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[Submitted documents]	Annual Securities Report
[Grounds]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director General, Fukuoka Regional Finance Bureau
[Date of submission]	June 30, 2022
[Business period]	The 22nd period (From April 1, 2021 to March 31, 2022)
[Company name]	OPTiM CORPORATION
[Name and title of representative]	President Shunji Sugaya
[Location of the head office]	1 Honjomachi, Saga City, Saga Prefecture (The above is the location of the head office for registration purposes, and the actual business is conducted at the nearest contact point.)
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[Phone number]	03-6435-8570
[The name of the administrative contact person]	Board Director of Administration Akihiro Hayashi
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)

Section I. Corporate Information

1. Outline of the Company

1. Changes in Major Management Indicators, etc.

(1) Consolidated management indicators, etc.

Term	The 18th period	The 19th period	The 20th period	The 21st period	The 22nd period
Year-end	March 2018	March 2019	March 2020	March 2021	March 2022
Net sales (1,000 yen)	-	-	6,728,792	7,517,790	8,310,717
Ordinary profit (1,000 yen)	-	-	259,448	2,000,453	1,485,545
Profit (loss) attributable to owners of parent (1,000 yen)	-	-	117,222	1,237,601	943,561
Comprehensive income (1,000 yen)	-	-	117,278	1,295,583	896,574
Net assets (1,000 yen)	-	-	3,039,185	4,355,888	5,248,802
Total assets (1,000 yen)	-	-	4,604,239	6,248,906	7,387,477
Net assets per share (Yen)	-	-	53.95	77.39	93.68
Basic earnings per share (Yen)	-	-	2.13	22.49	17.14
Diluted earnings per share (Yen)	-	-	2.11	22.32	17.02
Capital adequacy ratio (%)	-	-	64.5	68.2	69.8
Return on equity (%)	-	-	4.0	34.2	20.0
Price earnings ratio (Times)	-	-	940.22	132.22	59.85
Net cash provided by (used in) operating activities (1,000 yen)	-	-	430,637	1,323,462	698,237
Net cash provided by (used in) investing activities (1,000 yen)	-	-	-365,711	-1,151,757	-1,666,254
Net cash provided by (used in) financing activities (1,000 yen)	-	-	250	620	493,739
Cash and cash equivalents at end of period (1,000 yen)	-	-	1,263,910	1,453,676	979,399
Number of employees [Average number of temporary employees] (Persons)	- [-]	- [-]	243 [103]	316 [80]	365 [69]

(Note) 1. Since consolidated financial statements are prepared from the 20th consolidated fiscal year, no information is presented for the period prior to the 20th consolidated fiscal year.

2. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., has been applied from the beginning of the 22nd fiscal year, and the major management indicators, etc., for the 22nd fiscal year are those after the application of the said accounting standard, etc.

3. The Company conducted a 2-for-1 common stock split on April 1, 2020. Therefore, net assets per share, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the 20th fiscal year.

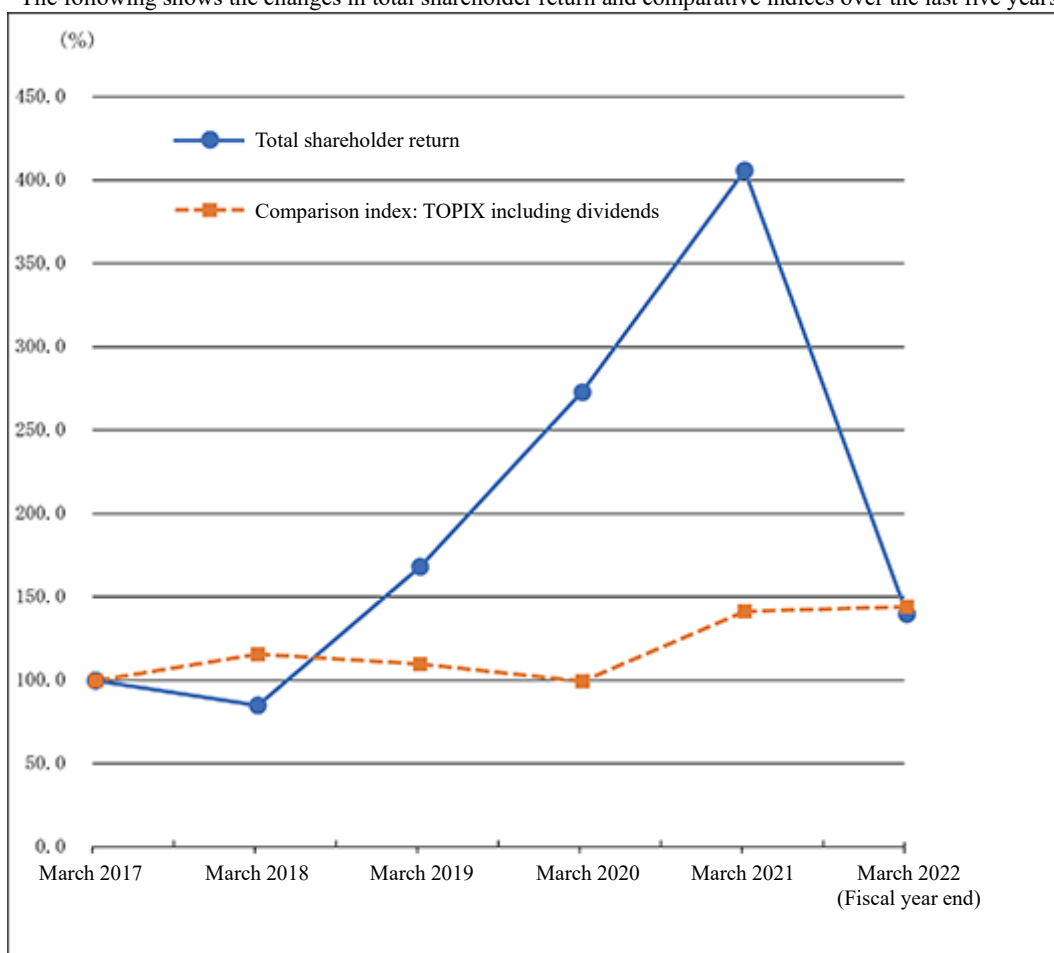
4. Since consolidated financial statements are prepared from the 20th fiscal year, return on equity for the 20th fiscal year is calculated using equity in the non-consolidated financial statements at the end of the 19th fiscal year and in the consolidated financial statements at the end of the 20th fiscal year.

5. The number of employees is the number of full-time employees, and the average number of temporary employees for the year is shown in [] as a supplemental figure.

(2) Management indicators, etc., of the submitting company

Term		The 18th period	The 19th period	The 20th period	The 21st period	The 22nd period
Year-end		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(1,000 yen)	4,210,606	5,468,745	6,687,272	7,389,792	7,976,542
Ordinary profit	(1,000 yen)	404,911	145,527	258,159	1,993,407	1,557,826
Profit	(1,000 yen)	453,021	11,281	116,169	1,234,659	1,013,067
Investment income using the equity method	(1,000 yen)	-	-	-	-	-
Share capital	(1,000 yen)	442,985	443,313	443,439	443,749	444,018
Total number of issued shares	(Shares)	13,774,120	13,777,536	27,557,680	55,128,288	55,139,520
Net assets	(1,000 yen)	2,920,856	2,857,803	2,974,223	4,262,365	5,229,295
Total assets	(1,000 yen)	3,645,377	3,725,858	4,545,340	6,086,965	7,313,454
Net assets per share	(Yen)	53.01	51.94	54.05	77.44	94.99
Dividend per share (Interim dividend per share)	(Yen)	- (-)	- (-)	- (-)	- (-)	- (-)
Basic earnings per share	(Yen)	8.46	0.20	2.11	22.43	18.40
Diluted earnings per share	(Yen)	8.17	0.20	2.10	22.27	18.27
Capital adequacy ratio	(%)	80.1	76.7	65.4	70.0	71.5
Return on equity	(%)	17.0	0.4	4.0	34.1	21.3
Price earnings ratio	(Times)	73.83	6,021.60	948.74	132.53	55.75
Dividend payout ratio	(%)	-	-	-	-	-
Net cash provided by (used in) operating activities	(1,000 yen)	-47,552	-250,525	-	-	-
Net cash provided by (used in) investing activities	(1,000 yen)	-395,430	-202,090	-	-	-
Net cash provided by (used in) financing activities	(1,000 yen)	50,643	-74,333	-	-	-
Cash and cash equivalents at end of period	(1,000 yen)	1,654,957	1,127,679	-	-	-
Number of employees [Average number of temporary employees]	(Persons)	167 [84]	208 [99]	240 [103]	299 [79]	349 [68]
Total shareholder return (Comparison index: TOPIX including dividends)	(%) (%)	85.2 (115.9)	168.2 (110.0)	273.1 (99.6)	405.3 (141.5)	139.9 (144.3)
Highest share price	(Yen)	3,545	5,390 (2,625)	4,835 (2,095)	3,840	3,095
Lowest share price	(Yen)	2,100	2,366 (2,440)	2,000 (1,923)	1,881	797

- (Note) 1. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., has been applied from the beginning of the 22nd fiscal year, and the major management indicators, etc., for the 22nd fiscal year are those after the application of the said accounting standard, etc.
2. Investment income based on the equity method for the 18th and 19th periods is not shown because there are no affiliates.
 3. Dividend per share and dividend payout ratio are not shown as no dividend was paid for the 18th through 22nd periods.
 4. Since consolidated financial statements are prepared from the 20th period, investment income, cash flows from operating activities, cash flows from investing activities, cash flows from financing activities, and cash and cash equivalents at the end of the period after the 20th period based on the equity method are not shown.
 5. The number of employees is the number of full-time employees, and the average number of temporary employees for the year is shown in [] as a supplemental figure.
 6. The Company conducted a 2-for-1 common stock split on April 1, 2019, and a 2-for-1 common stock split on April 1, 2020. Therefore, net assets per share, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the 18th period.
The share prices at the end of the 19th period and at the end of the 20th period are the share prices after the ex-rights related to the stock split. Therefore, the price earnings ratio for the 19th and 20th periods was calculated by dividing the share price after the ex-rights by the net income per share after taking into account the stock split.
 7. The highest and lowest share prices are those quoted on the First Section of the Tokyo Stock Exchange.
 8. The Company conducted a 2-for-1 common stock split on April 1, 2019, and a 2-for-1 common stock split on April 1, 2020. The figures in parentheses in the "Highest share price" and "Lowest share price" columns for the 19th and 20th periods are the share prices after ex-rights.
 9. The following shows the changes in total shareholder return and comparative indices over the last five years.



2. History

In June 2000, while still a student at Saga University, Shunji Sugaya, President of the Company, established the Company in Saga City, Saga Prefecture, for the purpose of providing video advertising services on the Internet. In October 2001, after opening our Tokyo office, we began developing software and started our current core business, software service licensing.

The history of OPTiM CORPORATION since its establishment is as follows.

Month and year	Outline
June 2000	Established OPTiM CORPORATION.
October 2001	Opened Tokyo office (now OPTiM TOKYO).
October 2007	Started offering Optimal Remote, a Remote Management Service.
March 2008	Increased capital through third-party allotment (allottee: Nippon Telegraph and Telephone East Corporation).
October 2009	Started offering Optimal Biz, a cloud device management solution.
July 2012	Optimal Biz, a cloud device management solution, was ranked No. 1 in terms of market share in a research report published by Fuji Chimera Research Institute, Inc.
November 2012	Obtained Information Security Management System (ISMS) certification.
October 2014	Listed on the Mothers section of the Tokyo Stock Exchange.
October 2015	Changed to the First Section of the Tokyo Stock Exchange.
January 2016	Opened an office in front of Kyushu Institute of Technology (current TECH CENTER IIZUKA).
September 2016	Started offering OPTiM Cloud IoT OS, an open platform for utilizing AI and IoT.
October 2017	Saga Head Office (current OPTiM SAGA) is relocated to the Honjo Campus of Saga University, a national university corporation.
January 2019	Established OPTiM Agri Michinoku Corporation, a joint venture with the Michinoku Bank, Ltd.
May 2019	Established the Management Advisory Committee as an advisory body.
October 2019	Image Analysis AI Solution was rated No. 1 in market share in multiple markets in a research report published by MIC Research Institute Co., Ltd.
November 2019	Opened OPTiM KOBE.
June 2020	Established D'PULA Medical Solutions Corporation, a joint venture with Sysmex Corporation.
July 2020	Established OPTiM Bank Technologies Corporation, a joint venture with the Bank of Saga Ltd.
October 2020	Established Landlog Marketing Corporation.
October 2020	Established YURASCOPE Co., Ltd.
December 2020	Established NTT e-Drone Technology Corporation, a joint venture between Nippon Telegraph and Telephone East Corporation and WorldLink & Company Co., Ltd.
May 2021	Established DXGoGo Corporation, a joint venture with KDDI Corporation.
December 2021	Invested in Net Resource Management, Inc. for the purpose of promoting Corporate DX.
April 2022	Moved to the 18th floor of the Shiodome Building to increase the floor space of OPTiM TOKYO due to business expansion.
April 2022	Moved from the First Section to the Prime Market following a reclassification of the Tokyo Stock Exchange's market segmentation.

3. Details of Business

Under the slogan of "We make the Net as simple as breathing," the Group's mission is to change the current situation in which IT literacy (*1) is still required to use the Internet, which has become an infrastructure for daily life, and to turn the Internet itself into something like air, which people can use without being aware of it at all. Since its establishment, the Group has been committed to the development of products that support all people in enjoying the creativity and convenience offered by the Internet equally.

In the information and telecommunications market to which our Group belongs, the rapid movement toward diversification and sophistication of services along with the spread of various terminals has become a global trend. In this market environment, the Group is developing its business with a focus on providing management services (management and operation services) and IT support services (*3) on the premise of connecting various devices (*2).

Segment information is omitted because the Group is a single segment of license sales and maintenance support service (Optimal) business.

The following are details of the Group's business activities by service category.

(1) IoT Platform Services

IoT Platform Services include the following products and services.

Product/service name	Outline
1. Optimal Biz	A multi-device, multi-carrier, multi-OS (*5) cloud device management solution (*6) for corporate and educational ICT that enables centralized management from the cloud (*4), with smartphones, tablets, PCs, and servers as target devices and iOS, Android, Windows, and Mac as target operating systems. It is an indispensable platform for device installation that provides loss and theft prevention, unauthorized use prevention, asset management, and initial OS environment settings. The service is available at an initial installation fee (flat rate regardless of the number of terminals installed) and a monthly fee based on the number of terminals installed, with basic functions starting at 330 yen per terminal per month (tax included). Any optional functions that you wish to use are also available for an additional fee.
2. Optimal Biz Telework	A telework support service that provides communication support, operational support, and productivity support for teleworkers. Using it with Optimal Biz can be effective as a security measure. The service is offered at 550 yen per user (multiple devices can be used) per month (tax included).
3. OPTiM Cloud IoT OS	It is an integrated platform for AI/IoT utilization, equipped with functions in the four areas of ID management, sales management, device management, and data management, which are necessary for the deployment of AI/IoT services and platforms. We offer our services in a variety of forms, including OEM and API, and our business models allow us to receive compensation in a variety of forms, including pay-as-you-go, server licenses, and revenue sharing (*7).
4. OPTiM AI Camera	- OPTiM AI Camera By simply connecting a standard network camera to the cloud, this service shares the congestion status of facilities and stores with customers in remote locations via signage and web applications, and offers benefits that attract customers so that they can visit stores comfortably. API also allows for easy connection to your apps and systems. We offer this service from a monthly fee of 3,278 yen (tax included) per camera. - OPTiM AI Camera Enterprise It is an AI image analysis service with 300 types of AI images that can be used immediately after connecting to a camera. Data is collected from various types of cameras installed by industry and purpose of use, such as in stores and facilities, and images can be analyzed immediately using pre-trained models. The system can be used in areas such as marketing, security, and operational efficiency, from small startups to large scale use. We offer this service from a monthly fee of 16,500 yen (tax included) per camera (initial cost not included).
5. OPTiM Store	It is a marketplace and sales management service for corporate customers that handle the sale of subscription services. In addition to the basic monthly fee for the service, we receive a revenue share based on transaction volume.
6. OPTiM ID+ (plus)	A cloud-based ID management service that allows users to log in to multiple cloud services used by an organization with a single ID and password. It contributes to countermeasures against information leaks, including enabling information system administrators to operate accounts in a centralized manner. Using it with Optimal Biz allows you to limit the terminals that can access the in-house system (access control), which provides high security effect. The service is offered at 330 yen per user (tax included).
7. OPTiM Contract	This service streamlines contract management, which is necessary for all types of industries, business categories, and business sizes. It can streamline a series of management tasks such as contract classification and registration, search, inquiry and notification, and user and file authority management. We offer this service from a monthly fee of 5,478 yen (tax included).

Product/service name	Outline
8. OPTiM Digital Marketing	This is a marketing DX (*8) service that provides a wide range of functions that bring about customer development and sales promotion, from website content management and customer service history to automated customer aftercare. We charge an initial customization fee based on the customer's needs, a maintenance fee as a running cost, and a license usage fee based on the number of functions provided and the number of customers managed. We have also released Digitomer as a package of individual functions, for which we charge a monthly service fee.
9. OPTiM IoT	This service securely manages and operates all equipment and devices from the cloud. By introducing "OPTiM IoT," we can help you optimize the operation of managed equipment and devices, minimize downtime, and reduce maintenance costs. This allows you to maximize the productivity of your equipment and devices. We offer this service from a monthly fee of 1,100 yen (tax included) per unit.
10. Agriculture x IT Services	<p>- Smart rice Safe and secure rice grown under production management with smart farming solutions utilizing AI, IoT, and drones. By sensing/analyzing the fields of contracted farmers and linking the analysis results to the drone and the system, pesticides/fertilizers according to the conditions of growth can be applied. These AI/IoT drone solutions will be provided free of charge to the contracted farmers, and our Group will purchase all the cultivated crops and handle the distribution on its own as part of the business. Our unique business model, which simultaneously reduces system investment for farmers, saves labor for farm work, and adds value to crops, enables us to solve issues in the primary industry by accelerating the implementation of smart agriculture.</p> <p>- AGRI EARTH This is an AI, IoT, and blockchain (*9) platform for the agriculture, forestry, fisheries, distribution, processing, and food industries. We will promote the use of agricultural big data and create value through AI and IoT specific to agriculture. AGRI BLOCKCHAIN is introduced to enable data traceability using blockchain technology, which is difficult to tamper with and highly reliable. This service is offered on a customer-specific basis, including monthly licenses and individual customization.</p>
11. Construction x IT Services	<p>- OPTiM Geo Scan This 3D surveying application combines iPhone equipped with a LiDAR (*10) sensor and GNSS receiver (*11) acquired location information to perform highly accurate surveying in a short time. Highly accurate 3D data can be obtained simply by scanning the object with the application. It makes it possible for anyone to easily perform surveying tasks that normally require skilled technicians alone. We offer this service from a monthly fee of 89,100 yen (tax included) (annual contract plan).</p> <p>- OPTiM Geo Point While OPTiM Geo Scan is being used at various sites, we are providing OPTiM Geo Point, a GNSS surveying and staking application, for the purpose of making GNSS surveying and staking, which are frequently used, easier. This application is available as a free option for OPTiM Geo Scan.</p>

(2) Remote Management Services

Remote Management Services include the following products and services.

Product/service name	Outline
1. Optimal Remote	This is a Remote Management Service for corporate and personal smartphones, tablets, PCs, and servers as target devices, with iOS, Android, Windows, and Mac as target operating systems. With remote screen sharing and remote operation of devices as core technologies, we provide not only operational support but also an environment for sharing experiences (knowledge, know-how, information, sensations, and emotions) by connecting between screens. This service is offered mainly for a monthly fee, depending on the usage of operators and other parties responsible for support services.
2. Optimal Remote Web	This is a remote support service for corporate and personal smartphones, tablets, and PCs. Until now, remote support was realized by having the user install a dedicated application on the terminal to be supported and sharing the screen of the entire terminal as an image with the operator (*12). This product allows users to share and support the web screen of the user terminal in real time, without the need to install any applications in the user environment. In addition, the information entered by the user can be displayed as masking on the operator's screen, making this service considerate of user privacy and prevention of information leakage. This service is offered for a monthly fee, depending on the usage of operators and other parties responsible for support services.
3. Optimal Remote IoT	This is a service that allows remote control of a device with an agent installed in advance from the web browser of the device on hand. This enables remote connection to in-house PCs from outside the company, supporting telework and mobile work. It also enables remote operation for devices in various industries, such as signage and surveillance cameras used in the retail industry, industrial robots and sensors used in the manufacturing industry, etc., realizing efficient device operation and maintenance. Because remote operation is possible even when no operator is present at the remote site, the system can also be used for stationary terminals such as kiosk terminals (*13) and POS equipment. The service offers several plans, starting with a monthly fee of 4,400 yen (tax included) per company.
4. Smart Field	This is a site data management solution that supports workers at the site via smart devices such as smart glasses and smart phones. The remote work support, tagging function for photos, and blackboard-style recording function allow users to freely select from a wide variety of functions to meet their application scenarios, such as recording the status of any site and managing inspection trails conducted at the site. This service is offered on a customer-specific basis, including monthly licenses and individual customization.
5. Optimal Second Sight	This is a remote work support service that can share images of the site using smart glasses, smart phones, and tablet cameras, and support on-site work using various support functions. This service can also be used as a preventive measure against COVID-19. The ability to remotely monitor the situation can minimize the number of people going to the site, helping them avoid the three Cs and reduce the risk of infection with COVID-19. It is used by many customers, including maintenance and construction sites. Materials such as drawings and manuals can also be sent to the operator during remote work support. Even in tasks that are difficult to convey in words or cannot be explained through video sharing alone, both parties can check the materials as they work. This service is provided for a basic license fee and a monthly fee based on the number of supported terminals.
6. Premium Remote Support Service	This is a service that provides support for general IT equipment operations, problems, and troubles for a fixed monthly fee of a few hundred yen for corporate and individual users.
7. Healthcare x IT Services	<p>- Online healthcare platform This is a platform that enables easy and speedy development of online healthcare systems. It includes video call functionality, integrated and secured ID management, payment functionality, reservation functionality, and integration with healthcare devices, all of which are essential for starting a healthcare service using online communication tools. The business model involves charging a license fee based on the number of functions provided and the number of customers. In addition, we receive customization fees due to OEMs, etc., and maintenance fees to handle server maintenance and version upgrades.</p> <p>- Pocket doctor This is a remote medical examination and health consultation service using smartphones and tablets. By utilizing familiar smartphones and tablets, the system connects people in need of healthcare with medical professionals in remote locations, and by using cameras and wearable devices, doctors can check the color of the patient's face, the condition of the affected area, and various vital data that are collected. The business model involves charging license fees to medical institutions and other organizations.</p>

(3) Support Services

Support Services include the following products and services. We mainly provide these services to telecommunication carriers, etc., and receive basic license fees as well as customization fees due to OEM, etc., and maintenance fees for server maintenance and version upgrades.

