	(3,000)	(758,096)
Purchase of treasury shares	–	–	–	(243)	–	(243)
Changes due to share issuance	–	–	–	276,797	–	276,797
Share-based payment transactions	–	–	17,963	17,963	–	17,963
Change in scope of consolidation	–	–	–	–	1,469,089	1,469,089
Transfer from other components of equity to retained earnings	(80,269)	–	(81,388)	–	–	–
Other increase or decrease	1,734	–	1,734	3,092	–	3,092
Total transactions with owners, etc.	(78,535)	–	(61,690)	(457,487)	1,466,089	1,008,601
Balance at March 31, 2022	569,315	–	685,431	17,018,771	3,183,504	20,202,276
Profit	–	–	–	2,950,390	687,559	3,637,950
Other comprehensive income	5,708	(20,322)	52,541	52,541	49,127	101,669
Comprehensive income	5,708	(20,322)	52,541	3,002,931	736,687	3,739,619
Dividends of surplus	–	–	–	(798,300)	(6,946)	(805,247)
Purchase of treasury shares	–	–	–	(121)	–	(121)
Disposal of treasury shares	–	–	–	5,036	–	5,036
Share-based payment transactions	–	–	42,896	53,581	–	53,581
Exercise of stock acquisition rights	–	–	(5,030)	(5,030)	–	(5,030)
Forfeiture of share options	–	–	(17,721)	(5,426)	–	(5,426)
Changes in ownership interest in subsidiaries	(9,046)	–	(9,046)	(290,409)	1,033,292	742,883
Transfer to non-financial assets	–	(10,038)	(10,038)	(10,038)	–	(10,038)
Transfer from other components of equity to retained earnings	–	–	(67,155)	–	–	–
Total transactions with owners, etc.	(9,046)	(10,038)	(66,096)	(1,050,709)	1,026,345	(24,363)
Balance at March 31, 2023	565,976	(30,361)	671,876	18,970,993	4,946,537	23,917,531

(4) Consolidated Statement of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before tax	3,718,035	5,066,665
Depreciation and amortization	1,958,996	2,386,806
Finance income and finance costs	(5,171)	(2,424)
Decrease (increase) in trade and other receivables	(1,102,811)	(160,658)
Decrease (increase) in inventories	(89,591)	2,365
Decrease (increase) in advance payments to suppliers	(4,050,297)	(4,950,632)
Decrease (increase) in advance payment - cost of maintenance service	(799,116)	(2,155,231)
Increase (decrease) in trade and other payables	194,087	(222,208)
Increase (decrease) in contract liabilities	5,900,061	9,342,653
Increase (decrease) in retirement benefit liability	92,833	55,800
Other	519,620	(1,186,609)
Subtotal	6,336,646	8,176,525
Interest and dividends received	8,801	6,600
Interest paid	(12,785)	(10,345)
Income taxes paid	(1,049,563)	(1,824,538)
Net cash provided by (used in) operating activities	5,283,099	6,348,241
Cash flows from investing activities		
Purchase of property, plant and equipment	(409,201)	(1,481,269)
Purchase of intangible assets	(143,908)	(117,385)
Purchase of investments	(394,034)	(1,223,423)
Proceeds from purchase of shares of subsidiaries	1,369,982	–
Purchase of investments accounted for using equity method	–	(140,000)
Payments of leasehold and guarantee deposits	(227,916)	(281,156)
Proceeds from refund of leasehold and guarantee deposits	731	387,028
Payments for asset retirement obligations	–	(280,890)
Other	41	5,884
Net cash provided by (used in) investing activities	195,694	(3,131,212)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(100,000)	(25,000)
Repayments of long-term borrowings	(204,283)	(200,000)
Dividends paid	(753,698)	(797,416)
Repayments of lease liabilities	(898,552)	(1,221,661)
Payments for acquisition of interests in subsidiaries from non-controlling interests	–	(248,475)
Proceeds from sale of interests in subsidiaries to non-controlling interests	–	1,200,577
Other	(3,243)	(7,960)
Net cash provided by (used in) financing activities	(1,959,778)	(1,299,936)
Effect of exchange rate changes on cash and cash equivalents	2,555	(1,455)
Net increase in cash and cash equivalents	3,521,570	1,915,637
Cash and cash equivalents at beginning of period	14,634,332	18,155,903
Cash and cash equivalents at end of period	18,155,903	20,071,540