Product/service name	Outline
1. Optimal Setup	This is a tool that can automatically analyze, operate, and configure routers (*14) connected to the network.
2. Optimal Diagnosis& Repair	It can diagnose the status of devices, operating systems, and software, and display the results to the user or send them to the operator. The tool also supports users' self-resolution by automatically recovering items that have been in trouble.

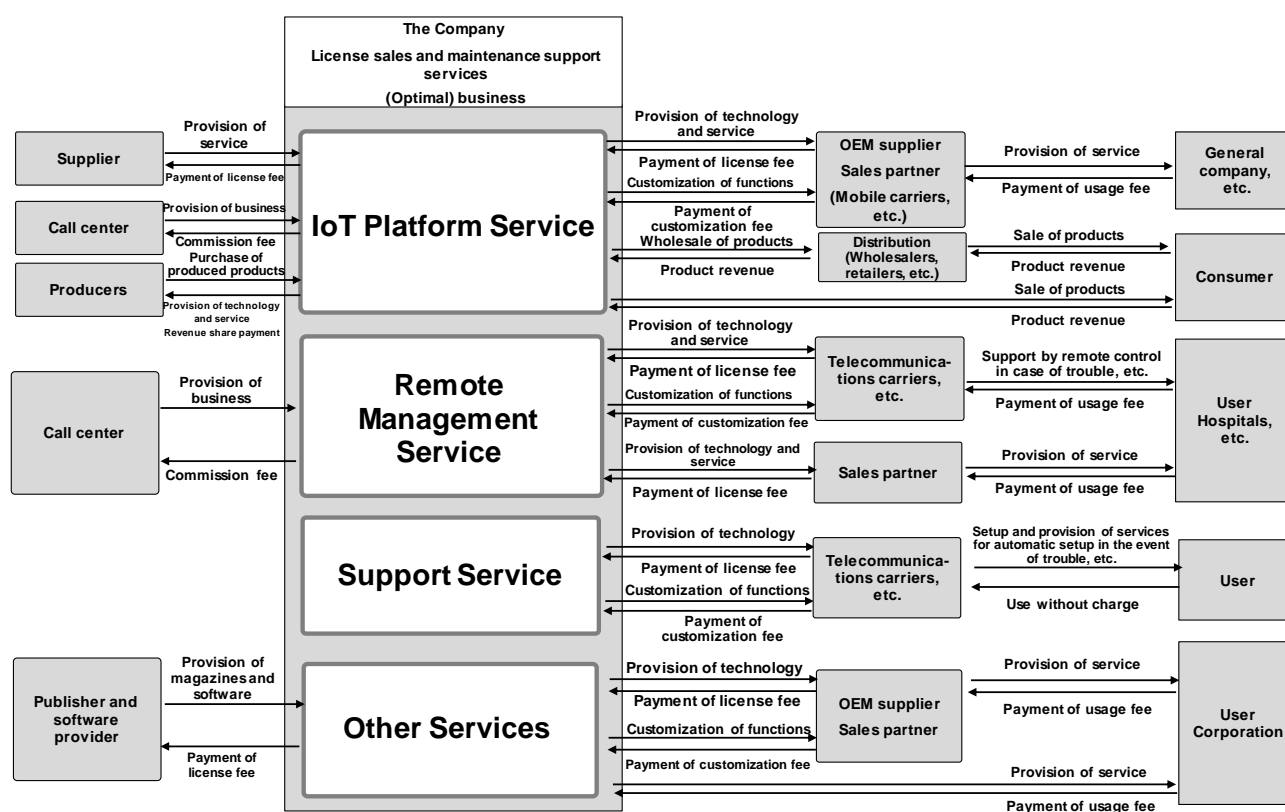
(4) Other Services

Other Services include the following products and services. The services are provided mainly by sales partners, and users can use the services by paying a fixed monthly fee.

Product/service name	Outline
1. Unlimited use of PC software	This is a service for individuals that allows unlimited use of computer software and unlimited reading of e-books for a fixed fee. A wide range of contents are available, from software in various genres, such as antivirus and New Year's card making, to e-books that are useful when you have trouble using your computer.
2. Tabuho (Unlimited magazine reading service)	This is an e-book service that offers unlimited access to popular magazines in a wide range of genres from business to hobbies and recipes. Since an online printing service is also included, users can enjoy using their tablets and smartphones more conveniently and with greater security.
3. Other products	These are existing partially offered products or individually customized products.

[Business chart]

The following is a chart of the Group's main business lines.



- *1 IT literacy ... The ability to manage and utilize information and data using information equipment and IT networks. The ability to use computers in a broad sense, such as the ability to work efficiently with a variety of application software.
- *2 Device ... Information terminal equipment
- *3 IT support services ... Assistance in the use and management of information equipment, IT applications and services
- *4 Cloud ... The term "cloud computing" refers to a method of providing software and hardware usage rights to users as a service over a network, and the term "cloud" refers to data centers and the group of servers that operate within them.
- *5 OS ... Operating System: A type of software that provides the basic functions offered by the equipment. Typical operating systems for smartphone devices include Apple's iOS, Android OS developed by Google, and Microsoft's Windows.
- *6 Solution ... A product or service that can solve a problem and issue or meet a demand and requirement, as well as a combination of such products and services
- *7 Revenue sharing ... A method in which business revenues are divided between the ordering and receiving sides in accordance with a pre-agreed ratio
- *8 DX ... Digital transformation: The concept is that the penetration of IT will change people's lives for the better in all aspects, meaning that companies will use technology to fundamentally change the performance and scope of their business.
- *9 Blockchain ... A type of database technology for recording information. This is a technology that manages data in units called blocks and connects them like a chain to store data.
- *10 LiDAR ... Abbreviation for Light Detection and Ranging. This is a type of sensor technology that uses laser beams to accurately detect the distance to an object, its position, and shape.
- *11 GNSS receiver ... Equipment that receives radio waves transmitted from multiple navigation satellites to the ground and acquires positioning information
- *12 Operator ... A person in charge of directly operating a machine, etc. Operation may be performed remotely over a network.
- *13 Kiosk terminal ... An information terminal installed in a store or other location to provide information services
- *14 Router ... Communication equipment that determines the communication path when communicating on a network

4. Status of Affiliated Companies

Name	Address	Share capital (1,000 yen)	Details of business	Percentage of voting rights held or owned (%)	Details of the relationship
(Consolidated subsidiary)					
OPTiM Agri Michinoku Corporation (Note) 1 and 2	Aomori-shi, Aomori	80,000	Smart agriculture business	95.0	Provision of services using our smart agriculture solutions. Officers serve concurrently.
OPTiM Bank Technologies Corporation (Note) 1	Saga-shi, Saga	30,000	Sales of AI and IoT solutions	95.0	Sales of our AI and IoT solutions. Officers serve concurrently.
Landlog Marketing Corporation (Note) 1	Minato-ku, Tokyo	10,000	Sales of ICT equipment for the construction industry	100.0	Loan of funds. Officers serve concurrently.
YURASCORE Co., Ltd. (Note) 1	Minato-ku, Tokyo	1,000	Development and sales of cloud CRM	100.0	Loan of funds. Development and provision of CRM system to the Company.
(Affiliates accounted for by the equity method)					
D'PULA Medical Solutions Corporation	Chuo-ku, Kobe-shi, Hyogo	50,000	DX solution services in the healthcare industry	49.0	Provision of services using our healthcare solutions. Officers serve concurrently.
NTT e-Drone Technology Corporation NTT e-Drone Technology	Asaka-shi, Saitama	490,000	Drone solution business	34.0	Hardware and software development support. Officers serve concurrently.
DXGoGo Corporation	Minato-ku, Tokyo	100,000	Sales of AI and IoT solutions	49.0	Sales of our AI and IoT solutions.
Net Resource Management, Inc.	Chiyoda-ku, Tokyo	170,000	Sales of AI and IoT solutions	15.9	Provision of our IoT Platform Services.
1 other company	-	-	-	-	-

(Note) 1. Since the Group's business segment is a single segment of license sales and maintenance support service (Optimal) business, specific business activities are listed in the "Details of business" column.

2. The company is a specified subsidiary.

5. Status of Employees

(1) Status of consolidated companies

As of March 31, 2022

Name of segment	Number of employees (persons)
Optimal business	365 [69]
Total	365 [69]

- (Note) 1. The number of employees is the number of full-time employees (excluding employees transferred from the Group to outside the Group and including employees transferred from outside the Group to the Group). The number of temporary employees (dispatched employees and part-timers) shown in [] is a supplemental figure representing the average number of employees during the year.
2. Since the Group's business segment is a single segment of license sales and maintenance support service (Optimal) business, the number of employees by segment is not stated.
 3. The increase of 49 employees over the previous fiscal year was mainly due to the active hiring of engineers.

(2) Status of the submitting company

As of March 31, 2022

Number of employees (persons)	Average age (years old)	Average years of service (years)	Average annual salary (1,000 yen)
349 [68]	33.2	4.4	5,793

- (Note) 1. The number of employees is the number of full-time employees (excluding employees transferred from the Company to outside the Company and including employees transferred from outside the Company to the Company). The number of temporary employees (dispatched employees and part-timers) shown in [] is a supplemental figure representing the average number of employees during the year.
2. Average annual salary includes bonuses and surplus wage.
 3. Since the Company's business segment is a single segment of license sales and maintenance support service (Optimal) business, the number of employees by segment is not stated.
 4. The increase of 50 employees over the previous fiscal year was mainly due to the active hiring of engineers.

(3) Status of labor unions

No labor union has been formed, but labor-management relations are amicable.

2. Status of Business

1. Management Policy, Business Environment, and Issues to be Addressed

The forward-looking statements in the document are based on the judgment of the Group as of the end of the fiscal year under review.

(1) Management policy

Under the slogan of "We make the Net as simple as breathing," the Company's mission is to change the current situation in which IT literacy is still required to use the Internet, which has become an infrastructure for daily life, and to turn the Internet itself into something like air, which people can use without being aware of it at all. Since its establishment, the Company has been committed to the development of products and services that support all people in enjoying the creativity and convenience offered by the Internet equally.

By constantly and aggressively conducting research and development in new fields and building intellectual property, we simultaneously create new markets and generate innovation, thereby aiming to create universal technologies, services, and business models that will have a significant positive impact on people around the world.

(2) Management strategy, etc.

Under the slogan of "We make the Net as simple as breathing," the Company is developing four services: IoT Platform Services, Remote Management Services, Support Services, and Other Services. In order to realize our goal of "creating universal technologies, services, and business models that will have a significant positive impact on people around the world," we will expand our business through the following three growth strategies.

(i) Expand domestic market share and cultivate potential markets through existing products and services

- Expand market share by providing robust security technologies and products for enterprise customers
- Expand our advantage through unique products and services incorporating our extensive patent portfolio
- Strengthen the platform through continuous development investment in the platform
- Expand sales by leveraging the sales force and coverage of the sales channel
- Promote alliance strategies by leveraging our No. 1 market share in growth markets and provide value through mutual synergies
- Develop products and services to cope with newly created markets and changes in the environment

(ii) Create markets by extending existing products and services (peripheral areas)

- Promote Corporate DX to improve efficiency and reduce costs in office operations

(iii) Create markets through new products and services

- Research and development of AI, IoT, and Robotics markets, and deployment of products and services
- Restructuring of the industrial structure by combining IT with various industrial fields (agriculture, healthcare, construction, etc.), promotion as Industrial DX
- Deployment of products and services utilizing device management technology and big data

(3) Objective indicators for judging the achievement of management goals, etc.

The Group believe that in the fiscal year ending March 31, 2023, it will continue to be important to invest in development in order to become a central company in the 4th Industrial Revolution. And since we believe that sales growth is the source of this investment and the source of future profits, we focus on sales growth as an objective indicator.

(4) Business environment

Recently, technological advances such as AI, IoT, and Robotics are advancing at a dizzying pace, and a new technological revolution, the 4th Industrial Revolution, is taking place in all industries. The convergence of AI, IoT, and Robotics is expected to have an impact that will not only improve the efficiency of production and manufacturing sites, but also change all industries.

On the other hand, the long-term global spread of COVID-19 has become a problem. This has transformed people's social lives, creating what is known as the new normal and giving rise to a variety of needs that have never existed before.

(5) Business and financial issues to be addressed as a priority

The main issues to be addressed by the Group are as follows.

(i) Expansion of sales

The Group's business model is based on a sales structure centered on stock-based licensing revenues. In addition, the existing markets in which the Group operates, including EMM and MDM, continue to expand steadily. We continue to be well positioned in this market, and we expect this trend to continue.

The Group determined the priority of services to focus on by examining the services currently being developed from various perspectives, including the future potential of the market, the Group's superiority in that market, market share, and the status of competitors.

Based on the priorities, we will make aggressive growth investments to strengthen the development of killer services and utilize our strong sales network to promote sales of killer services, thereby raising the level of stock sales that will support stable growth in the future.

(ii) Expansion of development personnel and strengthening of the organization

In software service licensing, the Group's main source of income, the most important issue is to increase the number of development department personnel and strengthen the development system in order to handle multiple large-scale projects. The Group believes that the number of engineers itself is the source of its competitiveness, and the Group is united in its efforts to recruit engineers.

On the other hand, there is a notable shortage of engineers in the IT-related fields in which the Group operates, particularly in AI-related fields. In addition to acquiring talented engineers, we will work to raise the level of our organization by providing training and study sessions for our current development personnel, and we will also review our personnel and salary systems to reduce retirement risks.

We will further strengthen and improve our development system by improving our project management methods and other measures through the use of temporary employees with skills that match each project.

(iii) Strengthening of intellectual property strategy

The Group believes that the source of business growth lies in innovation, and has been actively engaged in research and development activities since its establishment. In particular, from the fiscal year ended March 31, 2018, we have been working to strengthen the personnel and operational structure of our research and development department in order to establish a foothold to become a core company in the 4th Industrial Revolution.

In addition, since intellectual property rights are the basis of differentiation from competitors and an important means to develop new markets and customers, we have been working on speeding up and streamlining our operations in addition to the integrated planning and promotion of business and intellectual property strategies so that the acquisition of intellectual property rights is in synchronization with our business development.

One example of such efforts is the "Contract Management System" (Patent No. 6290459), which won the Minister of Education, Culture, Sports, Science and Technology Award at the FY2021 Kyushu Regional Invention Awards. This patent was granted for the research and development results of the new service "OPTiM Contract" announced in May 2021.

The knowledge gained through these efforts is disseminated domestically and internationally to contribute to industrial development through intellectual property. At a symposium hosted by the World Intellectual Property Organization (WIPO) in December 2021, our President, Shunji Sugaya, gave a lecture on the challenges of the 4th Industrial Revolution utilizing intellectual property. In addition, our agricultural business was recently featured in WIPO's IP Advantage (a database of intellectual property use cases from around the world).

We will continue our efforts to secure competitive advantage through the acquisition of intellectual property rights.

(iv) Impact of the spread of COVID-19

The Group has placed the highest priority on employee safety by introducing remote work and taking other measures, but we

believe that the impact on business operations is minor.

In addition, stock-type license income, which is the core of the Group's sales, has remained steady, partly due to the penetration of DX services under the impact of COVID-19.

On the other hand, while there is no prospect of cessation of COVID-19, consumer spending and corporate earnings are expected to gradually recover due to various government policies and the dissemination of vaccines, but the economic outlook remains uncertain due to continued restrictions on travel and economic activities both in Japan and overseas. The Group has also been affected by changes in the policies and measures toward COVID-19 of partner companies, especially with regard to customization income generated when partner companies introduce the Group's services. At this time, when the future status of COVID-19 infection and its impact on society are uncertain, there is an aspect of uncertainty as to the extent to which it will affect our Group.

In the unlikely event that the spread of COVID-19 continues for a prolonged period of time and does not subside, it could lead to a decline in the economy itself, which may affect our Group as well.

(v) Compliance with the criteria for maintaining the listing in the prime market

The Company moved to the prime market upon the reorganization of the market classification of the Tokyo Stock Exchange, Inc. in April 2022, but does not meet the criteria for the ratio of tradable shares. We believe that meeting the criteria for maintaining our listing in the prime market will be an important management prerequisite for the future enhancement of our corporate value over the medium to long term.

Based on the progress based on the plan for compliance with the criteria for maintaining the listing, which was submitted on June 30, 2022, the Company intends to meet the criteria for maintaining the listing by the fiscal year ending March 31, 2027, by implementing measures to meet the ratio of tradable shares.

2. Business and Other Risks

Matters related to the business and accounting conditions described in this document that may have a material effect on investors' decisions include the following. In addition, even if such risk factors are not necessarily applicable, matters that are considered important for investors' investment decisions are disclosed below from the viewpoint of proactive information disclosure to investors. While it is the Group's policy to be fully aware of the possibility of the occurrence of these risks and to endeavor to avoid their occurrence and to respond to them if they do occur, the Group believes that investment decisions regarding the Company's shares should be made after careful consideration of this section and other items in this document.

Forward-looking statements in the document are based on the judgment of our Group as of the date of submission of this document, and do not cover all possible risks that may arise in the future.

(1) Dependence on a specific person

Shunji Sugaya, the founder and President, has been the CEO of the Company since its establishment and has provided leadership with respect to management and business policy decisions, development, service lineups, product concepts, etc. In addition, the Group is dependent on his personal abilities, as many of the patents held by the Group were invented by him. Therefore, we are building a management system that does not excessively depend on him by delegating authority to the responsible person of each department. However, if unforeseen circumstances should occur to him, the Group's business and earnings could be affected.

(2) Risks related to system downtime and information security

The Group's business relies on the Internet communications network as the foundation of its services. Therefore, if the Internet communication network is cut off due to a natural disaster or accident, the Group will not be able to provide its services. In addition, the Group's services may be halted due to server suspension caused by temporary overload resulting from an unexpectedly rapid increase in access, or due to hardware or software defects of the Group or its business partners. If such problems occur and the Group is unable to fully utilize its functions, it may lead to a decline in the Group's business performance. In addition, there is a possibility that important data may be erased or illegally obtained due to contamination by computer viruses, computer intrusion by illegal means from outside the company, or errors by executives and employees. In the event of any of these events, the Group may suffer direct or indirect damage, and the loss of trust in the Group's services may affect our business and earnings.

(3) Dependence on specific transactions and specific business partners

The Group's sales to KDDI Corporation have increased due to the provision of IoT Platform Services, and the percentage of sales to KDDI Corporation was 34.5% in the current consolidated fiscal year. KDDI Corporation stipulates the following events as grounds for immediate termination in the contract (the contents are examples, and the contents of all contracts are not necessarily the same as the following).

- If either party ceases payment or becomes insolvent, dishonors any draft or check, files for attachment, provisional attachment, provisional disposition or auction, files for commencement of bankruptcy, corporate reorganization proceedings or rehabilitation proceedings, dissolves, or attempts to transfer all or a material part of its business to a third party, or fails to perform all or part of this Agreement without justifiable reason.
- When the Company assigns, succeeds, delegates, or undertakes to a third party the rights or obligations arising from the contract without the consent of the counterparty, etc.

The Group maintains good relationships with KDDI Corporation, and no reasons for termination have arisen to date. However, if any of the above reasons for termination were to occur and the contracts were terminated, the Group's business performance could be affected.

(4) Market trends

The MDM and AI markets are the main earnings drivers for the Group. However, if the MDM and AI markets do not expand as much as expected, the Group's business performance may be affected.

(5) Competition

Although the Group has been able to establish a certain position in Japan with respect to IoT Platform Services and Remote Management Services, competition is intensifying, especially among global players. Failure to win market share battles with competitors or intensified price competition could affect our business performance.

(6) New business

In our philosophy, we state our objective as "creating universal technologies, services, and business models that will have a significant positive impact on people around the world." Therefore, as we continue to work on new businesses, research and development expenses may precede and lower profit margins in the future. Also, if the new business does not grow as expected, the Group's business performance may be affected.

(7) Response to technological innovation

In the IT industry in which the Group operates, the pace of technological innovation is rapid and the needs of users are constantly changing. In order to respond to these changes, the Group tries to be ahead of our competitors in research and development of new technologies and addition of new functions. However, delays in responding to new versions of operating systems and other technologies, delays in adding new functions, delays in responding to new devices and terminals, and the emergence of alternative services to replace our services may cause our services to lose competitiveness and affect our business performance.

(8) Intellectual property rights

In the event that a third-party is granted a patent in the Group's business domain, the Group's business development may be hindered and its business performance may be affected. In the event of infringement of our patents by a third party, the Group's business performance may be affected. In addition, the service may become commoditized after the patent expires.

(9) Legal regulations

The Group's businesses are primarily subject to legal restrictions under the Act on Specified Commercial Transactions, the Installment Sales Act, the Act on the Protection of Personal Information, the Act against Unjustifiable Premiums and Misleading Representations (Unjustifiable Premiums Act), and the Consumer Contract Act. In addition, some of the Group's businesses may be affected by relevant laws and regulations, such as the Medical Practitioners Act, the Medical Service Act, the Pharmaceutical Affairs Act, and the Revised Civil Aeronautics Act.

Although the Group is striving to strengthen and improve its compliance system, the occurrence of a problem such as a violation of these legal regulations, or the addition of new regulations due to amendments, etc., to these legal regulations, could affect the Group's business results.

(10) Strengthening of internal control system

The Group recognizes that effectively functioning corporate governance is indispensable for the continuous growth of corporate value. We will ensure the proper operation of the internal control system to ensure the appropriateness of our operations and the reliability of our financial reporting, as well as thorough compliance with laws and regulations based on sound ethical standards. However, if the rapid expansion of our business makes it difficult for us to establish a sufficient internal control system, it may become difficult for us to operate our business properly, which may affect our business and earnings.

(11) Dividend policy

The Company considers the strengthening of its financial position and securing of its competitiveness as one of its most important management issues, as well as the return of profits to shareholders. The Company believes that it is in the process of growth, and that the greatest return to shareholders will come from increasing retained earnings and allocating them to investments to improve business efficiency and expand operations. For this reason, the Company has not paid dividends since its establishment and will continue to seek to increase its retained earnings for the time being. In the future, we intend to consider returning profits to shareholders while taking into account the operating results for each fiscal year. At present, however, the possibility of paying dividends and the timing of such payment have not yet been determined.

(12) Performance weighted toward the second half of the fiscal year

Since the Group develops software and builds systems for its corporate clients, budgets are determined at the beginning of the fiscal year and the Group completes its products, etc., within the same fiscal year, so there is a tendency that clients tend to receive more of the products, etc., in the second half of the year. Therefore, if the timing of sales recognition is postponed due to delays in acceptance of products, etc., the Group's business and earnings may be affected.

(13) Research and development

The Group's business model is not simply contracted development, but rather the licensing of technologies developed in-house, and the Group invests a large amount of its budget in research and development, which underpins its business model. Our R&D policy is based on surveys and reports, and is based on forecasts of user needs and competitor trends, etc. However, if the forecasts are significantly wrong, or if we have to change our policy regarding R&D, the Group's business and earnings may be affected.

(14) Overseas expansion

The Group intends to aggressively expand its business overseas in the future. In the event that we are unable to smoothly promote our business due to difficulties in responding to laws, regulations, social conditions, and user needs in each country in the course of overseas expansion, the Group's business and earnings may be adversely affected. In addition, the emergence of anti-Japanese activities and other country risks in each country could have an impact on the Group's overseas operations.

(15) Securing and developing talented human resources

In the development of the Group's business, including the provision of new services, personnel with advanced technical skills are needed for software development and system construction. Thus, we create opportunities to make contacts with talented students and programmers by holding various events such as internships, study sessions on programming, and information exchanges at our group companies to conduct more efficient recruitment activities. We also train our employees to acquire skills that respond to the speed of technological innovation and secure necessary personnel by accepting some temporary workers. However, if we are unable to secure and train talented personnel as expected, or if we are unable to secure talented temporary workers, or if temporary staffing fees fluctuate, the Group's business and earnings could be affected.

(16) Sales from OEM suppliers and sales partners in IoT Platform Services

In the Group's IoT Platform Services, a large portion of the Group's sales come not only from in-house sales, but also from sales provided by OEM suppliers and through sales partners. Although the Group is working to further strengthen relationships with its current OEM suppliers and sales partners by checking their needs from time to time, responding to them promptly, and reinforcing the support system for users, its business and earnings could be affected in the event that an OEM supplier or sales partner switches to a competitor or stops selling the Group's products due to a change in sales policies.

(17) Security deposits and guarantees

The Group rents offices and other facilities, including OPTiM TOKYO (Tokyo headquarters). Although we have mitigated the risk by conducting credit checks through various procedures with respect to the companies with which we have contracts, if the security deposits and guarantees (total amount for seven contracts: 560,888,000 yen as of the date of submission of this document) are not repaid due to the status of the companies with which we have contracts, it may affect our group's business performance.

(18) Payment of invention fees

The Group provides products and services with technological superiority by developing products with patented technologies. Therefore, in order to encourage Board Directors and employees to make inventions that lead to intellectual property rights, the Company's intellectual property rights management regulations stipulate the payment to Directors and employees at the time of application for a patent, the payment at the time of registration of a patent, and the profit accrual payment upon generation of profits when a patent is commercialized and leads to profits. Of these, with respect to the profit accrual payment, payment is made every fiscal year as long as profits related to the patent accrue. In the current fiscal year, the amount of payment at the time of filing, registration, and profit accrual are 450,000 yen, 1,380,000 yen, and 1,805,000 yen, respectively. If a lawsuit is filed by a Board Director or an employee regarding ownership or other rights related to a patent, the Group's business and financial results may be affected.

(19) Agreements with platformers, etc.

For IoT Platform Services, Remote Management Services, and Other Services provided by the Group, there are cases where the Group provides services through platform providers after concluding contracts or agreeing to agreements with major platform providers, including Apple Inc. and Google Inc. Therefore, if the Group's services become difficult to provide due to a change in business strategy or policy of a platform operator, the Group's business and earnings may be affected.

(20) Impairment of software

The Group capitalizes software (including software in progress) that is deemed certain to generate future revenue or reduce costs. However, if the Group's large-scale software projects were to change plans, or if the Group's ability to generate revenue or reduce costs were to be impaired due to a review of usage conditions or other factors, and the assets needed to be written off or impaired, the Group's business and earnings could be affected.

(21) Impact of the spread of COVID-19

The Group has placed the highest priority on employee safety by introducing remote work and taking other measures, but we believe that the impact on business operations is minor. In addition, stock-type license income, which is the core of the Group's sales, has remained steady, partly due to the penetration of DX services under the impact of COVID-19.

On the other hand, while there is no prospect of cessation of COVID-19, consumer spending and corporate earnings are expected to gradually recover due to various government policies and the dissemination of vaccines, but the economic outlook remains uncertain due to continued restrictions on travel and economic activities both in Japan and overseas. The Group has also been affected by changes in the policies and measures toward COVID-19 of partner companies, especially with regard to customization income generated when partner companies introduce the Group's services. At this time, when the future status of COVID-19 infection and its impact on society are uncertain, there is an aspect of uncertainty as to the extent to which it will affect our Group.

In the unlikely event that the spread of COVID-19 continues for a prolonged period of time and does not subside, it could lead to a decline in the economy itself, which may affect our Group as well.

3. Management's Analysis of Financial Position, Operating Results and Status of Cash Flows

(1) Overview of operating results

The following is a summary of the financial position, operating results, and cash flows (hereinafter referred to as "operating results") of our group (the Company and its consolidated subsidiaries) for the current consolidated fiscal year.

(i) Status of financial position and operating results

During the current consolidated fiscal year, the Japanese economy has shown signs of recovery as the severe situation caused by the novel coronavirus pandemic (hereinafter referred to as COVID-19) has eased.

In this market environment, the Group has been engaged in our business through continued aggressive investment for growth in order to develop new markets by promoting two types of DX (*1), categorized as Corporate DX for digitalization to improve and streamline internal operations, as well as Industrial DX for digitalization to create businesses using digital technologies.

First, regarding the status of Corporate DX in the current consolidated fiscal year, the number of licenses has been growing steadily as teleworking has been popularized with the spread of COVID-19 and the need for Optimal Biz, which contributes to the management and operation of terminals used for teleworking, has increased.

In the current fiscal year, the Company also launched new services: Optimal Remote Web, Optimal Remote IoT, OPTiM ID+ (Plus), OPTiM Contract, and OPTiM Digital Marketing.

The next section provides the status of Industrial DX in the current fiscal year.

With regard to initiatives in the agricultural sector under "Industrial DX," we began offering a "pinpoint time spraying" service that enables timely pest control based on field-specific digital analysis. The "Pinpoint Time Spray" service, which combines the growth forecasting technology and pest outbreak prediction technology we have cultivated with the knowledge of drone pest control, allows us to apply the minimum amount of pesticides at the appropriate time and expect maximum pest control effects. Also, this year, the company continued to sell "Smart Rice 2022," new rice produced in fiscal 2021 of "Smart Rice," which is safe and secure rice produced using AI and drones to reduce the use of pesticides.

In the healthcare field, the introduction of the hinotori™ Surgical Robot System (hereinafter referred to as hinotori™), the first made-in-Japan robotic assisted surgery system, is being promoted, and the Group continues to support its introduction in terms of software, including the Medicaroid Intelligent Network System (MINS), a platform for the network support system for hinotori™, develop peripheral services, and cooperate in things like enhancement and addition of functions. Progress has also been marked by new orders for large-scale projects, etc.

In the construction field, we launched OPTiM Geo Scan, a smartphone 3D surveying application. OPTiM Geo Scan is an application that allows users to generate highly accurate three-dimensional data required by civil engineering sites through the scanning of survey targets such as soil structures with a smartphone or tablet. In addition, OPTiM Geo Scan is linked with ScanX, a service of ScanX, K.K. that enables processing, analysis, and sharing of 3D point cloud data in the cloud, as well as OPTiM Geo Point, a GNSS (*2) surveying and staking application that improves survey accuracy, as a free option for OPTiM Geo Scan.

Also, we held an online event called OPTiM INNOVATION 2021 to introduce our activities in various fields, as well as AI and IoT solutions that can be immediately applied to business. This year's theme is "DX to change your work" and is aimed at the construction, agriculture, healthcare, and other fields. By introducing solutions and case studies that realize DX in various industries to the participants of the event, we are promoting the Group's AI and IoT solutions.

*1 DX: Digital transformation The concept is that the penetration of IT will change people's lives for the better in all aspects, meaning that companies will use technology to fundamentally change the performance and scope of their business.

*2 GNSS: Abbreviation for Global Navigation Satellite System A global positioning system using satellites (positioning satellites).

As a result, the financial position and operating results for the current fiscal year were as follows.

a. Financial Position

(Assets)

Total assets at the end of the current consolidated fiscal year amounted to 7,387,477,000 yen, an increase of 1,138,570,000 yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 474,277,000 yen in cash and deposits, despite increases of 470,304,000 yen in notes and accounts receivable-trade and contract assets, 866,904,000 yen in software, and 224,771,000 yen in leasehold and guarantee deposits.

(Liabilities)

Total liabilities at the end of the current consolidated fiscal year amounted to 2,138,674,000 yen, an increase of 245,656,000 yen from the end of the previous consolidated fiscal year. This was mainly due to a 497,400,000 yen increase in short-term borrowings.

(Net assets)

Total net assets at the end of the current consolidated fiscal year amounted to 5,248,802,000 yen, an increase of 892,913,000 yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in retained earnings of 943,561,000 yen resulting from net income attributable to parent company shareholders.

b. Operating results

Consolidated operating results for the current fiscal year were as follows: net sales of 8,310,717,000 yen (up 10.5% year on year), operating profit of 1,534,621,000 yen (down 15.2% year on year), ordinary profit of 1,485,545,000 yen (down 25.7% year on year), and profit attributable to owners of parent of 943,561,000 yen (down 23.8% year on year).

(ii) Cash flow status

Cash and cash equivalents (hereinafter referred to as cash) at the end of the current fiscal year decreased by 474,277,000 yen from the end of the previous fiscal year to 979,399,000 yen.

The status of cash flows and their main factors during the current fiscal year are as follows.

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

Net cash provided by operating activities amounted to 698,237,000 yen (1,323,462,000 yen in the same period of the previous year). This was mainly due to profit before income taxes of 1,485,545,000 yen, depreciation and amortization expense of 492,789,000 yen, an increase in trade receivables of 470,304,000 yen, and income taxes paid of 830,769,000 yen.

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

Net cash used in investing activities amounted to 1,666,254,000 yen (1,151,757,000 yen used in the same period of the previous year). This was mainly due to expenditures of 1,110,901,000 yen for the purchase of intangible fixed assets, 167,027,000 yen for the purchase of stocks of subsidiaries and affiliates, and 331,475,000 yen for the payment of leasehold and guarantee deposits.

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

Net cash provided by financing activities amounted to 493,739,000 yen (620,000 yen in the same period of the previous year). This was mainly due to proceeds from short-term borrowings of 500,000,000 yen.

(iii) Records of production, orders received and sales

a. Production

Since there are no items applicable to production, there are no relevant items concerning production records.

b. Orders received

Since the Group does not manufacture products on a make-to-order basis, there are no relevant items concerning records of orders received.

c. Sales

As the Group has a single segment, the information is presented by service.

Name of service	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)	
	Sales (1,000 yen)	Year on year (%)
IoT Platform Services	6,922,893	112.8
Remote Management Services	778,587	98.2
Support Services	114,864	88.2
Other Services	494,372	107.8
Total	8,310,717	110.5

(Note) Sales results by major customer and percentage of such sales results to total sales results for the current consolidated fiscal year

Customer	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)		Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)	
	Sales (1,000 yen)	Percentage (%)	Sales (1,000 yen)	Percentage (%)
KDDI Corporation	2,494,784	33.2	2,870,756	34.5

(2) Analysis and discussion from the viewpoint of management regarding the operating results and others

The following is our recognition, analysis, and discussion regarding the status of the Group's operating results, etc., from the management's point of view.

The forward-looking statements in this document are based on judgments made as of the end of the current fiscal year.

(i) Recognition, analysis and discussion regarding the status of financial position and operating results

a. Operating results, etc.

1) Financial position

For an analysis of financial position, please refer to "(1) Overview of operating results, etc., (i) Status of financial position and operating results, a. Financial position."

2) Operating results

(Net sales)

Net sales in the current consolidated fiscal year amounted to 8,310,717,000 yen (up 10.5% from the same period of the previous year). This was mainly due to an increase in license income, with sales of IoT Platform Services amounting to 6,922,893,000 yen (up 12.8% year-on-year).

(Cost of sales)

Cost of sales in the current consolidated fiscal year was 3,728,929,000 yen (up 26.7% year-on-year). This was mainly due to an increase in cost of sales, accompanying an increase in revenues from IoT Platform Services.

As a result, gross profit amounted to 4,581,787,000 yen (up 0.2% year-on-year).

(Selling, general and administrative expenses)

Selling, general and administrative expenses for the current consolidated fiscal year were 3,047,166,000 yen (up 10.2% year-on-year). This was mainly due to an increase in depreciation expense resulting from the fact that, following the relocation of the Tokyo head office in the current fiscal year, the useful lives of fixed assets that will no longer be available for use were changed to the period up to the completion of the relocation and depreciation was carried out over the remaining period of the assets.

As a result, operating profit amounted to 1,534,621,000 yen (down 15.2% year-on-year).

(Non-operating expenses (income))

Non-operating income for the current consolidated fiscal year was 30,474,000 yen (down 85.1% year-on-year). This is mainly due to the difference in consumption taxes.

Non-operating expenses for the current consolidated fiscal year amounted to 79,550,000 yen (up 550.3% year-on-year). This was mainly due to share of loss of entities accounted for using equity method.

As a result, ordinary profit was 1,485,545,000 yen (down 25.7% year-on-year).

(Extraordinary loss (income))

There were no extraordinary income items in the current consolidated fiscal year (there were no extraordinary income items in the previous consolidated fiscal year).

There was no extraordinary loss in the current consolidated fiscal year (16,294,000 yen in the previous consolidated fiscal year).

As a result, profit before income taxes amounted to 1,485,545,000 yen (down 25.1% year-on-year).

(Profit (loss) attributable to owners of parent)

Total income taxes for the current consolidated fiscal year amounted to 542,293,000 yen (741,438,000 yen for the previous consolidated fiscal year), a decrease of 199,144,000 yen from the previous consolidated fiscal year. This was mainly due to a decrease in taxable income resulting from an increase in selling, general and administrative expenses.

As a result, profit attributable to owners of the parent amounted to 943,561,000 yen (down 23.8% year-on-year).

b. Recognition and discussion of the status of operating results, etc.

Major factors affecting the Group's management include market trends, responses to technological innovations, etc. The MDM/EMM market in which the Group operates continues to expand steadily, and the Group's position in that market remains dominant. Meanwhile, the major global trend is shifting at an accelerated pace to the Fourth Industrial Revolution utilizing AI, IoT, and Robotics. At this major turning point of the times, we believe that the Group must continue to invest in R&D to become a company that plays a central role in the Fourth Industrial Revolution by sublimating the technologies we have developed in the MDM/EMM market into the fields of AI, IoT, and Robotics. Specifically, we will continue to promote our efforts to rebuild industry and industrial foundations with the power of IT through "XX x IT," which integrates IT with various industries and sectors, which we have been working on for the past several years, and we will strive to disperse risk factors that could significantly affect our business performance as well as to control and appropriately address risks by responding to technological innovation, acquiring intellectual property rights, and taking other measures.

Factors that may have a significant impact on the Group's operating results are described in Section 2. Business Conditions, 2. Business and Other Risks.

c. Management policies, management strategies, objective indicators for judging the achievement of management objectives, etc.

The Group believes that an increase in sales is the source of R&D investment and the source of future profits, and places importance on intellectual property rights (patent rights) as the result of increased sales and R&D investment.

Net sales for the current consolidated fiscal year reached 8,310,717,000 yen. With respect to stock-type license revenues, which account for a large portion of net sales, the Company was able to accumulate a number of licenses, particularly for its IoT Platform Services, and these revenues are growing steadily.

Since intellectual property rights (patent rights) are the basis of differentiation from competitors and an important means to develop new markets and customers, we have been working on speeding up and streamlining our operations in addition to the integrated planning and promotion of business and intellectual property strategies so that the acquisition of intellectual property rights is in synchronization with our business development.

One example of such efforts is the "Contract Management System" (Patent No. 6290459), which won the Minister of Education, Culture, Sports, Science and Technology Award at the FY2021 Kyushu Regional Invention Awards. This patent was granted for the research and development results of the new service "OPTiM Contract" announced in May 2021.

The knowledge gained through these efforts is disseminated domestically and internationally to contribute to industrial development through intellectual property. At a symposium hosted by the World Intellectual Property Organization (WIPO) in December 2021, our President, Shunji Sugaya, gave a lecture on the challenges of the 4th Industrial Revolution utilizing intellectual property. In addition, our agricultural business was recently featured in WIPO's IP Advantage (a database of intellectual property use cases from around the world).

We will continue to work on further strengthening our R&D system and securing competitive advantage by acquiring intellectual property rights in order to become a central company in the realization of the Fourth Industrial Revolution.

(ii) Analysis and discussion of the status of cash flows and information related to the financial resources of capital and the liquidity of funds

Overview of operating results For an analysis of the Group's cash flows for the current fiscal year, please refer to (1) Overview of operating results , (ii) Cash flow status.

Capital resources and liquidity of funds

The main demand for working capital of the Group is labor and subcontracting costs for R&D investments. Although the Company's basic policy is to use cash on hand and funds generated from operations to provide the necessary working capital, if additional funds are required to execute a large-scale M&A for business expansion, the Company may implement fund-raising measures, including borrowing from financial institutions.

Cash and cash equivalents at the end of the current fiscal year amounted to 979,399,000 yen, accounting for 13.3% of total assets.

(iii) Critical accounting estimates and assumptions used in making such estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. Their preparation requires management's selection and application of accounting policies and estimates that affect the reporting amounts and disclosures of assets and liabilities and revenues and expenses. Management makes these estimates based on reasonable judgments in consideration of past performance, but actual results may differ from these estimates due to the uncertainties inherent in estimates.

The accounting policies that are important for the preparation of these consolidated financial statements are described in Section 5. Status of Accounting, 1. Consolidated Financial Statements, etc., (1) Notes to Consolidated Financial Statements (Important matters that form the basis for the preparation of the consolidated financial statements).

Significant accounting estimates and assumptions used in the preparation of the consolidated financial statements are described in Section 5. Status of Accounting, 1. Consolidated Financial Statements, etc., (1) Notes to Consolidated Financial Statements (Important accounting estimates).

Assumptions related to the impact of COVID-19 in making accounting estimates are described in "Section 5. Status of Accounting, 1. Consolidated Financial Statements, etc., (1) Notes to Consolidated Financial Statements (Additional information).

4. Important Contracts, etc., for Management Purposes

(1) Contracts for products and services

Service category	Name of the other party	Name of the contract	Contents of contract	Contract period
Common	Apple Inc.	iOS Developer Program License Agreement	Terms and conditions for distribution and sale of applications for iOS-based devices	There is no fixed contract term.
	Google Inc.	Market developer sales/distribution agreement	Terms and conditions for distribution and sale of applications for Android-based devices	There is no fixed contract term.

5. Research and Development Activities

The Group's R&D activities are focused on research and development of new services and activities to enhance the functionality of existing services. The total amount of R&D expenses spent by the Group in the current consolidated fiscal year was 1,238,951,000 yen. Note that research and development expenses under selling, general and administrative expenses totaled 1,148,643,000 yen. This was due to the fact that contract income related to research and development was treated as a deduction from selling, general and administrative expenses.

The Group conducts R&D activities in accordance with the following themes

(1) IoT/AI platform R&D

We are conducting research on a platform that manages IoT devices and smart devices, including sensors and cameras, and uses artificial intelligence to analyze data collected from the devices. We also conduct research on general-purpose proprietary software that runs on the platform.

(2) IoT technology/AI technology/robotics R&D

We conduct research on IoT device connection technology and artificial intelligence technology optimized for each industry (agriculture, healthcare, construction, and various other industrial fields), as well as robotics technology including drones.

3. Status of Facilities

1. Summary of Capital Investment, etc.

Capital investment in the current consolidated fiscal year totaled 215,066,000 yen, mainly consisting of 174,266,000 yen for construction of facilities associated with the relocation of OPTiM TOKYO (Tokyo Head Office) and 19,220,000 yen for the purchase of personal computers.

Since the Group's only business is a single business of license sales and maintenance support services (Optimal), a summary of capital investment, etc. by segment is omitted.

2. Status of Major Facilities

Major facilities in the Group are as follows.

Since the Group's only business is a single business of license sales and maintenance support services (Optimal), the description by segment is omitted.

(1) Submitting company

As of March 31, 2022

Office name (Location)	Description of facilities	Book value (1,000 yen)						Number of employees (persons)
		Buildings	Machinery and equipment	Tools, furniture and fixtures	Software, etc.	Other	Total	
OPTiM TOKYO (Tokyo)	Office	297,341	7,626	50,649	1,638,583	69	1,994,270	330 [34]
OPTiM SAGA (Saga)	Office	6,657	4,959	6,054	660	91	18,423	14 [23]
OPTiM KOBE (Hyogo)	Office	18,314	-	1,292	-	-	19,607	5 [0]
TECH CENTER IIZUKA Fukuoka	Office	-	-	2,032	-	-	2,032	0 [11]

(Notes) 1. There are no major facilities currently idle.

2. "Software, etc." includes software and software in progress.

3. The building is leased and the annual rent is 411,456,000 yen.

4. "Others" in the book value is the total of vehicles and telephone subscription rights, and does not include construction in progress.

5. The number of employees is the number of full-time employees, and the number of temporary employees (temporary and part-time employees) is the average number of employees during the year, which is shown in [] as a supplemental figure.

(2) Domestic subsidiaries

As of March 31, 2022

Company name	Office name (Location)	Description of facilities	Book value (1,000 yen)					Number of employees (persons)	
			Buildings	Machinery and equipment	Tools, furniture and fixtures	Software	Other		Total
OPTiM AGRI MICHINOKU Corp.	Head office (Aomori)	Office	287	1,242	562	-	-	2,092	3 [1]
OPTiM Bank Technologies Corp.	Head office (Saga)	Office	691	-	-	-	-	691	5 [0]
Landlog Marketing Corporation	Head office (Tokyo)	Office	-	-	243	-	-	243	0 [0]
YURASCORE Corp.	Head office (Tokyo)	Office	-	-	72	17,565	10,416	28,055	8 [0]

(Notes) 1. There are no major facilities currently idle.

2. The building is leased and the annual rent is 5,645,000 yen.

3. "Other" in book value is goodwill.

4. The number of employees is the number of full-time employees, and the number of temporary employees (temporary and part-time employees) is the average number of employees during the year, which is shown in [] as a supplemental figure.

3. Plans for New Installation, Retirement, etc. of Facilities

(1) New establishment, etc. of important facilities

Not applicable.

(2) Retirement, etc. of important facilities

Not applicable.

4. Status of the Submitting Company

1. Status of Shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Type	Total number of shares authorized (shares)
Common shares	195,712,000
Total	195,712,000

(ii) Number of issued shares

Type	Number of shares issued as of the end of the fiscal year (shares) (March 31, 2022)	Number of issued shares as of the date of submission (shares) (June 30, 2022)	Name of listed financial instruments exchange or registered and licensed financial instruments business association	Details
Common shares	55,139,520	55,141,024	Tokyo Stock Exchange First Section of the Market (as of the end of the fiscal year) Prime Market (as of the date of submission)	The number of shares per unit is 100 shares. This is the standard stock of the Company with full voting rights and no restrictions on the content of rights.
Total	55,139,520	55,141,024	-	-

(Note) Number of issued shares as of the date of submission does not include the number of shares issued upon exercise of stock acquisition rights from June 1, 2022, to the date of submission of this Annual Securities Report.

(2) Status of stock acquisition rights, etc.

(i) Details of the stock option plan

Date of resolution	August 13, 2014
Classification and number of grantees (persons)	Board Director, 4 Corporate Auditor, 1 Employee, 110
Number of stock acquisition rights (rights)*	12,533 [12,486]
Class, description and number of shares to be issued upon exercise of stock acquisition rights (shares)*	Common shares 401,056 [399,552]
Amount to be paid-in upon exercise of the new share subscription rights (yen)*	48 (Note)
Exercise period of stock acquisition rights*	From August 14, 2016 to August 13, 2024
Issue price and amount paid into capital when shares are issued upon exercise of stock acquisition rights (yen)*	Issue price 48 Paid-in capital 24
Terms and conditions for exercise of stock acquisition rights*	<p>Holder of the stock acquisition rights (hereinafter referred to as the "stock acquisition right holders") shall exercise their stock acquisition rights in accordance with the following terms and conditions:</p> <p>(i) Stock acquisition rights may be exercised by the stock acquisition right holders who have received allotment of stock acquisition rights at the time of issuance.</p> <p>(ii) Those who are Board Directors, Corporate Auditors or employees of the Company at the time of issuance of stock acquisition rights must also be Board Directors, Corporate Auditors or employees of the Company, its subsidiaries or affiliates at the time of exercising the stock acquisition rights. However, this shall not apply in cases where the Board of Directors of the Company recognizes that there is a justifiable reason, such as retirement from office due to expiration of term of office or mandatory retirement age.</p> <p>(iii) In the event of the death of a stock acquisition right holder, his or her heirs shall not inherit the stock acquisition rights.</p> <p>(iv) Other conditions for the exercise of stock acquisition rights shall be determined by a resolution of the Board of Directors of the Company issuing the stock acquisition rights.</p>
Matters concerning the transfer of stock acquisition rights*	Any transfer of stock acquisition rights shall require approval by a resolution of the Board of Directors of the Company.
Matters concerning the issuance of stock acquisition rights in connection with reorganization*	-

* Information stated here is as of the end of the current fiscal year (March 31, 2022). The information as of the end of the month prior to the submission date is shown in [] for items that have changed from the end of the current fiscal year to the end of the month prior to the submission date (May 31, 2022), and there is no change in other items from the information as of the end of the current fiscal year.

(Note) If the Company conducts a stock split or reverse stock split after the allotment date of stock acquisition rights, the paid-in amount shall be adjusted according to the following formula, and any fraction less than one yen resulting from the adjustment shall be rounded up.

$$\text{Paid-in amount after adjustment} = \text{Paid-in amount before adjustment} \times \frac{1}{\text{Ratio of split and consolidation}}$$

In the event that the Company issues new shares or disposes of treasury stock at a price below the market value after the allotment date of stock acquisition rights, the amount to be paid in shall be adjusted in accordance with the following formula, and any fraction less than one yen resulting from the adjustment shall be rounded up.

$$\text{Paid-in amount after adjustment} = \frac{\text{Number of shares already issued} \times \text{Exercise price before adjustment} + \text{Number of newly issued shares} \times \text{Paid-in amount per share}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

(ii) Details of the rights plan

Not applicable.

(iii) Status of other stock acquisition rights, etc.

Not applicable.

(3) Status of exercise of bonds with stock acquisition rights subject to exercise price revision, etc.

Not applicable.

(4) Changes in total number of issued shares, share capital, etc.

Period	Increase or decrease in the number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Increase or decrease in share capital (1,000 yen)	Balance of share capital (1,000 yen)	Increase or decrease in legal capital surplus (1,000 yen)	Balance of legal capital surplus (1,000 yen)
April 1, 2017 (Note) 2	6,663,668	13,327,336	-	417,664	-	382,164
From April 1, 2017 to March 31, 2018 (Note) 1	446,784	13,774,120	25,321	442,985	25,321	407,485
From April 1, 2018 to March 31, 2019 (Note) 1	3,416	13,777,536	327	443,313	327	407,813
April 1, 2019 (Note) 2	13,777,536	27,555,072	-	443,313	-	407,813
From April 1, 2019 to March 31, 2020 (Note) 1	2,608	27,557,680	125	443,439	125	407,939
April 1, 2020 (Note) 2	27,557,680	55,115,360	-	443,439	-	407,939
From April 1, 2020 to March 31, 2021 (Note) 1	12,928	55,128,288	310	443,749	310	408,249
From April 1, 2021 to March 31, 2022 (Note) 1	11,232	55,139,520	269	444,018	269	408,518

(Note) 1. The increase is due to the exercise of stock acquisition rights.

2. The increase is due to a stock split (1:2).

3. During the period from April 1, 2022 to April 30, 2022, the total number of issued shares increased by 1,504 shares, and share capital and legal capital surplus increased by 36,000 yen respectively due to the exercise of stock acquisition rights.

(5) Status by shareholder

As of March 31, 2022

Classification	Status of shares (Number of shares per unit: 100 shares)								Status of shares less than one unit (Shares)
	Government and local public organizations	Financial institutions	Financial instruments traders	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (persons)	-	13	27	102	137	15	11,549	11,843	-
Number of shares held (Unit)	-	43,370	5,253	44,074	17,367	31	440,985	551,080	31,520
Percentage of shares held (%)	-	7.87	0.95	8.00	3.15	0.01	80.02	100	-

(Note) 89,348 shares of treasury stock are included in 893 units in "Individuals and others" and 48 shares in "Status of shares less than one unit."

(6) Status of major shareholders

As of March 31, 2022

Name	Address	Number of shares held (Shares)	Ratio of the number of shares held to the total number of shares issued (excluding treasury stock) (%)
Shunji Sugaya	Minato-ku, Tokyo	35,184,800	63.91
Nippon Telegraph and Telephone East Corporation	3-19-2 Nishi-shinjuku, Shinjuku-ku, Tokyo	3,200,000	5.81
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	1,944,200	3.53
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,049,200	1.91
The Dai-ichi Life Insurance Company, Limited (Standing proxy, Custody Bank of Japan, Ltd.)	1-13-1 Yurakucho, Chiyoda-ku, Tokyo (1-8-12 Harumi, Chuo-ku, Tokyo)	811,600	1.47
Katsuzo Ogami	Kita-ku, Osaka-shi, Osaka	645,500	1.17
FUJIFILM Business Innovation Corp.	9-7-3 Akasaka, Minato-ku, Tokyo	589,280	1.07
The Nomura Trust and Banking Co., Ltd. (Trust Account)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	359,000	0.65
Koichiro Nonomura	Ota-ku, Tokyo	300,800	0.55
Seiji Tokuda	Naka-ku, Yokohama-shi, Kanagawa	277,408	0.50
Total	-	44,361,788	80.58

(7) Status of voting rights

(i) Number of issued shares

As of March 31, 2022

Classification	Number of shares (shares)	Number of voting rights (rights)	Details
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (other)	-	-	-
Shares with full voting rights (treasury stock, etc.)	(Shares owned by the Company) Common shares 89,300	-	-
Shares with full voting rights (other)	Common shares 55,018,700	550,187	-
Shares less than one unit	Common shares 31,520	-	Shares less than one unit (100 shares)
Total number of issued shares	55,139,520	-	-
Total number of voting rights of shareholders	-	550,187	-

(ii) Treasury stock, etc.

As of March 31, 2022

Owner's name	Owner's address	The number of shares owned under the name of the Company (Shares)	The number of shares owned under the name of others (Shares)	Total shares held (Shares)	Ratio of the number of shares owned to the total number of issued shares (%)
(Shares owned by the Company) OPTiM CORPORATION	1 Honjomachi, Saga City, Saga Prefecture	89,300	-	89,300	0.16
Total	-	89,300	-	89,300	0.16

2. Status of Acquisition of Treasury Stock, etc.

[Type of shares, etc.] Acquisition of common shares pursuant to Article 155, Item 13 of the Companies Act

(1) Status of acquisition by resolution of the General Meeting of Shareholders

Not applicable.

(2) Status of acquisition by resolution of the Board of Directors

Not applicable.

(3) Details of items not based on resolutions of the General Meeting of Shareholders or the Board of Directors

Classification	Number of shares (shares)	Total value (million yen)
Treasury shares acquired in the current fiscal year	400	-
Treasury stock acquired during this period	400	-

(Note) Treasury shares acquired during this period do not include the number of shares acquired through the purchase of shares less than one unit from June 1, 2022 to the date of submission of the Annual Securities Report.

4) Status of disposal and holding of acquired treasury shares

Classification	Current fiscal year		This period	
	Number of shares (shares)	Total amount of disposal value (1,000 yen)	Number of shares (shares)	Total amount of disposal value (1,000 yen)
Acquired treasury shares for which subscribers were solicited	-	-	-	-
Acquired treasury shares disposed of for cancellation	-	-	-	-
Acquired treasury shares transferred in connection with a merger, share exchange, share grant, or company split.	-	-	-	-
Other (-)	-	-	-	-
Number of treasury stock held	89,348	-	89,748	-

(Note) The number of treasury shares held during this period does not include shares less than one unit purchased and sold from June 1, 2022 to the date of submission of this Annual Securities Report.

3. Dividend Policy

Our basic policy is to distribute profits appropriately, while comprehensively taking into account future business development and other factors, and paying attention to dividends as a return of profits to shareholders, retained earnings to strengthen the company's structure to respond quickly to business opportunities, and incentives for Officers and employees to revitalize management.

On the other hand, the Company has not paid dividends from surplus since its establishment because it is currently in the process of growth and is at a stage where it is necessary to enhance retained earnings for future business expansion. The Company's policy is to make future decisions based on comprehensive consideration of factors such as business performance, dividend payout ratio, and future growth strategies, but at this time, the possibility of paying dividends and the timing of such payment have not yet been determined.

The Company plans to use retained earnings to strengthen its management structure to respond to anticipated changes in the business environment and to invest in business expansion.

The Articles of Incorporation stipulate that the Company may pay dividends from surplus twice a year, an interim dividend and a year-end dividend, and may pay an interim dividend with a record date of September 30 of each year by a resolution of the Board of Directors.

The decision-making bodies for the distribution of surplus are the Board of Directors for interim dividends and the General Meeting of Shareholders for year-end dividends.

4. Status of Corporate Governance, etc.

(1) Outline of Corporate Governance

(i) Basic approach to corporate governance

The Company believes it is important to ensure the transparency and soundness of management and to conduct appropriate management in order to increase corporate value, which is the original purpose of a company.

(ii) Outline of corporate governance system and reasons for adopting such a system

A. Basic Description of the Company's Organization

a. Board of Directors

The Company's Board of Directors consists of six Board Directors (two of whom are Outside Board Directors). In accordance with the Board of Directors Regulations, in addition to regular monthly meetings, extraordinary meetings of the Board of Directors are held flexibly as necessary to execute business operations and to mutually supervise the execution of duties among the Board Directors. In addition, three Corporate Auditors attend the meetings of the Board of Directors and state their opinions as necessary.

b. Board of Corporate Auditors

The Board of Corporate Auditors of the Company consists of one full-time and two part-time Corporate Auditors, and three Corporate Auditors are outside Corporate Auditors. Each Corporate Auditor attends meetings of the Board of Directors and, when necessary, regular meetings of business operations to monitor the execution of duties by the Board Directors in general.

In principle, the Board of Corporate Auditors meets once a month to exchange opinions on the status of the Company's operations, etc., and to discuss and resolve important matters related to audit policies, audit plans, and audits.

c. Nomination and Remuneration Committee

The Company has established the Nomination Committee and the Remuneration Committee, the majority of whose members are from outside the Company, as voluntary committees of the Board of Directors for the purpose of ensuring objectivity in determining the composition of the Board of Directors and remuneration.

The Nomination Committee shall deliberate on matters relating to the election of candidates for Board Directors and the dismissal of Board Directors, and shall report to the Board of Directors. The Remuneration Committee deliberates and reports to the Board of Directors on the amount of individual Board Director's remuneration calculated in accordance with the Company's standards.

The members of the Nominating Committee and Remuneration Committee as of the date of submission are Rikihei Egawa (Outside Board Director), Yuichiro Takezaki (Outside Board Director), and Shunji Sugaya (President). The Nominating Committee and Remuneration Committee are chaired by Rikihei Egawa.

d. Special Committee

The Company has established a Special Committee consisting of two Independent Outside Board Directors who are independent of the controlling shareholder as a voluntary committee of the Board of Directors for the purpose of ensuring fairness, transparency, and objectivity with respect to transactions and actions with the controlling shareholder. The Special Committee deliberates and examines the necessity and rationality, appropriateness of the conditions, and fairness regarding important transactions and actions that conflict with the interests of controlling shareholders and minority shareholders, and makes a report to the Board of Directors.

The members of the Special Committee as of the date of submission are Rikihei Egawa (Outside Board Director) and Yuichiro Takezaki (Outside Board Director). The Special Committee is chaired by Rikihei Egawa.

e. Directors' Meeting

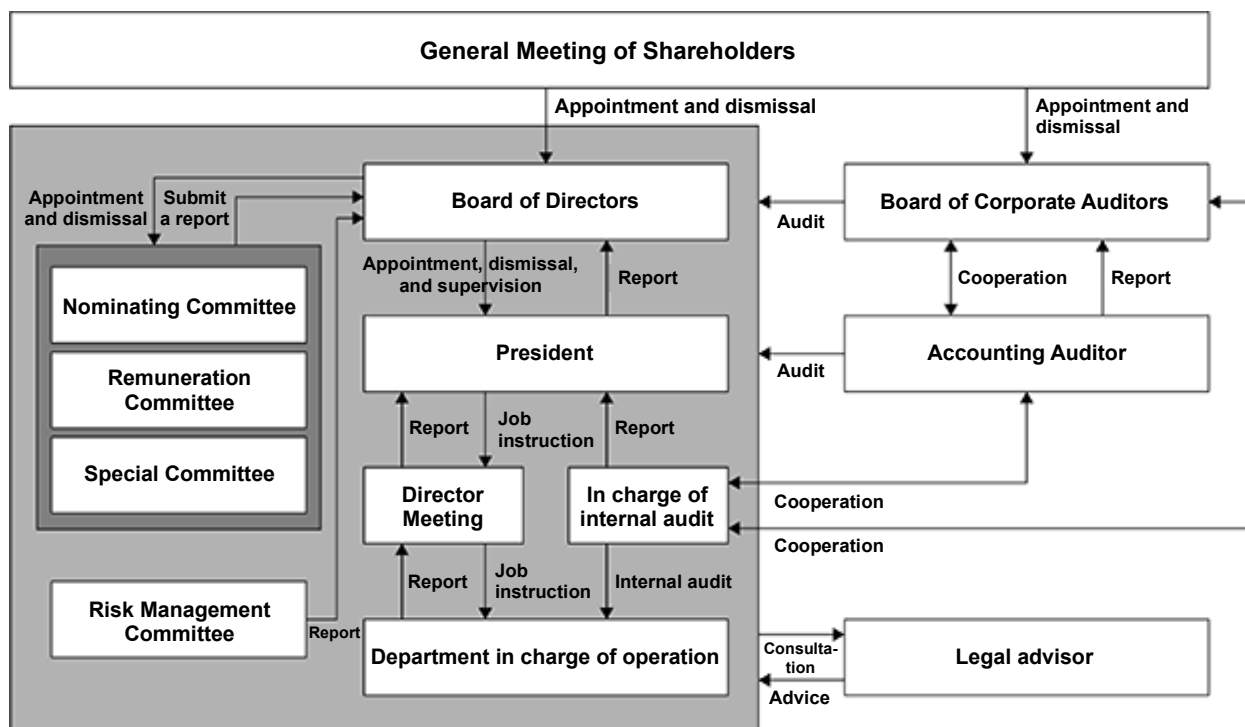
The Directors' Meeting is held once a month and consists of four Board Directors (excluding Outside Board Directors), one Full-time Corporate Auditor, and three Directors. The Directors Meeting mainly discusses matters related to business

operations, and examines and decides on basic matters concerning the execution of management operations, excluding matters to be resolved by the Board of Directors, in order to improve the efficiency of business operations.

The members of each body are as follows (◎ denotes the chairperson).

Job title	Name	Board of Directors	Board of Corporate Auditors	Nomination and Remuneration Committee	Special Committee	Directors' Meeting
President	Shunji Sugaya	◎		○		◎
Board Director	Genta Taniguchi	○				○
Board Director	Takeshi Kyusaka	○				○
Board Director	Akihiro Hayashi	○				○
Outside Board Director	Rikihei Egawa	○		◎	◎	
Outside Board Director	Yuichiro Takezaki	○		○	○	
Outside Corporate Auditor (full-time)	Takayuki Kojima		◎			○
Outside Corporate Auditor	Katsuo Yoshidomi		○			
Outside Corporate Auditor	Yoshinori Isagai		○			

B. Relationship between the Company's organization and internal control



C. Status of development of the internal control system

The Company has established the system to ensure the appropriateness of operations, which is the basic policy for establishing internal control, by resolution of the Board of Directors. Specifically, these include systems to ensure that the execution of duties by Board Directors and employees complies with laws, regulations, and the Articles of Incorporation, as well as rules for managing the risk of loss and other systems.

In order to embody what is stipulated in this policy, the Company periodically reviews the Rules of Administrative Authority and other rules related to control, and establishes an internal control system under the leadership of the internal audit staff.

D. Status of internal audits and audits by Corporate Auditors

The Company has neither a dedicated department for internal audits nor a dedicated internal audit staff. Instead, internal audits are conducted by two internal audit staff members appointed by the President. Internal audits are conducted from the viewpoint of operational efficiency, regulations, control based on authority of duties, and compliance and cover all offices, all divisions, and four subsidiaries, in principle with semi-annual audits and follow-up audits. In addition, the Company works with Corporate Auditors and auditing firms as necessary to strengthen internal control.

In addition, Corporate Auditors conduct audits based on the audit plan and attend major meetings to monitor the execution of business by the Board of Directors and the legality of corporate management.

E. Reasons for adopting the said system

We are a company with a Board of Auditors that includes Outside Auditors with a wealth of management experience and professional insight, and we believe that the current system enables us to adequately perform audits and supervision, which in turn ensures the fairness and transparency of our management.

In addition, two Outside Board Directors have been appointed to strengthen the auditing of business execution.

(iii) Status of risk management system

The Company's risk management system is based on the Risk Management Regulations, which are designed to prevent risks and minimize company losses.

In addition, a Risk Management Committee chaired by the President and consisting of four Board Directors (excluding Outside Board Directors) has been established, and the committee holds a meeting at least once a quarter. The Risk Management Committee identifies potential risks to the company, examines and discusses countermeasures, and feeds back decisions to the entire company.

(iv) Number of Board Directors

The Company's Articles of Incorporation stipulate that the Company shall have no more than seven Board Directors.

(v) Requirements for resolution for election of Board Directors

The Articles of Incorporation stipulate that resolutions for the election of Board Directors shall be adopted by a majority of the voting rights of shareholders present at a meeting where at least one-third of shareholders holding voting rights are entitled to exercise their voting rights, and that cumulative voting shall not be used for such resolution.

(vi) Requirements for special resolutions of the General Meeting of Shareholders

With respect to the requirements for special resolutions of the General Meeting of Shareholders stipulated in Article 309, Paragraph 2 of the Companies Act, the Company stipulates in its Articles of Incorporation that such resolutions shall be adopted by two-thirds or more of the votes of shareholders present at the meeting where one-third or more of the shareholders who are entitled to exercise voting rights are present. The purpose of this measure is to facilitate the smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions at the General Meeting of Shareholders.

(vii) Outline of liability limitation agreements of Outside Board Directors and Outside Corporate Auditors

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company stipulates in its Articles of Incorporation that it may enter into an agreement to limit liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act, and has entered into liability limitation agreements with each Outside Board Director and each Outside Corporate Auditor.

The maximum amount of liability for damages under such agreements is the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, provided that the Outside Board Director or Outside Corporate Auditor has performed his or her duties in good faith and without material negligence.

(viii) Matters that are subject to resolutions of the General Meeting of Shareholders may be resolved by the Board of Directors and the reasons for such resolutions

Pursuant to Article 454, Paragraph 5 of the Companies Act, the Company's Articles of Incorporation stipulate that the Company may, by resolution of the Board of Directors, pay interim dividends with a record date of the last day of September each year. This is to enable flexible return of profits to shareholders.

(ix) Summary of contents of Directors and Officers Liability Insurance Contract

The Company has concluded a Directors and Officers Liability Insurance (D&O insurance) Contract with an insurance company, insuring the Board Directors and Corporate Auditors of the Company and its subsidiaries, as defined in Article 430-3, Paragraph 1 of the Companies Act.

The Company pays all premiums, including the special contract portion, and there is virtually no premium burden on the insured.

The policy provides for compensation for damages that may arise from the insured Officer, etc. being held liable for the performance of his or her duties or being subject to a claim for such liability. However, there are certain exemptions, such as the fact that damages caused by acts committed with the knowledge that the acts are in violation of laws and regulations will not be compensated.

The policy has a provision for a deductible amount and does not cover damages up to such deductible amount.

The contract is scheduled to be renewed in December 2022 with the same terms and conditions.

(2) Status of Officers

(i) List of Officers

Male: 9 Female: - (Ratio of female Officers - %)

Job title	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
President	Shunji Sugaya	June 13, 1976	June 2000	Established the Company Appointed as President of the Company (current position)	(Note) 3	35,184,800
Board Director In charge of technology	Genta Taniguchi	February 10, 1982	April 2006 June 2020	Joined the Company Appointed as Board Director in charge of technology of the Company (current position)	(Note) 3	29,000
Board Director In charge of sales	Takeshi Kyusaka	August 4, 1984	April 2009 June 2020	Joined the Company Appointed as Board Director in charge of sales of the Company (current position)	(Note) 3	6,400
Board Director In charge of administration	Akihiro Hayashi	October 22, 1973	April 1996 July 2004 January 2006 June 2007 April 2010 June 2011	Joined Shohkoh Fund & Co., Ltd. Joined Galia Plus Joined Clearstone Co., Ltd. Appointed as Board Director of the company Joined the Company Appointed as Board Director in charge of administration of the Company (current position)	(Note) 3	15,080
Board Director	Rikihei Egawa	January 6, 1945	April 1968 April 2006 September 2015	Joined Hayakawa Electric Industry Co., Ltd. (currently Sharp Corporation) Joined NTT Electronics Corporation Appointed as Board Director of the Company (current position)	(Note) 3	6,400
Board Director	Yuichiro Takezaki	July 9, 1979	April 2003 November 2006 October 2009 July 2013 August 2019 December 2020 June 2022	Joined Morgan Stanley Japan Securities Co., Ltd. Perry Capital Senior Analyst Silver Lake Partners, in charge of Japan CFO of Telepathy Japan Inc. Executive Officer, CSO of Fairy Devices Inc. Appointed as Board Director of the company (current position) Appointed as Board Director of the Company (current position)	(Note) 3	0
Corporate Auditor (Full-time)	Takayuki Kojima	March 3, 1942	April 1966 November 1971 May 1989 April 1995 February 2002 April 2004 April 2007 April 2008 September 2018 June 2019	Assistant, Kagoshima University Associate Professor, Faculty of Agriculture, Saga University Professor, Faculty of Agriculture, Saga University Member of the University's Board of Trustees, Saga University Dean, Faculty of Agriculture, Saga University Director of the University's Board of Trustees, Saga University Head of Saga Study Center, The Open University of Japan Advisor, Kyushu Electric Power Company, Incorporated Board of Trustees of Nishikyushu University (current position) Appointed as full-time Corporate Auditor of the Company (current position)	(Note) 4	800
Corporate Auditor	Katsuo Yoshidomi	May 20, 1943	April 1962 June 1963 April 1992 June 2000 March 2010	Joined SEKIDO KIKO MANUFACTURING Co., Ltd. Joined Hashiguchi Denki K.K. Appointed as Board Director of the company Appointed as Corporate Auditor of the Company (current position) Appointed as part-time advisor to Hashiguchi Denki K.K.	(Note) 4	25,600
Corporate Auditor	Yoshinori Isagai	June 9, 1964	April 1987 April 1994	Joined Matsushita Electric Industrial Co., Ltd. Joined Isagai Corporation	(Note) 4	32,000

Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)
			August 1996 Appointed as Managing Board Director of the company October 2000 Appointed as Visiting Assistant Professor at the Faculty of Engineering, Saga University April 2005 Appointed as Assistant Professor, Faculty of Environment and Information Studies, Keio University July 2005 Appointed as Vice President, Non-profit Organization HOUSUU SCHOOL April 2008 Appointed as Associate Professor, Faculty of Policy Management, Keio University Committee Member of Graduate School of Media and Governance, Keio University (current position) June 2008 Appointed as Corporate Auditor of the Company (current position) March 2014 Appointed as President, Non-profit Organization HOUSUU SCHOOL (current position) April 2014 Professor, Faculty of Policy Management, Keio University Appointed as Professor, Faculty of Policy Management, Keio University (current position) October 2015 Appointed as Executive Director, Keio Research Institute at SFC		
Total					35,300,080

- (Notes) 1. Board Directors Rikihei Egawa and Yuichiro Takezaki are Outside Board Directors.
2. Corporate Auditors Takayuki Kojima, Katsuo Yoshidomi, and Yoshinori Isagai are Outside Auditors.
3. The term of office of Board Directors will begin at the close of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2022 and end at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2024.
4. The term of office of Corporate Auditors will begin at the close of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2022 and end at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2026.

(ii) Status of Outside Officers

Outside Board Directors and Outside Corporate Auditors

The Company has two Outside Board Directors and three Outside Corporate Auditors.

The Company believes that Outside Board Directors fulfill the Board's corporate governance function and role of making decisions on important business and legal matters and supervising the execution of duties by speaking from an objective standpoint and based on their extensive experience in corporate management and high-level insight. The Company currently has two Outside Board Directors out of six Board Directors, which we believe is sufficient to ensure the effective functioning of the Board of Directors as well as the Nominating Committee, the Remuneration Committee, and the Special Committee, which are important bodies in the corporate governance system.

Rikihei Egawa, an Outside Board Director, holds 6,400 shares of the Company's stock. The Company had an advisory agreement with him for asking him to introduce clients and provide guidance and advice on management, but the agreement was terminated upon his appointment as an Outside Board Director of the Company. In addition, there is a transaction with NTT Electronics Corporation, where he worked until March 2011, concerning an Optimal Service Sales Agency Agreement, but in light of the size and nature of the transaction, the Company believes that there is no risk of influencing the judgment of shareholders and investors.

The Company had an advisory agreement with Outside Board Director Yuichiro Takezaki for asking him to introduce candidate companies for business and capital alliances and to establish schemes for such alliances, but the agreement was terminated upon his appointment as an Outside Board Director of the Company.

Yoshinori Isagai, an Outside Corporate Auditor, holds 32,000 shares of the Company's stock. In addition, the Company had an advisory agreement with his younger brother, Nobuhiro Isagai, until March 2015 for asking him to introduce clients to the

Company, and from June 2015 to February 2016 he was engaged in sales activities as a contract employee of the Company; however, his brother has not been appointed as an Officer or responsible person of the Company and is not considered a significant business executor. Accordingly, other than the fact that the Company has recently entered into an advisory agreement with his brother and that his brother was a contract employee of the Company under the general terms and conditions of the agreement, the Company believes that there is no special interest between the Company and his brother and that there is no risk of a conflict of interest with the general shareholders of the Company.

Katsuo Yoshidomi, an Outside Corporate Auditor, holds 25,600 shares of the Company's stock, but has no other personal, capital, business, or other interests in the Company.

Takayuki Kojima, an Outside Corporate Auditor, holds 800 shares of the Company's stock. The Company had an advisory agreement with him for asking him to provide guidance and advice on the integration of agriculture and IT, etc. However, the agreement was terminated upon his appointment as an Outside Corporate Auditor of the Company.

With respect to the criteria and policies for independence of Outside Board Directors or Outside Corporate Auditors, the Company selects the independence standards, etc., stipulated by the Tokyo Stock Exchange, Inc. as the Company's standards.

(iii) Supervision or auditing by Outside Board Directors or Outside Corporate Auditors, internal audits, mutual cooperation between audits by Corporate Auditors and accounting audits, and their relationship with the Internal Control Division

Outside Board Directors, Outside Corporate Auditors, the Internal Audit Department and Accounting Auditors exchange information as necessary, including regular meetings for audit reports, etc., to strengthen mutual cooperation.

(3) Audit results

(i) Status of audits by Corporate Auditors

There are three Corporate Auditors, all of whom are Outside Corporate Auditors, and one of whom is a full-time Corporate Auditor.

Each Corporate Auditor attends meetings of the Board of Directors and, when necessary, regular meetings of business operations to monitor the execution of duties by the Board Directors in general. In principle, the Board of Corporate Auditors meets once a month to exchange opinions on the status of the Company's operations, etc., and to discuss and resolve important matters related to audit policies, audit plans, and audits.

The Board of Corporate Auditors held 13 meetings during the fiscal year under review, and the attendance of individual Corporate Auditors is as follows.

Name	Number of meetings held	Number of attendances
Takayuki Kojima	13 times	13 times
Katsuo Yoshidomi	13 times	13 times
Yoshinori Isagai	13 times	13 times

The main tasks of the Board of Corporate Auditors are to receive reports, hold discussions, and make resolutions on important matters related to audits in accordance with laws, regulations, the Articles of Incorporation, and the Regulations of the Board of Corporate Auditors.

The activities of the full-time Corporate Auditor include attending Directors' Meetings and other important meetings within the Company. In addition to holding regular meetings and interviews with the President, each Board Director and Director, the Company also conducts three-way audits in cooperation with internal audit staff and the auditing firm.

(ii) Status of internal audits

Although the Company does not have an independent Internal Audit Office, two internal audit staff members conduct operational audits covering the entire Company, excluding the division to which they belong, and report the audit results to the President. Upon receiving the audit results, the President notifies the audited department of the audit results and items requiring improvement and makes the department submit a report on the status of improvement to the internal audit staff. In addition, the internal audit staff conducts three-way audits in cooperation with Corporate Auditors and the auditing firm.

(iii) Status of accounting audit

A. Name of the auditing firm

Grant Thornton Taiyo LLC

B. Continuous audit period

2 years

C. Certified Public Accountants who have performed services

Motoki Ishikawa and Youichi Honma

D. Composition of assistants for the audit

2 Certified Public Accountants, 12 others

E. Criteria and reasons for the selection of Accounting Auditors

The Board of Corporate Auditors comprehensively evaluates the Accounting Auditors and makes a decision on the selection of Accounting Auditors after confirming the status of quality control, independence and expertise of the Accounting Auditors, the establishment of an audit system, the specific audit plan and if the audit remuneration are reasonable and appropriate, and audit results, in accordance with the "Practical Guidelines for Corporate Auditors Regarding Evaluation and Selection

Standards for Accounting Auditors" issued by Japan Audit & Supervisory Board Members Association.

The Board of Corporate Auditors will deliberate on proposals to the General Meeting of Shareholders for dismissal or non-reappointment of the Accounting Auditor if a change in the Accounting Auditor is necessary, taking into consideration the execution of duties by the Accounting Auditor and other circumstances.

In addition, the Board of Corporate Auditors will dismiss the Accounting Auditor with the unanimous consent of the Corporate Auditors if the Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act. In this case, the Corporate Auditor selected by the Board of Corporate Auditors shall report the dismissal of the Accounting Auditor and the reasons thereof at the first General Meeting of Shareholders to be convened after the dismissal.

F. Evaluation of the auditing firm by Corporate Auditors and the Board of Corporate Auditors

Corporate Auditors and the Board of Corporate Auditors have evaluated the auditing firm and have confirmed that the accounting audit by the said firm has been properly conducted.

(iv) Change in the auditing firm

The Company's Accounting Auditor has been changed as follows.

The 20th period (from April 1, 2019 to March 31, 2020) Deloitte Touche Tohmatsu LLC

The 21st period (from April 1, 2020 to March 31, 2021) Grant Thornton Taiyo LLC

The matters described in the extraordinary report are as follows.

(1) Name of the auditing Certified Public Accountant, etc. who has been transferred

(i) Name of the auditing Certified Public Accountant, etc. to be appointed

Grant Thornton Taiyo LLC

(ii) Name of the auditing Certified Public Accountant, etc. to be retired

Deloitte Touche Tohmatsu LLC

(2) Date of the transfer

June 26, 2020 (Scheduled date of the Company's 20th Ordinary General Meeting of Shareholders)

(3) Date when the retiring Certified Public Accountant, etc. became Accounting Auditor of the Company

August 13, 2014

(4) Opinions in audit reports, etc. prepared by the retiring Certified Public Accountant, etc. during the past three years

Not applicable.

(5) Reasons and background leading to the decision to change the Accounting Auditor

The term of office of Deloitte Touche Tohmatsu LLC, the Company's Accounting Auditor, will expire at the conclusion of the 20th Ordinary General Meeting of Shareholders scheduled to be held on June 26, 2020. The current Accounting Auditor has sufficient systems in place to ensure that accounting audits are conducted properly and appropriately. However, we have been comparing our current Accounting Auditor with other auditing firms in terms of audit response appropriate to the scale of our Group's business and the appropriateness of audit costs, etc.

Based on this comparison, as well as comprehensive consideration of their expertise, independence, quality control system, level of audit remuneration, and the expectation of audits from a new perspective as an Accounting Auditor, we are newly appointing Grant Thornton Taiyo LLC.

(6) Opinion on the reasons and background of (5) above

(i) Opinion from the retiring Certified Public Accountant, etc.

We have received a response stating that there are no special comments.

(ii) Opinion from the Board of Corporate Auditors

We have received a response stating that there are no special comments.

(v) Details of audit remuneration, etc.

A. Remuneration to Certified Public Accountants, etc.

Classification	Previous consolidated fiscal year		Current consolidated fiscal year	
	Remuneration based on audit certification services (1,000 yen)	Remuneration based on non-audit services (1,000 yen)	Remuneration based on audit certification services (1,000 yen)	Remuneration based on non-audit services (1,000 yen)
Submitting company	24,000	-	28,400	-
Consolidated subsidiary	-	-	-	-
Total	24,000	-	28,400	-

B. Remuneration to the same networks as the Certified Public Accountants, etc. (member firms of Grant Thornton) (excluding A.)

Not applicable.

C. Details of remuneration based on other significant audit certification services

Not applicable.

D. Policy for determining audit remuneration

The Company's policy for determining remuneration to the Certified Public Accountants, etc. who perform audits of the Company is to determine the amount of remuneration based on the hours of work required for the audit as presented by the auditing firm.

E. Reasons for the Board of Corporate Auditors' consent to the remuneration, etc. to the Accounting Auditors

With respect to the remuneration, etc., proposed by the Board of Directors to the Accounting Auditors, the Board of Corporate Auditors of the Company, after necessary verification of the appropriateness of the content of the audit plan of the Accounting Auditors, the status of performance of duties of the accounting audits, and the basis for calculation of the remuneration estimate, has determined that the amount of this audit remuneration is an appropriate level for the Accounting Auditors to perform an appropriate audit. The Board of Corporate Auditors has therefore decided to give its consent as stipulated in Article 399, Paragraph 1, of the Companies Act.

(4) Remuneration, etc. of Officers

(i) Matters concerning the policy for determining the amount of remuneration, etc. of Officers or the method for calculating the amount of remuneration, etc.

The date of the resolution of the General Meeting of Shareholders regarding the remuneration of Board Directors of the Company was June 28, 2018, and the content of the resolution was to limit the total annual remuneration of Board Directors to 600 million yen (excluding employee salaries for Board Directors who are also employees of the Company. The number of Board Directors stipulated in the Articles of Incorporation shall be no more than seven (7). As of the date of submission of this annual securities report, there are six Corporate Auditors), the resolutions of the General Meeting of Shareholders regarding remuneration for Corporate Auditors were passed on June 8, 2000 and June 26, 2009, and the content of the resolutions was to set the maximum amount of total annual remuneration for Corporate Auditors at 13 million yen (including 3 million yen as a bonus for Corporate Auditors. The number of Corporate Auditors stipulated in the Articles of Incorporation shall be four or less. Three as of the date of submission of this Annual Securities Report).

The amount of remuneration for the Company's Corporate Auditors or the method of calculation thereof is determined by a resolution of the Board of Corporate Auditors.

The Company's Board of Directors resolved at a meeting to adopt a policy for determining the details of remuneration for individual Board Directors (the determination policy). The outline is as follows.

1) Outline of the details of the determination policy

a. Basic policy

The Company's basic policy is to link the remuneration of the Company's Board Directors to the interests of shareholders so that the remuneration system will fully function as an incentive to continuously increase corporate value, and to set an appropriate level by comprehensively considering the position and duties of each Board Director when determining the remuneration of each Board Director. Specifically, remuneration for Executive Board Directors shall consist of base remuneration and performance-linked remuneration.

Outside Board Directors who are responsible for the supervisory function shall be paid only the basic remuneration in view of their duties.

b. Policy regarding the determination of the amount of remuneration, etc., for each individual for basic remuneration (monetary remuneration) (including policy regarding the determination of the timing or conditions of granting remuneration, etc.)

The remuneration shall be fixed monthly, and shall be determined by the Board of Directors based on the report of the Remuneration Committee, which shall take into consideration the role and contribution of each Board Director, as well as performance and other factors.

c. Policy regarding determination of the details and calculation method of the amount or number of performance-linked and non-monetary remuneration, etc. (including policy regarding determination of the timing or conditions of granting remuneration, etc.)

Performance-linked remuneration, etc., shall be monetary remuneration (bonus) based on operating income to motivate Board Directors to improve business performance and stock price, and an amount corresponding to the degree of their contribution shall be paid as a bonus only when a special contribution that has a significant positive impact on the Company's business performance is recognized. No specific target amount is set for determining the amount. The timing of bonus payments is fixed at a certain time each year. The remuneration of Board Directors shall be cash only, and no stock or other non-monetary remuneration shall be granted to them.

The Board of Directors shall make the decision based on the report of the Remuneration Committee in accordance with the above policy.

d. Policy on determining the ratio of the amount of monetary remuneration, performance-linked remuneration, etc., or non-monetary remuneration, etc., to remuneration, etc., for each individual Board Director

The basic remuneration and the ratio of performance-linked remuneration to the amount of remuneration for each individual shall be reviewed by the Remuneration Committee on a voluntary basis to ensure that the level of remuneration is appropriate in light of the above policy, based on a comprehensive review of the role and contribution of each Board Director and the Company's business performance. The Board of Directors shall determine the details of the remuneration, etc. for each individual Board Director within the range of the percentage of remuneration by type based on the report of the voluntary Remuneration Committee.

2) Matters concerning delegation of authority to determine the details of remuneration, etc., of individual Board Directors

The amount of remuneration for each individual Board Director shall be determined specifically by the Board of Directors based on the report of the voluntary Remuneration Committee within the total amount of remuneration for Board Directors approved by the General Meeting of Shareholders.

(ii) Total amount of remuneration, etc., by Officer category, total amount of remuneration, etc., by type of remuneration, etc., and number of Officers subject to such remuneration, etc.

Classification of Officers	Total amount of remuneration, etc. (1,000 yen)	Total amount of remuneration, etc., by type (1,000 yen)			Number of Officers to be covered (persons)
		Basic remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Board Director (Excluding Outside Board Directors)	62,700	41,800	20,900	-	4
Corporate Auditor (Excluding Outside Corporate Auditors)	-	-	-	-	-
Outside Officer	5,040	5,040	-	-	4

(iii) Total amount, etc. of consolidated remuneration, etc. by Officer

Not stated as there is no person whose total amount of consolidated remuneration, etc. is 100 million yen or more.

(iv) Significant employee salaries of Officers concurrently serving as employees

Total amount (1,000 yen)	Number of Officers to be covered (persons)	Details
38,480	3	Salaries (including bonuses) for the employee portion of Officers who concurrently serve as employees.

(5) Status of shareholdings

(i) Criteria and approach to classification of equity securities

The Company classifies equity securities into two categories: equity securities held solely for the purpose of earning profits from changes in the value of the shares or receipt of dividends are classified as "pure equity securities" and other shares are classified as "equity securities held for purposes other than pure investment" (policy shares).

(ii) Equity securities held for purposes other than pure investment

A. Methods of verifying holding policies and rationale for holding shares, and details of verification by the Board of Directors, etc. regarding the appropriateness of holding individual issues.

As a general rule, the Company does not hold any policy shares. We hold shares when we believe that holding shares will contribute to the enhancement of our corporate value, taking into consideration the strengthening of business relationships, business and strategic advantages, the amount of investment involved, and other disadvantages of holding shares.

Each year, the Board of Directors deliberates on the medium- to long-term economic rationale and future prospects for major policy stock holdings, and confirms the purpose and rationale of the holdings based on such deliberations.

(b) Number of stocks and amount on the balance sheet

	Number of stocks (Stock)	Total amount on the balance sheet (1,000 yen)
Unlisted stocks	1	13,705
Stocks other than unlisted stocks	-	-

(iii) Equity securities held for pure investment purposes

Not applicable.

5. Status of Accounting

1. Method of preparation of Consolidated Financial Statements and Financial Statements

(1) The Company's Consolidated Financial Statements are prepared in accordance with the "Regulations Concerning Terms, Forms and Preparation Method of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28 of 1976).

(2) The Company's Financial Statements are prepared in accordance with the "Regulations Concerning Terms, Forms and Preparation Method of Financial Statements" (Ministry of Finance Ordinance No. 59 of 1963).

2. Audit certification

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Consolidated Financial Statements for the consolidated fiscal year (from April 1, 2021 to March 31, 2022) and the Financial Statements for the fiscal year (from April 1, 2021 to March 31, 2022) have been audited by Grant Thornton Taiyo LLC.

3. Special efforts to ensure the appropriateness of Consolidated Financial Statements, etc.

The Company takes special measures to ensure the appropriateness of its Consolidated Financial Statements. Specifically, the Company is a member of the Financial Accounting Standards Foundation (FASF) in order to appropriately grasp the content of accounting standards, etc., and to establish a system that enables it to accurately respond to changes in accounting standards, etc.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheets

(Unit: 1,000 yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Assets		
Current assets		
Cash and deposits	1,453,676	979,399
Notes and accounts receivable - trade	1,807,181	-
Notes and accounts receivable - trade, and contract assets	-	*1 2,277,485
Merchandise and finished goods	92,123	75,918
Work in process	6,749	18
Raw materials and supplies	2,503	18,065
Other	153,079	181,199
Total current assets	3,515,313	3,532,087
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	163,383	323,294
Machinery, equipment and vehicles, net	18,671	13,828
Construction in progress	-	6,725
Other, net	71,507	60,907
Total property, plant and equipment	*2 253,562	*2 404,754
Intangible assets		
Software	671,005	1,537,909
Software in progress	131,510	112,437
Other	17,157	10,578
Total intangible assets	819,673	1,660,924
Investments and other assets		
Investment securities	230,398	151,273
Shares of subsidiaries and associates	*3 406,100	*3 503,341
Leasehold and guarantee deposits	336,116	560,888
Deferred tax assets	636,647	512,688
Other	51,093	61,519
Total investments and other assets	1,660,356	1,789,710
Total non-current assets	2,733,593	3,855,390
Total assets	6,248,906	7,387,477

(Unit: 1,000 yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	612,195	599,575
Short-term borrowings	17,150	514,550
Income taxes payable	531,856	88,783
Contract liabilities	-	204,570
Provision for bonuses	135,322	140,957
Provision for bonuses for directors (and other officers)	23,054	23,196
Other	511,495	428,558
Total current liabilities	1,831,074	2,000,191
Non-current liabilities		
Asset retirement obligations	61,943	138,482
Total non-current liabilities	61,943	138,482
Total liabilities	1,893,017	2,138,674
Net assets		
Shareholders' equity		
Share capital	443,749	444,018
Capital surplus	727,880	728,150
Retained earnings	3,110,494	4,054,056
Treasury shares	-75,272	-75,272
Total shareholders' equity	4,206,852	5,150,952
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	52,861	6,184
Total accumulated other comprehensive income	52,861	6,184
Non-controlling interests	96,175	91,665
Total net assets	4,355,888	5,248,802
Total liabilities and net assets	6,248,906	7,387,477

(ii) Consolidated Statements of Income and Comprehensive Income

[Consolidated Statements of Income]

(Unit: 1,000 yen)

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	7,517,790	*1 8,310,717
Cost of sales	2,943,132	3,728,929
Gross profit	4,574,658	4,581,787
Selling, general and administrative expenses	*2, *3 2,766,019	*2, *3 3,047,166
Operating profit	1,808,638	1,534,621
Non-operating income		
Interest income	57	6
Commission income	92,630	0
Insurance claim income	1,336	6,913
Subsidy income	-	269
Gain on investments in investment partnerships	100,796	-
Consumption tax gain	3,479	15,673
Other	5,747	7,610
Total non-operating income	204,048	30,474
Non-operating expenses		
Interest expenses	45	476
Share of loss of entities accounted for using equity method	9,099	69,786
Foreign exchange losses	3,041	124
Loss on investments in investment partnerships	-	2,647
Loss on retirement of non-current assets	-	6,466
Other	45	49
Total non-operating expenses	12,233	79,550
Ordinary profit	2,000,453	1,485,545
Extraordinary losses		
Loss on valuation of investment securities	*4 16,294	-
Total extraordinary losses	16,294	-
Profit before income taxes	1,984,159	1,485,545
Income taxes - current	649,330	397,733
Income taxes - deferred	92,107	144,559
Total income taxes	741,438	542,293
Profit	1,242,721	943,251
Profit (loss) attributable to non-controlling interests	5,119	-309
Profit (loss) attributable to owners of parent	1,237,601	943,561

[Consolidated Statements of Comprehensive Income]

(Unit: 1,000 yen)

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Profit	1,242,721	943,251
Other comprehensive income		
Valuation difference on available-for-sale securities	52,861	-46,677
Total other comprehensive income	*1 52,861	*1 -46,677
Comprehensive income	1,295,583	896,574
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,290,463	896,884
Comprehensive income attributable to non-controlling interests	5,119	-309

(iii) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Unit: 1,000 yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	443,439	727,570	1,872,893	-75,272	2,968,629
Changes during period					
Issue of new shares (Exercise of share acquisition rights)	310	310			620
Profit (loss) attributable to owners of parent			1,237,601		1,237,601
Net changes in items other than shareholders' equity					
Total changes during period	310	310	1,237,601	-	1,238,222
Balance at end of period	443,749	727,880	3,110,494	-75,272	4,206,852

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	-	-	70,555	3,039,185
Changes during period				
Issue of new shares (Exercise of share acquisition rights)				620
Profit (loss) attributable to owners of parent				1,237,601
Net changes in items other than shareholders' equity	52,861	52,861	25,619	78,481
Total changes during period	52,861	52,861	25,619	1,316,703
Balance at end of period	52,861	52,861	96,175	4,355,888

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Unit: 1,000 yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	443,749	727,880	3,110,494	-75,272	4,206,852
Changes during period					
Issue of new shares (Exercise of share acquisition rights)	269	269			539
Profit (loss) attributable to owners of parent			943,561		943,561
Net changes in items other than shareholders' equity					
Total changes during period	269	269	943,561	-	944,100
Balance at end of period	444,018	728,150	4,054,056	-75,272	5,150,952

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	52,861	52,861	96,175	4,355,888
Changes during period				
Issue of new shares (Exercise of share acquisition rights)				539
Profit (loss) attributable to owners of parent				943,561
Net changes in items other than shareholders' equity	-46,677	-46,677	-4,509	-51,187
Total changes during period	-46,677	-46,677	-4,509	892,913
Balance at end of period	6,184	6,184	91,665	5,248,802

(iv) Consolidated statements of cash flows

(Unit: 1,000 yen)

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Net cash provided by (used in) operating activities		
Profit before income taxes	1,984,159	1,485,545
Depreciation and amortization expense	160,580	492,789
Amortization of goodwill	2,741	6,579
Increase (decrease) in provision for bonuses for directors (and other officers)	1,641	142
Increase (decrease) in provision for bonuses	22,895	5,635
Interest and dividend income	-57	-6
Interest expenses	45	476
Foreign exchange losses (gains)	3,058	-
Loss (gain) on investments in investment partnerships	-100,796	2,647
Share of loss (profit) of entities accounted for using equity method	9,099	69,786
Loss (gain) on valuation of investment securities	16,294	-
Decrease (increase) in trade receivables	-249,810	-470,304
Decrease (increase) in inventories	-65,104	7,374
Decrease (increase) in accounts receivable - other	6,857	-1,615
Increase (decrease) in trade payables	71,973	-6,266
Loss on retirement of non-current assets	-	6,466
Increase (decrease) in accounts payable - other	-89,659	54,728
Increase (decrease) in accrued expenses	-15,428	11,703
Increase (decrease) in accrued consumption taxes	45,576	-108,644
Increase (decrease) in unearned revenue	37,747	-
Increase (decrease) in contract liabilities	-	-3,240
Increase (decrease) in deposits received	-70,971	1,234
Other	-56,134	-25,431
Subtotal	1,714,709	1,529,598
Interest and dividends received	57	6
Interest paid	-45	-598
Income taxes paid	-391,259	-830,769
Net cash provided by (used in) operating activities	1,323,462	698,237
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-63,750	-56,295
Proceeds from sales of property, plant and equipment	1,015	-
Purchase of intangible assets	-759,084	-1,110,901
Payments for asset retirement obligations	-	-1,500
Loan advances	-21,000	-
Proceeds from collection of loans receivable	21,396	396
Purchase of investment securities	-30,000	-
Proceeds from sale of short-term and long-term investment securities	33,000	-
Purchase of shares of subsidiaries and associates	-415,200	-167,027
Payments for acquisition of businesses	*2 -39,064	-
Proceeds from distributions from investment partnerships	129,447	9,200
Purchase of insurance funds	-9,981	-9,981
Payments of leasehold and guarantee deposits	-199	-331,475
Proceeds from refund of leasehold and guarantee deposits	1,664	1,331
Net cash provided by (used in) investing activities	-1,151,757	-1,666,254
Net cash provided by (used in) financing activities		
Proceeds from short-term borrowings	-	500,000
Repayments of short-term borrowings	-	-2,600
Dividends paid to non-controlling interests	-	-4,200

(Unit: 1,000 yen)

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	620	539
Net cash provided by (used in) financing activities	620	493,739
Effect of exchange rate change on cash and cash equivalents	-3,058	-
Net increase (decrease) in cash and cash equivalents	169,266	-474,277
Cash and cash equivalents at beginning of period	1,263,910	1,453,676
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	20,500	-
Cash and cash equivalents at end of period	*1 1,453,676	*1 979,399

[Notes]

(Important matters to be basis of preparation of Consolidated Financial Statements)

1. Matters concerning scope of consolidation

(1) Number of consolidated subsidiaries, 4 companies

Name of major consolidated subsidiaries

OPTiM AGRI MICHINOKU Corp.

OPTiM Bank Technologies Corp.

Landlog Marketing Corporation

YURASCORE Co., Ltd.

(2) Names of major unconsolidated subsidiaries

Not applicable.

2. Matters concerning application of equity method

Number of affiliates accounted for by the equity method, 5 companies

D'PULA Medical Solutions Corporation

Digital Transformation Fund Investment Limited Partnership No. 1

NTT e-Drone Technology Corporation

DXGoGo Corporation

Net Resource Management, Inc.

Effective from the current consolidated fiscal year, the newly established DXGoGo Corporation is included in the scope of application of the equity method. In addition, the Company newly acquired shares of Net Resource Management Inc. in the current consolidated fiscal year and has included this company in the scope of application of the equity method since it is now an affiliated company of the Company.

3. Matters concerning fiscal year of consolidated subsidiaries

The fiscal year end of all consolidated subsidiaries is the same as the consolidated fiscal year end.

4. Matters concerning accounting policies

(1) Valuation standards and methods for significant assets

(i) Marketable securities

Other available-for-sale securities

- Stocks with no market price, etc.

Stated at the cost determined by the moving-average method.

Investments in limited liability investment partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are accounted for by the net amount of the Company's equity based on the most recent Financial Statements available as of the financial reporting date stipulated in the partnership agreement.

(ii) Inventories

A. Merchandise and finished goods, raw materials and supplies

Stated at the cost method based on the moving-average method (the amount stated in the Balance Sheet was calculated by writing down the book value of assets due to a decline in profitability).

B. Work in process

Stated at the cost method based on the specific identification method.

(2) Cost method based on the specific identification method

(i) Property, plant and equipment

Stated at the declining-balance method. However, building fixtures acquired on or after April 1, 2016 are depreciated by the straight-line method.

The major useful lives are as follows:

Buildings and structures, 3 to 15 years

Machinery, equipment and vehicles, 4 to 7 years

(ii) Intangible assets

Goodwill is amortized on a straight-line basis over a period (within 3 years) during which its effects are expected to be recognized.

For software intended for sale on the market, the larger of amortization based on estimated sales revenue or equal distribution over the remaining effective period (within 3 years) is recorded.

Software for internal use is amortized by the straight-line method over the estimated useful life (5 years or less).

(3) Basis for recognition of significant provisions

(i) Provision for bonuses

To provide for the payment of bonuses to employees, an amount accrued for the current consolidated fiscal year among the estimated bonuses to be paid is recorded.

(ii) Provision for bonuses for directors (and other officers)

To provide for the payment of bonuses to Officers, an amount accrued for the current consolidated fiscal year among the estimated bonuses to be paid is recorded.

(4) Basis for recording significant revenues and expenses

The Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standard") and other related standards from the beginning of the current fiscal year, and it will recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

Details of the major performance obligations and the usual time at which revenue is recognized for major services or transaction types, etc. are described in the Notes (Matters related to revenue recognition) in the Consolidated Financial Statements.

(5) Translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rates as of the Consolidated Balance Sheet date. The difference resulting from such translation is recognized as income or loss.

(6) Scope of funds in consolidated statements of cash flows

It consists of cash on hand, deposits that can be withdrawn on demand, and short-term investments with maturities of 3 months or less at the time of acquisition that can be easily converted into cash and carry little risk of price fluctuations.

(Significant accounting estimates)

Reasonableness of capitalization of software

(1) Amount recorded in the Consolidated Financial Statements for the current fiscal year

(Unit: 1,000 yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Software	671,005	1,537,909
Software in progress	131,510	112,437

(2) Information on the details of significant accounting estimates for identified items

Software and software in progress are capitalized after assessing their value based on the estimated license revenue plan within 5 years. Such estimates may be affected by uncertain future changes in economic conditions, etc., and if the actual amount of license revenue incurred differs from the estimates, it may have a significant impact on the amount of software and software in progress recorded in the Consolidated Financial Statements for the next consolidated fiscal year.

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standard") and other related standards from the beginning of the current fiscal year, and it will recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

Regarding the application of the Revenue Recognition Accounting Standard, etc., the Company followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard and calculated the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the current consolidated fiscal year, but there was no such cumulative effect and no impact on profit and loss for the current consolidated fiscal year.

Due to the application of the Revenue Recognition Accounting Standard, notes and accounts receivable-trade, which was included in current assets in the Consolidated Balance Sheet for the previous fiscal year, is now included in notes, accounts receivable-trade and contract assets from the current fiscal year. Unearned revenue included in other under current liabilities is presented as contract liabilities from the current consolidated fiscal year. With respect to "Increase (decrease) in unearned revenue," which was presented in Cash flows from operating activities in the consolidated statement of cash flows for the previous fiscal year, is presented as "Increase (decrease) in contract liabilities" from the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company has not made any reclassifications based on the new presentation method for the previous consolidated fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, revenue recognition-related notes for the previous consolidated fiscal year are not presented.

(Change of presentation method)

(Application of accounting standards for calculation of fair value, etc.)

The Accounting Standard for Calculation of Fair Value (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Fair Value Calculation Accounting Standard") and others are applied from the beginning of the current consolidated fiscal year. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Calculation Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting policy stipulated by the Fair Value Calculation Accounting Standard and others prospectively and to provide information in Notes to financial instruments, such as the items regarding the breakdown of financial instruments by fair value level. However, in accordance with the transitional treatment prescribed in Paragraph 7-4 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), the Company has not presented such notes for the previous consolidated fiscal year.

(Consolidated Statements of Income)

Consumption tax difference, which was included in Other under Non-operating income in the previous consolidated fiscal year, is separately stated from the current consolidated fiscal year as it exceeded 10/100 of the total amount of non-operating income. To reflect this change in presentation, the Consolidated Financial Statements for the previous fiscal year have been reclassified.

As a result, 9,226,000 yen presented as Other in Non-operating income in the Consolidated Statement of Income for the previous fiscal year has been reclassified as Consumption tax difference of 3,479,000 yen and Other of 5,747,000 yen.

Interest expense, which was included in Other under Non-operating Expenses in the previous consolidated fiscal year, is separately presented in the current consolidated fiscal year due to its increased importance in terms of amount. To reflect this change in presentation, the Consolidated Financial Statements for the previous fiscal year have been reclassified.

As a result, 91,000 yen presented as Other in Non-operating Expenses in the Consolidated Statement of Income for the previous fiscal year has been reclassified as Interest expense of 45,000 yen and Other of 45,000 yen.

(Consolidated statements of cash flows)

Interest expenses and Interest paid which were included in Other under Net cash provided by (used in) operating activities in the previous fiscal year, are separately presented in the current fiscal year due to their increased importance in terms of amount. To reflect this change in presentation, the Consolidated Financial Statements for the previous fiscal year have been reclassified.

As a result, the amount of -56,134,000 yen presented as Other in Net cash provided by (used in) operating activities in the consolidated statements of cash flows for the previous fiscal year has been reclassified as Interest expenses of 45,000 yen, Other of -56,134,000 yen and Interest paid of -45,000 yen.

(Changes in accounting estimates)

(Changes in estimates of useful lives of property, plant and equipment and asset retirement obligations)

The Company relocated its Tokyo Head Office during the current consolidated fiscal year. The useful lives of fixed assets that will no longer be available upon relocation are changed to the period up to the completion date of the relocation, and the assets are depreciated over the remaining period.

In addition, the Company changed its estimate of the asset retirement obligations that had been recorded as restoration obligations based on the real estate lease contract for the property prior to such relocation, as more precise estimates became available.

As a result of this change, each of operating profit, ordinary profit, and profit (loss) before income taxes for the current consolidated fiscal year decreased by 153,459,000 yen, compared to the amounts based on the previous method.

(Additional information)

(Accounting estimate for the impact of the spread of COVID-19)

The Group makes accounting estimates for the impairment of fixed assets and the recoverability of deferred tax assets based on information available at the time the Consolidated Financial Statements are prepared.

The Group recognizes that it is difficult to accurately predict when this infection will spread or subside, and assumes that it will affect the economy over the long term, but recognizes that the introduction of AI and IoT services and DX solutions for the new normal era will continue to advance. Under these circumstances, demand for stock-type license income, which is the core of the Group's sales, is increasing, and the Group will aggressively promote further DX x IT and develop new markets through the Industrial DX and Corporate DX initiatives. Therefore, we have made accounting estimates based on the assumption that the impact of this infection on the Group's business and services will be negligible.

Nevertheless, depending on the future spread of this infection and the timing of its subsidence, the Group's financial position and operating results may be affected.

(Consolidated Balance Sheets)

*1 Amount of claims and contract assets arising from contracts with customers among notes receivable, accounts receivable, and contract assets.

	Current consolidated fiscal year (March 31, 2022)
Notes receivable	71,789,000 yen
Accounts receivable	2,100,055,000 yen
Contract assets	105,640,000 yen

*2 Accumulated depreciation of property, plant and equipment

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Accumulated depreciation of property, plant and equipment	323,233,000 yen	268,420,000 yen

*3 Items related to affiliated companies are as follows.

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Shares of subsidiaries and associates	406,100,000 yen	503,341,000 yen

(Consolidated Statements of Income)

*1 Revenue from contracts with customers

Revenues are not separately presented for revenues from contracts with customers and other revenues. The amount of revenue from contracts with customers is presented in "1. Information on disaggregated revenue from contracts with customers" in the Notes (matters related to revenue recognition) to Consolidated Financial Statements.

* 2 The major items and amounts of selling, general and administrative expenses

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Salary and allowance	536,566,000 yen	614,140,000 yen
Provision for bonuses	62,433,000 yen	60,064,000 yen
Provision for bonuses for directors (and other officers)	23,054,000 yen	23,196,000 yen
Research and development expenses	1,134,573,000 yen	1,148,643,000 yen

3 Total research and development expenses included in general and administrative expenses and current manufacturing costs

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
	1,134,573,000 yen	1,148,643,000 yen

*4 Loss on valuation of investment securities

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

Impairment loss was recognized for securities classified as Other available-for-sale securities held by the Company, whose real value has significantly declined.

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

Not applicable.

(Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments and tax effects related to other comprehensive income

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities		
Amount accrued in the current period	76,191	-67,277
Reclassification adjustment	-	-
Before tax effect adjustment	76,191	-67,277
Tax effect amount	-23,329	20,600
Valuation difference on available-for-sale securities	52,861	-46,677
Total other comprehensive income	52,861	-46,677

(Consolidated Statement of Changes in Equity)

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

1. Matters concerning the class and total number of outstanding shares and the class and number of treasury shares

	Number of shares at beginning of period (shares)	Number of shares increased (shares)	Number of shares decreased (shares)	Number of shares at end of period (shares)
Number of issued shares				
Common shares (Note) 1 and 2	27,557,680	27,570,608	-	55,128,288
Total	27,557,680	27,570,608	-	55,128,288
Treasury shares				
Common shares (Note) 3 and 4	43,874	45,074	-	88,948
Total	43,874	45,074	-	88,948

(Note) 1. The increase of 27,557,680 shares in the total number of common shares issued and outstanding was due to a 2-for-1 stock split of common shares on April 1, 2020.

2. The increase of 12,928 common shares issued and outstanding is due to the exercise of stock options.

3. The increase of 43,874 shares of common stock held as treasury stock is due to a 2-for-1 stock split on April 1, 2020.

4. The increase of 1,200 shares of common stock held as treasury stock is due to the acquisition of restricted stock without compensation.

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

1. Matters concerning the class and total number of outstanding shares and the class and number of treasury shares

	Number of shares at beginning of period (shares)	Number of shares increased (shares)	Number of shares decreased (shares)	Number of shares at end of period (shares)
Number of issued shares				
Common shares (Note) 1	55,128,288	11,232	-	55,139,520
Total	55,128,288	11,232	-	55,139,520
Treasury shares				
Common shares (Note) 2	88,948	400	-	89,348
Total	88,948	400	-	89,348

(Note) 1. The increase of 11,232 common shares issued and outstanding is due to the exercise of stock options.

2. The increase of 400 shares of common stock held as treasury stock is due to the acquisition of restricted stock without compensation.

(Consolidated statements of cash flows)

*1 Relationship between the balance of cash and cash equivalents at the end of the period and the amount of items recorded in the consolidated balance sheets.

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Cash and deposits	1,453,676,000 yen	979,399,000 yen
Cash and cash equivalents	1,453,676,000 yen	979,399,000 yen

*2 Breakdown of major assets and liabilities related to the transfer of business with cash and cash equivalents as consideration
Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

Breakdown of assets and liabilities associated with the transfer of the cloud CRM service business of K.K. YURAS by YURASCORE Corp., our consolidated subsidiary, through an absorption-type company split, as well as the transfer price and expenditure for the transfer of the business, are as follows.

Current assets	11,843,000 yen
Non-current assets	44,343,000 yen
Goodwill	19,737,000 yen
Current liabilities	-30,924,000 yen
Non-current liabilities	-
Value of transferred business	45,000,000 yen
Cash and cash equivalents	-5,935,000 yen
Difference: Payment for acquisition of business	39,064,000 yen

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

Not applicable.

*3 Details of significant non-cash transactions

Refer to Notes to Consolidated Financial Statements (Asset retirement obligations) for the amount of significant asset retirement obligations.

(Lease transactions)

Operating lease transactions

Future lease payments under non-cancelable leases in operating lease transactions

(Unit: 1,000 yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Balance of future lease payments at end of period		
Within 1 year	356,836	410,317
Over 1 year	13,421	707,593
Total	370,258	1,117,910

(Financial instruments)

1. Matters concerning status of financial instruments

(1) Policy for financial instruments

The Group's policy is to invest surplus funds in highly safe financial assets as a general rule and not to engage in speculative transactions, except when there is a rational reason to do so. The Company's financing policy is to use its own funds for working capital and small capital investments in principle, and to borrow mainly from banks and other financial institutions for other investments that require large amounts of funds.

(2) Details of financial instruments and their risks

Trade notes and accounts receivables, which are operating receivables, are exposed to the credit risk of customers.

There is a risk that a portion or the entire amount of leasehold and guarantee deposits related to real estate leases and other properties may not be collected due to the financial failure of the recipients of the leasehold and guarantee deposits.

Trade notes and accounts payable, which are operating payables, are mostly due within 1 month.

(3) Risk management system for financial instruments

(i) Management of credit risk (risk related to nonperformance of contracts by counterparties, etc.)

In accordance with the Credit Management Regulations, the Group regularly monitors the status of major customers and manages due dates and outstanding balances by counterparty in order to early identify and mitigate potential collection risks due to deterioration of financial conditions and other factors. The Company also periodically monitors the status of counterparties with respect to leasehold and guarantee deposits.

(ii) Management of liquidity risk (risk of being unable to make payments on due dates) related to fund procurement

The Group manages liquidity risk by preparing and updating funding plans in a timely manner by the department in charge based on reports from each department and by maintaining liquidity on hand.

(4) Supplementary explanation of matters concerning fair value, etc., of financial instruments

The fair value of financial instruments includes values based on market prices as well as reasonably calculated values in cases where market prices are not available. Since variable factors are incorporated in the calculation of the fair value of financial instruments, such values may vary according to different assumptions adopted and other factors.

2. Matters concerning fair value, etc., of financial instruments

Consolidated Balance Sheet amounts, fair values, and their differences are as follows.

Fiscal year ended March 31, 2021

	The Consolidated Balance Sheet amount (1,000 yen)	Fair value (1,000 yen)	Differences (1,000 yen)
Leasehold and guarantee deposits	336,116	329,183	-6,932
Total assets	336,116	329,183	-6,932

(Note) 1. “Cash and deposits,” “Notes and accounts receivable – trade, and contract assets,” “Notes and accounts payable – trade,” “Short-term borrowings” and “Income taxes payable” are omitted as they are cash and their fair value approximates their book value due to their short maturities.

2. The following financial instruments are not subject to fair value disclosure as they do not have market prices and it is extremely difficult to determine their fair value. The carrying amounts of such financial instruments in the Consolidated Balance Sheets are as follows.

(Unit: 1,000 yen)

Classification	Previous consolidated fiscal year (March 31, 2021)
Investments in limited liability investment partnerships	248,743
Unlisted stocks	387,755

Fiscal year ended March 31, 2022

	The Consolidated Balance Sheet amount (1,000 yen)	Fair value (1,000 yen)	Differences (1,000 yen)
Leasehold and guarantee deposits	560,888	538,895	-21,992
Total assets	560,888	538,895	-21,992

(Note) 1. “Cash and deposits,” “Notes and accounts receivable – trade, and contract assets,” “Notes and accounts payable – trade,” “Short-term borrowings” and “Income taxes payable” are omitted as they are cash and their fair value approximates their book value due to their short maturities.

2. Stocks with no market price, etc. are not subject to fair value disclosure. The carrying amounts of such financial instruments in the Consolidated Balance Sheets are as follows.

(Unit: 1,000 yen)

Classification	Current consolidated fiscal year (March 31, 2022)
Investments in limited liability investment partnerships	168,454
Unlisted stocks	486,160

3. Redemption schedule of monetary claims after the Consolidated Balance Sheet date

Fiscal year ended March 31, 2021

	Within 1 year (1,000 yen)	Over 1 year Within 5 years (1,000 yen)	Over 5 years Within 10 years (1,000 yen)	Over 10 years (1,000 yen)
Cash and deposits	1,453,676	-	-	-
Notes and accounts receivable – trade	1,807,181	-	-	-
Total	3,260,857	-	-	-

Leasehold and guarantee deposits (336,116,000 yen on the Consolidated Balance Sheets) are not included in the above table, as the redemption schedule cannot be clearly determined.

Fiscal year ended March 31, 2022

	Within 1 year (1,000 yen)	Over 1 year Within 5 years (1,000 yen)	Over 5 years Within 10 years (1,000 yen)	Over 10 years (1,000 yen)
Cash and deposits	979,399	-	-	-
Notes and accounts receivable – trade, and contract assets	2,277,485	-	-	-
Leasehold and guarantee deposits	215,485	-	-	-
Total	3,472,370	-	-	-

Of the leasehold and guarantee deposits (560,888,000 yen on the Consolidated Balance Sheets), 345,403,000 yen is not included in the above table, as the redemption schedule cannot be clearly determined.

4. Amount of short-term borrowings scheduled to be repaid after the Consolidated Balance Sheet date

Fiscal year ended March 31, 2021

	Within 1 year (1,000 yen)	Over 1 year Within 2 years (1,000 yen)	Over 2 years Within 3 years (1,000 yen)	Over 3 years (1,000 yen)
Short-term borrowings	17,150	-	-	-
Total	17,150	-	-	-

Fiscal year ended March 31, 2022

	Within 1 year (1,000 yen)	Over 1 year Within 2 years (1,000 yen)	Over 2 years Within 3 years (1,000 yen)	Over 3 years (1,000 yen)
Short-term borrowings	514,550	-	-	-
Total	514,550	-	-	-

3. Matters concerning the breakdown of financial instruments by market value level, etc.

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs related to calculate fair value.

Level 1 fair value: Fair value calculated based on market prices for assets or liabilities subject to the calculation of such fair value that are formed in an active market among the inputs for the calculation of observable fair value

Level 2 fair value: Fair value calculated using inputs for the calculation of observable fair value other than Level 1 inputs among the inputs for the calculation of observable fair value

Level 3 fair value: Fair value calculated using inputs for calculating unobservable fair value

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments recorded on the Consolidated Balance Sheets at fair value

There are no applicable financial instruments.

(2) Financial instruments other than those recorded on the Consolidated Balance Sheets at fair value

Fiscal year ended March 31, 2022

Classification	Fair value (1,000 yen)			
	Level 1	Level 2	Level 3	Total
Leasehold and guarantee deposits	-	538,895	-	538,895
Total assets	-	538,895	-	538,895

(Note) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

The fair value of leasehold and guarantee deposits is calculated based on the present value of future cash flows discounted at the risk-free rate and classified as Level 2 fair value.

(Investment securities)

1. Other available-for-sale securities

Fiscal year ended March 31, 2021

Investments in Investment Business Limited Liability Partnership (216,602,000 yen on the consolidated balance sheet) and unlisted stocks (13,795,000 yen on the Consolidated Balance Sheet) are not stated because they do not have market prices.

Fiscal year ended March 31, 2022

Investments in Investment Business Limited Liability Partnership (Investments in Investment Business Limited Liability Partnership (137,477,000 yen on the Consolidated Balance Sheet) and unlisted stocks (13,795,000 yen on the Consolidated Balance Sheet) are not stated because they do not have market prices.

2. Securities for which impairment losses were recognized

Fiscal year ended March 31, 2021

Impairment loss of 16,294,000 yen was recognized for investment securities (16,294,000 yen for Other available-for-sale securities).

Fiscal year ended March 31, 2022

Not applicable.

(Stock options, etc.)

1. Details and size of stock options and their changes

(1) Details of stock options

	No. 5 Stock acquisition rights
Classification and number of grantees	Board Director of the Company, 4 persons Corporate Auditor of the Company, 1 person Employees of the Company, 110 persons
Number of stock options by type of stock (Note)	Common shares, 497,376 shares
Grant date	September 3, 2014
Vesting conditions	<ol style="list-style-type: none"> 1. Stock acquisition rights may be exercised by the stock acquisition right holders who have received allotment of stock acquisition rights at the time of issuance. 2. Those who are Board Directors, Corporate Auditors or employees of the Company at the time of issuance of stock acquisition rights must also be Board Directors, Corporate Auditors or employees of the Company, its subsidiaries or affiliates at the time of exercising the stock acquisition rights. However, this shall not apply in cases where the Board of Directors of the Company recognizes that there is a justifiable reason, such as retirement from office due to expiration of term of office or mandatory retirement age. 3. In the event of the death of a stock acquisition right holder, his or her heirs shall not inherit the stock acquisition rights. 4. Other conditions for the exercise of stock acquisition rights shall be determined by a resolution of the Board of Directors of the Company issuing the stock acquisition rights.
Covered period of service	There is no set period of covered service.
Exercise period	August 14, 2016 – August 13, 2024

(Note) The above figures are based on the number of shares after the stock split on April 1, 2015 (4-for-1 stock split), April 1, 2017 (2-for-1 stock split), April 1, 2019 (2-for-1 stock split), and April 1, 2020 (2-for-1 stock split).

(2) Size of stock options and its changes

Stock options that existed during the current fiscal year (ending March 31, 2022) are included, and the number of stock options is converted into the number of shares.

(1) Number of stock options

	No. 5 Stock acquisition rights
Pre-vesting (shares)	
As of March 31, 2021	-
Grant	-
Invalidation	-
Vested rights	-
Unsettled balance	-
After vesting (shares)	
As of March 31, 2021	412,288
Vested rights	-
Exercise of right	11,232
Invalidation	-
Unexercised balance	401,056

(Note) The above figures are based on the number of shares after the stock split on April 1, 2015 (4-for-1 stock split), April 1, 2017 (2-for-1 stock split), April 1, 2019 (2-for-1 stock split), and April 1, 2020 (2-for-1 stock split).

(ii) Unit price information

	No. 5 Stock acquisition rights
Price of exercising rights (yen)	48
Average share price at the time of exercise (yen)	1,937
Fair valuation unit price on the grant date (yen)	-

(Note) The above figures are based on the number of shares after the stock split on April 1, 2015 (4-for-1 stock split), April 1, 2017 (2-for-1 stock split), April 1, 2019 (2-for-1 stock split), and April 1, 2020 (2-for-1 stock split).

2. Estimation method of fair valuation unit price of stock options

As of the date the stock options were granted, the Company is a privately held company and, therefore, the fair valuation unit price of the stock options was estimated based on an estimate of the intrinsic value per unit.

The Company's shares, which form the basis for calculating the intrinsic value per unit, are valued using the net asset value method.

3. Estimation method of the number of stock options vested

Basically, since it is difficult to reasonably estimate the number of future lapses, the Company uses a method that reflects only the actual number of lapses.

4. The aggregate intrinsic value of stock options at the end of the fiscal year and the aggregate intrinsic value of stock options exercised at the date of exercise, if the calculation is based on the intrinsic value of the stock options

(i) The aggregate intrinsic value of stock options at the end of the current fiscal year: 392,232,000 yen

(ii) The aggregate intrinsic value of the rights exercised during the current consolidated fiscal year: 21,211,000 yen

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Deferred tax assets		
Provision for bonuses	42,095,000 yen	43,864,000 yen
Provision for bonuses for directors (and other officers)	6,399,000 yen	6,399,000 yen
Asset retirement obligations	18,966,000 yen	42,403,000 yen
Accrued enterprise tax	25,583,000 yen	10,043,000 yen
Accrued expenses	17,104,000 yen	14,662,000 yen
Accounts payable - trade	14,468,000 yen	11,207,000 yen
Accounts payable - other	7,129,000 yen	11,094,000 yen
Prepaid expenses	9,416,000 yen	6,055,000 yen
Accounts receivable - other	493,000 yen	493,000 yen
Excess depreciation	559,050,000 yen	456,795,000 yen
Consolidation adjustment account (goodwill for tax purposes)	9,147,000 yen	7,151,000 yen
Other	27,619,000 yen	49,797,000 yen
Deferred tax assets, Subtotal	737,474,000 yen	659,968,000 yen
Valuation allowance	-40,852,000 yen	-77,430,000 yen
Deferred tax assets, Total	696,621,000 yen	582,538,000 yen
Deferred tax liabilities		
Removal costs corresponding to asset retirement obligations	-13,143,000 yen	-41,899,000 yen
Reserve for investment loss	-23,500,000 yen	-25,221,000 yen
Valuation difference on available-for-sale securities	-23,329,000 yen	-2,729,000 yen
Deferred tax liabilities, Total	-59,974,000 yen	-69,850,000 yen
Deferred tax assets, net	636,647,000 yen	512,688,000 yen

2. Significant differences between the statutory tax rate and the effective tax rate after the application of tax effect accounting, by major item that caused the differences

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Entertainment expenses and other items not permanently deductible for income tax purposes	0.1	0.1
Per capita inhabitant tax	0.3	0.4
Tax on retained surplus	5.2	5.5
Change in valuation allowance	0.2	1.9
Share of loss of entities accounted for using equity method	0.1	1.4
Tax credits	-	-3.7
Amortization of goodwill	0.0	0.1
Donations not deductible for tax purposes	0.9	0.3
Other	-0.1	-0.2
Effective rate of Corporate tax rate after applying tax effect accounting	37.4	36.5

(Asset retirement obligations)

Asset retirement obligations recorded on the Consolidated Balance Sheets

(1) Outline of the asset retirement obligations

Obligations for restoration to the original state in connection with real estate lease contracts for the Tokyo Head Office and other offices.

(2) Calculation method of the amount of such asset retirement obligations

The amount of asset retirement obligations is calculated by estimating the expected period of use to be 15 years from acquisition and using a discount rate of 0.065% to 0.400% based on yields on government bonds.

(3) Increase/decrease in the total amount of such asset retirement obligations

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Balance at beginning of period	61,866,000 yen	61,943,000 yen
Increase due to purchase of property, plant and equipment	-	133,181,000 yen
Increase due to change in estimate	-	38,758,000 yen
Adjustments due to passage of time	76,000 yen	830,000 yen
Decrease due to fulfillment of asset retirement obligations	-	-96,230,000 yen
Balance at end of period	61,943,000 yen	138,482,000 yen

(Matters related to revenue recognition)

1. Information that disaggregates revenue from contracts with customers

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

	Amount (1,000 yen)
Stock-type revenue	6,065,963
Flow-type revenue	2,244,753
Revenue from contracts with customers	8,310,717
Other revenue	-
Sales to external customers	8,310,717

2. Information that provides a basis for understanding revenues and the amount of revenues for the current and subsequent consolidated fiscal years

For contracts with customers in the Group's main services, revenue is recognized over a period of time as performance obligations are satisfied.

(i) Stock-type revenue

Contracts in stock-based income are obligated to provide services over the contract period. Revenue is recognized over a period of time upon satisfaction of performance obligations in contracts with customers.

The Group applies the practical expedient method in noting the transaction price allocated to the remaining performance obligations and does not include royalties based on sales or amount of use among intellectual property licensing agreements in the notes. The Group expects that almost all of these royalties will be recognized as revenue within 1 year. Contracts for which a fixed amount can be billed based on the duration of services rendered are not included in the scope of the note because the Company is entitled to receive from the customer the amount of consideration that directly corresponds to the value to the customer for the portion of performance completed to date, and therefore recognizes revenue at the amount it is entitled to bill in accordance with Paragraph 19 of the Guidance on Accounting Standard for Revenue Recognition.

(ii) Flow-type revenue

For contracts in flow-type revenue, the Company is obligated to develop software and provide it to the customer based on the contract. For quasi-contracts, the Company is obligated to develop the software over the contract period based on the contract. Revenue is recognized over a period of time upon satisfaction of performance obligations in contracts with customers.

The Group applies the practical expedient method in noting the transaction price allocated to the remaining performance obligations and does not include contracts with an initial expected contract period of 1 year or less in the notes.

(Segment information, etc.)

[Segment information]

Since the Group has only one business segment, the license sales and maintenance support service (Optimal) business, this information is omitted.

[Related information]

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

1. Information by product and service

(Unit: 1,000 yen)

	IoT Platform Services	Remote Management Services	Support Services	Other Services	Total
Sales to external customers	6,135,963	793,126	130,219	458,481	7,517,790

2. Information by region

(1) Net sales

Not applicable since there are no sales to external customers outside Japan.

(2) Property, plant and equipment

Not applicable since there are no property, plant and equipment located outside Japan.

3. Information by major customer

(Unit: 1,000 yen)

Name of customer	Net sales
KDDI Corporation	2,494,784
Komatsu Ltd.	785,133

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

1. Information by product and service

(Unit: 1,000 yen)

	IoT Platform Services	Remote Management Services	Support Services	Other Services	Total
Sales to external customers	6,922,893	778,587	114,864	494,372	8,310,717

2. Information by region

(1) Net sales

This information is omitted as sales to external customers in Japan account for more than 90% of the net sales in the Consolidated Statements of Income.

(2) Property, plant and equipment

Not applicable since there are no property, plant and equipment located outside Japan.

3. Information by major customer

(Unit: 1,000 yen)

Name of customer	Net sales
KDDI Corporation	2,870,756

[Information on impairment loss on non-current assets by reportable segment]

Not applicable.

[Information on amortization of goodwill and unamortized balance by reportable segment]

Since the Group has only one business segment, the license sales and maintenance support service (Optimal) business, this information is omitted.

[Information on gain on negative goodwill by reportable segment]

Not applicable.

[Related Party Information]

1. Transactions with related parties

(1) Transactions between the company submitting the Consolidated Financial Statements and related parties

(i) Non-Consolidated subsidiaries and affiliates of companies submitting the Consolidated Financial Statements

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

Type	Name of company, etc.	Location	Share capital or investments in capital (1,000 yen)	Details of business or occupation	Percentage of voting rights, etc., owned by the Company (%)	Relationship with related parties	Details of transactions	Amount of transaction (1,000 yen)	Account	Balance at end of period (1,000 yen)
Affiliated companies	D'PULA Medical Solutions Corporation	Chuo-ku, Kobe-shi, Hyogo	50,000	DX solution services in the healthcare industry	(Ownership) Direct, 49%	Contracted development, maintenance and operation services	Contracted development, maintenance and operation services	56,809	Accounts receivable	62,489

(Note) Terms and conditions of transactions and policy for their determination, etc.

Development, maintenance and operation services are determined under the same terms and conditions as those for companies unrelated to the Company.

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

Not applicable.

(ii) Officers and major shareholders (limited to individuals) of the Company submitting the Consolidated Financial Statements, etc.

Not applicable.

(2) Transactions between consolidated subsidiaries of the company submitting the Consolidated Financial Statements and related parties

Not applicable.

2. Notes on the parent company or significant affiliated companies

Not applicable.

(Per share information)

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Net assets per share	77.39 yen	93.68 yen
Basic earnings per share	22.49 yen	17.14 yen
Diluted earnings per share	22.32 yen	17.02 yen

(Note) 1. Basis for calculation of net assets per share is as follows.

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Total net assets (1,000 yen)	4,355,888	5,248,802
Amount deducted from total net assets (1,000 yen)	96,175	91,665
(Of which, non-controlling interests (1,000 yen))	(96,175)	(91,665)
Net assets related to common stock at the end of the period (1,000 yen)	4,259,713	5,157,137
Number of shares of common stock used to calculate net assets per share of common stock at the end of the period (shares)	55,039,340	55,050,172

Number of shares of common stock used in the calculation of net assets per share at the end of the period (shares)

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent (1,000 yen)	1,237,601	943,561
Amount not attributable to common shareholders (1,000 yen)	-	-
Profit attributable to owners of the parent related to common stock (1,000 yen)	1,237,601	943,561
Average number of shares of common stock during the period (shares)	55,038,583	55,044,723
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (1,000 yen)	-	-
Increase in the number of common shares (shares)	407,248	395,943
(of which stock acquisition rights (shares))	(407,248)	(395,943)
Summary of diluted shares not included in the calculation of diluted earnings per share due to the absence of dilutive effects	-	-

(Significant subsequent events)

Not applicable.

(v) Consolidated Supplementary Schedule

[Schedule of Bonds]

Not applicable.

[Schedule of Borrowings, etc.]

Classification	Balance at beginning of period (1,000 yen)	Balance at end of period (1,000 yen)	Average interest rate (%)	Repayment date
Short-term borrowings	17,150	514,550	0.35	-
Current portion of long-term borrowings	-	-	-	-
Current portion of lease obligations	-	-	-	-
Long-term borrowings (excluding current portion)	-	-	-	-
Lease obligations (excluding current portion)	-	-	-	-
Other interest-bearing liabilities	-	-	-	-
Total	17,150	514,550	-	-

(Note) Average interest rate is the weighted average interest rate for the balance of loans, etc. at the end of the period.

[Schedule of asset retirement obligations]

The schedule of asset retirement obligations is omitted because the items to be presented in this schedule are presented as notes stipulated in Article 15-23 of the Regulations Concerning Consolidated Financial Statements.

(2) Other

Quarterly information for the current consolidated fiscal year, etc.

(Cumulative period)	1st quarter	2nd quarter	3rd quarter	Current consolidated fiscal year
Net sales (1,000 yen)	1,683,831	3,521,478	5,388,904	8,310,717
Profit before income taxes (1,000 yen)	227,619	516,550	734,885	1,485,545
Profit attributable to owners of parent (1,000 yen)	135,993	319,884	436,497	943,561
Basic earnings per share (yen)	2.47	5.81	7.93	17.14

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings per share (yen)	2.47	3.34	2.12	9.21

2. Non-Consolidated Financial Statements, etc.

(1) Non-Consolidated Financial Statements

(i) Non-Consolidated Balance Sheets

(Unit: 1,000 yen)

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
Assets		
Current assets		
Cash and deposits	1,282,028	826,260
Notes receivable	74,903	-
Accounts receivable	*1 1,690,889	-
Notes and accounts receivable - trade, and contract assets	-	*1 2,181,660
Merchandise and finished goods	67,429	59,192
Work in process	6,749	18
Raw materials and supplies	1,610	17,336
Prepaid expenses	66,737	95,852
Other	118,321	183,652
Total current assets	3,308,670	3,363,972
Non-current assets		
Property, plant and equipment		
Buildings, net	162,303	322,314
Machinery and equipment, net	18,508	12,585
Vehicles, net	162	0
Tools, furniture and fixtures, net	70,322	60,029
Construction in progress	-	6,725
Total property, plant and equipment	251,297	401,654
Intangible assets		
Software	642,515	1,526,807
Software in progress	131,604	112,437
Other	161	161
Total intangible assets	774,281	1,639,405
Investments and other assets		
Investment securities	230,308	151,183
Shares of subsidiaries and associates	441,418	607,388
Long-term loans receivable from subsidiaries and associates	75,000	39,850
Leasehold and guarantee deposits	334,902	559,741
Deferred tax assets	619,991	488,971
Other	51,093	61,286
Total investments and other assets	1,752,715	1,908,421
Total non-current assets	2,778,295	3,949,481
Total assets	6,086,965	7,313,454

(Unit: 1,000 yen)

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	*1 575,564	*1 580,937
Short-term borrowings	-	500,000
Accounts payable - other	90,228	304,666
Accrued expenses	41,177	53,200
Income taxes payable	526,195	85,170
Accrued consumption taxes	150,463	38,521
Contract liabilities	-	199,672
Deposits received	17,790	19,353
Unearned revenue	202,861	-
Provision for bonuses	137,476	143,253
Provision for bonuses for directors (and other officers)	20,900	20,900
Total current liabilities	1,762,657	1,945,676
Non-current liabilities		
Asset retirement obligations	61,943	138,482
Total non-current liabilities	61,943	138,482
Total liabilities	1,824,600	2,084,158
Net assets		
Shareholders' equity		
Share capital	443,749	444,018
Capital surplus		
Legal capital surplus	408,249	408,518
Other capital surplus	319,631	319,631
Total other capital surplus	727,880	728,150
Retained earnings		
Other retained earnings		
Reserve for investment loss	53,248	57,147
Retained earnings brought forward	3,059,898	4,069,066
Total other retained earnings	3,113,146	4,126,214
Treasury shares	-75,272	-75,272
Total shareholders' equity	4,209,503	5,223,110
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	52,861	6,184
Total valuation and translation adjustments	52,861	6,184
Total net assets	4,262,365	5,229,295
Total liabilities and net assets	6,086,965	7,313,454

(ii) Non-Consolidated Statements of Income

(Unit: 1,000 yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	7,389,792	7,976,542
Cost of sales	2,868,041	3,476,808
Gross profit	4,521,751	4,499,734
Selling, general and administrative expenses	*1 2,728,376	*1 2,967,049
Operating profit	1,793,375	1,532,685
Non-operating income		
Interest income	242	1,203
Commission income	92,630	0
Insurance claim income	1,336	6,913
Subsidy income	-	269
Gain on investments in investment partnerships	100,796	-
Consumption tax gain	351	14,195
Outsourcing service income	3,299	5,768
Other	5,243	7,429
Total non-operating income	203,901	35,780
Non-operating expenses		
Interest expenses	-	293
Foreign exchange losses	3,041	124
Loss on investments in investment partnerships	781	3,705
Loss on retirement of non-current assets	-	6,466
Other	45	49
Total non-operating expenses	3,869	10,639
Ordinary profit	1,993,407	1,557,826
Extraordinary losses		
Loss on valuation of investment securities	*2 16,294	-
Total extraordinary losses	16,294	-
Profit before income taxes	1,977,113	1,557,826
Income taxes - current	643,669	393,138
Income taxes - deferred	98,784	151,620
Total income taxes	742,454	544,758
Profit	1,234,659	1,013,067

[Schedules of cost of sales]

Classification	Note Number	Previous fiscal year (From April 1, 2020 to March 31, 2021)		Current fiscal year (From April 1, 2021 to March 31, 2022)	
		Amount (1,000 yen)	Composition ratio (%)	Amount (1,000 yen)	Composition ratio (%)
I Labor cost		1,137,494	25.7	1,423,485	28.5
II Expenses	*1	3,289,380	74.3	3,571,530	71.5
Total manufacturing costs for the period		4,426,875	100.0	4,995,016	100.0
Inventory of work in process at beginning of period		17,168		6,749	
Total		4,444,043		5,001,765	
Inventories of work in process at end of period		6,749		18	
Transfer to other accounts	*2	2,042,792		2,347,977	
Cost of products manufactured		2,394,502		2,653,769	
Inventories of merchandise and finished goods at beginning of period		5,235		67,429	
Merchandise purchased during the period		536,306		815,239	
Total		2,936,044		3,536,439	
Inventories of merchandise and finished goods at end of period		67,429		59,192	
Transfer to other accounts	*2	572		438	
Cost of sales		2,868,041		3,476,808	

(Notes)*1 Major breakdown is as follows.

Item	Previous fiscal year (1,000 yen)	Current fiscal year (1,000 yen)
Outsourcing expenses	2,128,361	2,068,703
Communication expenses	345,239	385,449
Supplies expenses	53,952	54,007
Rent expenses on land and buildings	256,037	301,985
Cost of contents	150,946	151,752

*2 Details of transfers to other accounts are as follows.

Item	Previous fiscal year (1,000 yen)	Current fiscal year (1,000 yen)
Research and development expenses	1,232,843	1,233,488
Software	809,948	1,107,764
Other	572	7,163
Total	2,043,365	2,348,416

(Cost accounting method)

The Company's cost accounting method is actual cost accounting based on individual cost accounting.

(iii) Non-Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Unit: 1,000 yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total other capital surplus	Other retained earnings		Total other retained earnings
					Reserve for investment loss	Retained earnings brought forward	
Balance at beginning of period	443,439	407,939	319,631	727,570	64,775	1,813,711	1,878,487
Changes during period							
Issuance of new shares - exercise of share acquisition rights	310	310		310			
Provision of reserve for investment loss					-11,526	11,526	-
Profit						1,234,659	1,234,659
Net changes in items other than shareholders' equity							
Total changes during period	310	310	-	310	-11,526	1,246,186	1,234,659
Balance at end of period	443,749	408,249	319,631	727,880	53,248	3,059,898	3,113,146

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	-75,272	2,974,223	-	-	2,974,223
Changes during period					
Issuance of new shares - exercise of share acquisition rights		620			620
Provision of reserve for investment loss		-			-
Profit		1,234,659			1,234,659
Net changes in items other than shareholders' equity			52,861	52,861	52,861
Total changes during period	-	1,235,280	52,861	52,861	1,288,141
Balance at end of period	-75,272	4,209,503	52,861	52,861	4,262,365

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Unit: 1,000 yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total other capital surplus	Other retained earnings		Total other retained earnings
					Reserve for investment loss	Retained earnings brought forward	
Balance at beginning of period	443,749	408,249	319,631	727,880	53,248	3,059,898	3,113,146
Changes during period							
Issuance of new shares - exercise of share acquisition rights	269	269		269			
Provision of reserve for investment loss					3,899	-3,899	-
Profit						1,013,067	1,013,067
Net changes in items other than shareholders' equity							
Total changes during period	269	269	-	269	3,899	1,009,168	1,013,067
Balance at end of period	444,018	408,518	319,631	728,150	57,147	4,069,066	4,126,214

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	-75,272	4,209,503	52,861	52,861	4,262,365
Changes during period					
Issuance of new shares - exercise of share acquisition rights		539			539
Provision of reserve for investment loss		-			-
Profit		1,013,067			1,013,067
Net changes in items other than shareholders' equity			-46,677	-46,677	-46,677
Total changes during period	-	1,013,606	-46,677	-46,677	966,929
Balance at end of period	-75,272	5,223,110	6,184	6,184	5,229,295

[Notes]

(Significant accounting policies)

1. Valuation standards and methods for assets

(1) Valuation standards and methods for securities

Shares of subsidiaries and affiliates...Stated at the cost determined by the moving-average method.

Other available-for-sale securities

Stocks with no market price, etc...Stated at the cost determined by the moving-average method.

Investments in limited liability investment partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are accounted for by the net amount of the Company's equity based on the most recent Financial Statements available as of the financial reporting date stipulated in the partnership agreement.

(2) Valuation standards and methods for inventories

Merchandise and finished goods, Raw materials and supplies...Stated at the cost method based on the moving-average method (the amount stated in the Balance Sheet was calculated by writing down the book value of assets due to a decline in profitability).

Work in process...Stated at the cost method based on the specific identification method.

2. Depreciation method for non-current assets

(1) Property, plant and equipment

Stated at the declining-balance method. However, building fixtures acquired on or after April 1, 2016 are depreciated by the straight-line method.

The major useful lives are as follows:

Buildings: 3 to 15 years

Machinery and equipment: 4 to 7 years

Vehicles: 4 to 6 years

Tools, furniture and fixtures: 3 to 10 years

(2) Intangible assets

Goodwill is amortized on a straight-line basis over a period (within 3 years) during which its effects are expected to be recognized.

For software intended for sale on the market, the larger of amortization based on estimated sales revenue or equal distribution over the remaining effective period (within 3 years) is recorded.

Software for internal use is amortized by the straight-line method over the estimated useful life (5 years or less).

3. Basis for recognition of provisions

(1) Provision for bonuses

To provide for the payment of bonuses to employees, an amount accrued for the current fiscal year among the estimated bonuses to be paid is recorded.

(2) Provision for bonuses for directors (and other officers)

To provide for the payment of bonuses to Officers, an amount accrued for the current fiscal year among the estimated bonuses to be paid is recorded.

4. Basis for recording revenues and expenses

The Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, amended on March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standard") and other related standards from the beginning of the current fiscal year, and it will recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

Details of the major performance obligations and the usual time at which revenue is recognized for major services or transaction types, etc. are described in the Notes (Matters related to revenue recognition) in the Consolidated Financial Statements.

5. Conversion of assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are converted into yen at the spot exchange rates as of the end of fiscal year. The difference resulting from such conversion is recognized as income or loss.

(Significant accounting estimates)

Reasonableness of capitalization of software

(1) Amount recorded in the Non-Consolidated Financial Statements for the current fiscal year

(Unit: 1,000 yen)

	Previous fiscal year	Current fiscal year
Software	642,515	1,526,807
Software in progress	131,604	112,437

(2) Information on the details of significant accounting estimates for identified items

Software and software in progress are capitalized after assessing their value based on the estimated license revenue plan within 5 years. Such estimates may be affected by uncertain future changes in economic conditions, etc., and if the actual amount of license revenue incurred differs from the estimates, it may have a significant impact on the amount of software and software in progress recorded in the Non-Consolidated Financial Statements for the next fiscal year.

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, amended on March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standard") and other related standards from the beginning of the current fiscal year, and it will recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

With respect to the application of the Revenue Recognition Accounting Standard, etc., the Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, and it has calculated the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the current fiscal year, but there was no such cumulative effect and no impact on profit and loss for the current fiscal year.

Due to the adoption of the Revenue Recognition Accounting Standard, etc., "Notes receivable" and "Accounts receivable," which were included in "Current assets" in the Balance Sheet in the previous fiscal year, are included in "Notes and accounts receivable-trade, and contract assets" in the current fiscal year, and "Unearned revenue," which was included in "Current liabilities," is included in "Contract liabilities" in the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company has not made any reclassifications based on the new presentation method for the previous fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, revenue recognition-related notes for the previous fiscal year are not presented.

(Change of presentation method)

(Non-Consolidated Statements of Income)

Consumption tax difference and Outsourcing service income, which were included in Other under Non-operating income in the previous fiscal year, is separately stated from the current fiscal year as it exceeded 10/100 of the total amount of non-operating income. To reflect this change in presentation, the Non-Consolidated Financial Statements for the previous fiscal year have been reclassified.

As a result, 8,895,000 yen presented as Other in Non-operating income in the Non-Consolidated Statements of Income for the previous fiscal year has been reclassified as Consumption tax difference of 351,000 yen, Outsourcing service income of 3,299,000 yen, and Other of 5,243,000 yen.

(Changes in accounting estimates)

(Changes in estimates of useful lives of property, plant and equipment and asset retirement obligations)

The Company relocated its Tokyo Head Office during the current fiscal year. The useful lives of fixed assets that will no longer be available upon relocation are changed to the period up to the completion date of the relocation, and the assets are depreciated over the remaining period.

In addition, the Company changed its estimate of the asset retirement obligations that had been recorded as restoration obligations based on the real estate lease contract for the property prior to such relocation, as more precise estimates became available.

As a result, operating income, ordinary income, and income before income taxes for the current fiscal year decreased by 153,459,000 yen, respectively, compared to the amounts calculated by the previous method.

(Additional information)

(Accounting estimate for the impact of the spread of COVID-19)

Notes are omitted because the same information is presented in Notes (Additional Information) in the Consolidated Financial Statements.

(Non-Consolidated Balance Sheets)

*1 Assets and liabilities of affiliated companies

Assets and liabilities of affiliated companies included in each account, other than those separately presented, are as follows.

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
Accounts receivable	84,939,000 yen	116,844,000 yen
Accounts payable - trade	14,146,000 yen	9,743,000 yen

(Non-Consolidated Statements of Income)

*1 Major items and amounts of selling, general and administrative expenses and their approximate percentages are as follows.

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Salary and allowance	544,760,000 yen	630,666,000 yen
Provision for bonuses	64,588,000 yen	62,360,000 yen
Provision for bonuses for directors (and other officers)	20,900,000 yen	20,900,000 yen
Depreciation and amortization expense	34,141,000 yen	103,594,000 yen
Outsourcing expenses	85,053,000 yen	102,024,000 yen
Research and development expenses	1,134,011,000 yen	1,143,180,000 yen
Approximate ratio		
Selling expenses	8%	9%
General and administrative expenses	92%	91%

*2 Loss on valuation of investment securities

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

Impairment loss was recognized for securities classified as Other available-for-sale securities held by the Company, whose real value has significantly declined.

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

Not applicable.

(Investment securities)

Shares of subsidiaries and affiliates

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

Book value on the balance sheet of shares of subsidiaries and affiliates whose fair value is extremely difficult to be determined

Classification	Previous fiscal year (1,000 yen)
Shares of subsidiaries	30,000
Shares of associates	411,418

Fiscal year ended March 31, 2022

Book value on the balance sheet of shares of subsidiaries and affiliates with no market price

Classification	Current fiscal year (1,000 yen)
Shares of subsidiaries	30,000
Shares of associates	577,388

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
Deferred tax assets		
Provision for bonuses	42,095,000 yen	43,864,000 yen
Provision for bonuses for directors (and other officers)	6,399,000 yen	6,399,000 yen
Asset retirement obligations	18,966,000 yen	42,403,000 yen
Accrued enterprise tax	25,135,000 yen	9,761,000 yen
Accrued expenses	17,104,000 yen	14,484,000 yen
Accounts payable - trade	14,468,000 yen	11,207,000 yen
Accounts payable - other	7,129,000 yen	11,094,000 yen
Prepaid expenses	9,416,000 yen	6,055,000 yen
Accounts receivable - other	493,000 yen	493,000 yen
Excess depreciation	558,352,000 yen	453,047,000 yen
Other	20,334,000 yen	31,057,000 yen
Deferred tax assets, Subtotal	719,896,000 yen	629,868,000 yen
Valuation allowance	-39,930,000 yen	-71,047,000 yen
Deferred tax assets, Total	679,965,000 yen	558,821,000 yen
Deferred tax liabilities		
Removal costs corresponding to asset retirement obligations	-13,143,000 yen	-41,899,000 yen
Reserve for investment loss	-23,500,000 yen	-25,221,000 yen
Valuation difference on available-for-sale securities	-23,329,000 yen	-2,729,000 yen
Deferred tax liabilities, Total	-59,974,000 yen	-69,850,000 yen
Deferred tax assets, net	619,991,000 yen	488,971,000 yen

2. Significant differences between the statutory tax rate and the effective tax rate after the application of tax effect accounting, by major item that caused the differences

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
Statutory effective tax rate	30.6 %	30.6%
(Adjustment)		
Entertainment expenses and other items not permanently deductible for income tax purposes	0.1%	0.1%
Per capita inhabitant tax, etc.	0.3%	0.4%
Tax on retained surplus	5.2%	5.3%
Change in valuation allowance	0.4%	2.0%
Tax credits	-%	-3.5%
Donations not deductible for tax purposes	0.9%	0.3%
Other	-0.0%	-0.2%
Effective rate of Corporate tax rate after applying tax effect accounting	37.6%	35.0%

(Matters related to revenue recognition)

The information that forms the basis for understanding revenue from contracts with customers is identical to that presented in the

Notes (Matters related to revenue recognition) in the Consolidated Financial Statements, and therefore, notes have been omitted.

(Significant subsequent events)

Not applicable.

(iv) Supplementary schedules

[Schedule of property, plant and equipment, etc.]

Type of Assets	Balance at beginning of period (1,000 yen)	Increase during the period (1,000 yen)	Decrease during the period (1,000 yen)	Balance at end of period (1,000 yen)	Accumulated depreciation or amortization at end of period (1,000 yen)	Depreciation or amortization during period (1,000 yen)	Balance at end of period after deducting accumulated depreciation or amortization (1,000 yen)
Property, plant and equipment							
Buildings	258,858	338,049	261,649	335,259	12,944	175,698	322,314
Machinery and equipment	36,250	3,623	-	39,873	27,288	9,546	12,585
Vehicles	975	-	-	975	975	162	0
Tools, furniture and fixtures	276,403	43,016	35,703	283,717	223,687	52,847	60,029
Construction in progress	-	6,725	-	6,725	-	-	6,725
Total property, plant and equipment	572,488	391,414	297,352	666,551	264,896	238,255	401,654
Intangible assets							
Software	801,505	1,130,106	4,310	1,927,301	400,494	242,151	1,526,807
Software in progress	131,604	1,107,764	1,126,931	112,437	-	-	112,437
Other	161	-	-	161	-	-	161
Total intangible assets	933,271	2,237,870	1,131,241	2,039,899	400,494	242,151	1,639,405
Long-term prepaid expenses	-	1,014	407	607	-	-	607

(Notes) 1. Major items in the increase during the current period are as follows.

Buildings	Moved into Tokyo Office	165,980,000 yen
Buildings	Asset retirement obligations	171,939,000 yen
Tools, furniture and fixtures	Personal computer	18,892,000 yen
Software	Transfer from software in progress	1,126,931,000 yen
Software in progress	Self-developed software	1,107,764,000 yen

2. Major items in the decrease during the current period are as follows.

Buildings	Moved out of Tokyo Office	161,049,000 yen
Buildings	Asset retirement obligations	95,125,000 yen
Tools, furniture and fixtures	Personal computer	14,968,000 yen
Tools, furniture and fixtures	Office furniture	16,112,000 yen
Software in progress	Transfer to software	1,126,931,000 yen

[Schedule of allowance for doubtful accounts]

Classification	Balance at beginning of period (1,000 yen)	Increase during the period (1,000 yen)	Decrease during the period (Purpose use) (1,000 yen)	Decrease during the period (Other) (1,000 yen)	Balance at end of period (1,000 yen)
Provision for bonuses	137,476	143,253	137,476	-	143,253
Provision for bonuses for directors (and other officers)	20,900	20,900	20,900	-	20,900

(2) Details of major assets and liabilities

Since the Company prepared its Consolidated Financial Statements, this information has been omitted.

(3) Other

Not applicable.

6. Outline of the Submitting Company's Stock Administration

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	Within 3 months after the end of each fiscal year
Base date	March 31
Base date for distribution of surplus	September 30 March 31
Number of shares per unit	100 shares
Purchase of shares less than one unit	
Place of transaction	1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation
Intermediary location	-
Purchase fee	Free of charge
Method of public notice	Public notice shall be made electronically. However, in the event that public notice cannot be made electronically due to an accident or other unavoidable reason, the method of public notice shall be by publication in the Nihon Keizai Shimbun. URL for public notice https://www.optim.co.jp/
Benefits for shareholders	Not applicable.

(Note) The Company's Articles of Incorporation stipulate that shareholders holding shares of less than one unit of the Company's stock may not exercise any rights other than the rights listed below with respect to such shares of less than one unit.

- (1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act
- (2) The right to make a request pursuant to the provision of Article 166, Paragraph 1 of the Companies Act
- (3) Right to receive allotment of offered shares and allotment of offered stock acquisition rights in proportion to the number of shares held by the shareholder

7. Reference Information on Submitting Company

1. Information on Parent Company, etc. of Submitting Company

The Company has no parent company.

2. Other Reference Information

The following documents were submitted between the beginning of the current fiscal year and the date of submission of the Annual Securities Report.

(1) Annual Securities Report and its attached documents and Confirmation letter

Business year (21st period) (April 1, 2020 to March 31, 2021), Submitted to Director General, Fukuoka Regional Finance Bureau on June 30, 2021

(2) Internal control report and attached documents

Submitted to Director General, Fukuoka Regional Finance Bureau on June 30, 2021

(3) Quarterly Reports and Confirmation letters

(The First Quarter of the 22nd Period) (From April 1, 2021 to June 30, 2021) Submitted to Director General, Fukuoka Regional Finance Bureau on August 13, 2021

(The Second Quarter of the 22nd Period) (From July 1, 2021 to September 30, 2021) Submitted to Director General, Fukuoka Regional Finance Bureau on November 12, 2021

(The Third Quarter of the 22nd Period) (From October 1, 2021 to December 31, 2021) Submitted to Director General, Fukuoka Regional Finance Bureau on February 14, 2022

Section II. Information on the Guarantee Company, etc., of the Submitting Company

Not applicable.

Independent Auditor's Audit Report and Internal Control Audit Report

June 30, 2022

OPTiM CORPORATION

To the Board of Directors of OPTiM CORPORATION

Grant Thornton Taiyo LLC

Tokyo Office

Designated Limited Liability Partner Corporate Executive Partner	Certified Public Accountant	Youichi Honma	seal
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Designated Limited Liability Partner Corporate Executive Partner	Certified Public Accountant	Motoki Ishikawa	seal
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<Audit of Financial Statements>

Audit opinions

We have audited the Consolidated Financial Statements of OPTiM CORPORATION listed in the Status of Accounting for the fiscal year from April 1, 2021 to March 31, 2022, comprising the Consolidated Balance Sheet, Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statement of Cash Flows, Significant Accounting Policies for the Preparation of Consolidated Financial Statements, Other Notes, and Consolidated Supplementary Schedule, for the purpose of providing audit certification in accordance with the provisions of Article 193-2-1 of the Financial Instruments and Exchange Act.

In our opinion, the above Consolidated Financial Statements present fairly, in all material respects, the financial position of OPTiM CORPORATION and consolidated subsidiaries as of March 31, 2022, and the results of their operations and their cash flows for the fiscal year ended on that date, in conformity with accounting principles generally accepted in Japan.

Basis for audit opinion

We have audited in accordance with the auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's responsibility in auditing the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the rules of professional ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that we have obtained sufficient and appropriate audit evidence that forms the basis for our opinion.

Major audit considerations

Major audit considerations are those matters that the auditor, as a professional expert, considered to be of particular importance in the audit of the Consolidated Financial Statements for the current fiscal year. The major audit considerations are those matters that were addressed in the course of performing the audit of the Consolidated Financial Statements as a whole and in forming our audit opinion, and we do not express an opinion on those matters individually.

Reasonableness of capitalization of software	
Details of the major audit considerations and the reasons for the decision	Audit response
<p>As of March 31, 2022, the Company recorded software of 1,537,909,000 yen and software in progress of 112,437,000 yen as described in Notes, Significant accounting estimates. The Company believes that the source of business growth lies in innovation, and has been actively engaged in research and development activities since its establishment. As a result, the total amount of research and development expenses paid by the Company in the current consolidated fiscal year was 1,148,643,000 yen, as stated in the (Consolidated Statements of Income) *3 Total research and development expenses included in general and administrative expenses and current manufacturing costs.</p> <p>The company operates a software service licensing business that provides IoT Platform Services, Remote Management Services, and IT support services for a wide variety of Internet-connected mobile devices.</p> <p>In the development of such software, management's judgment intervenes when deciding whether to expense it as research and development expenses or capitalize it as software. The Company capitalizes software if it is certain that it will generate revenue in the future.</p> <p>Software is an intangible asset, the substance of which is difficult to ascertain, and thus estimates are involved in determining the certainty of future revenue. Therefore, research and development expenses that do not meet the capitalization requirements may be recorded as software.</p> <p>Based on the above, we have determined that the matter is subject of major audit consideration.</p>	<p>In assessing the reasonableness of the capitalization of software, we principally performed the following auditing procedures.</p> <ul style="list-style-type: none"> ● We evaluated the development and operation status of internal control over the aggregation of costs by software development project and its capitalization process. ● We verified that development applications for major development projects have gone through the prescribed approval process, and verified the actual existence of the software and the appropriateness of the timing of recognition. ● We have examined whether the requirements for capitalization of the Company's software are appropriate in light of generally accepted accounting principles and practices in Japan. ● We performed the following audit procedures to verify that the requirements for capitalization of software were met. <ul style="list-style-type: none"> - We confirmed that the project manager reported to the Director of development that the software was complete in terms of critical functionality and that critical defects had been resolved, and that the software had been entered into the fixed asset management ledger through the prescribed approval process. - We compared the estimated amount of future revenue at the time of the start of use of software produced in the past with the actual amount of future revenue, and confirmed the accuracy of the estimated amount of future revenue. - We confirmed that the estimated future earnings from the use of the software exceeded the production costs and other expenses. - We inspected and verified the evidence supporting the software to ensure that the production costs recorded for the software were incurred from the time the software met the requirements for capitalization to the completion of the production work.

Other statements

Other statements consist of information other than information on the Consolidated Financial Statements, Non-Consolidated Financial Statements, and the Audit Reports thereof, which are included in the Annual Securities Report. Management is responsible for preparing and disclosing other statements. The responsibility of the Corporate Auditors and the Board of Corporate Auditors is to monitor the execution of duties by the Board Directors in the preparation and operation of the process for reporting other statements.

Our audit opinion on the Consolidated Financial Statements does not cover other statements and, accordingly, we express no opinion on them.

Our responsibility in the audit of the Consolidated Financial Statements is to read the other statements carefully and, in the course of that reading, to consider whether there are material differences between the other statements and the Consolidated Financial Statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements other than such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report with respect to the other statements.

Responsibility of management, Corporate Auditors, and Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in conformity with Accounting Standard generally accepted in Japan. This includes the establishment and operation of internal control deemed necessary by management to prepare and properly present the Consolidated Financial Statements that are free from material misstatement, either due to fraud or error.

In preparing Consolidated Financial Statements, management evaluates whether it is appropriate to prepare Consolidated Financial Statements based on the premise of going concern, and if it is necessary to disclose matters concerning going concern in accordance with Accounting Standard generally accepted in Japan, management is responsible for disclosing such matters.

The responsibility of the Corporate Auditors and the Board of Corporate Auditors is to monitor the execution of duties by the Board Directors in the preparation and operation of the financial reporting process.

Auditor's responsibility in auditing the Consolidated Financial Statements

The auditor is responsible for obtaining reasonable assurance about whether the Consolidated Financial Statements as a whole are free of material misstatement, whether due to fraud or error, based on the audit performed by the auditor, and for expressing an opinion on the Consolidated Financial Statements from an independent standpoint in the Audit Report. A misstatement is considered to be material if it could have been caused by fraud or error and, individually or in the aggregate, could reasonably be expected to affect the decisions of users of the Consolidated Financial Statements.

Throughout the audit process, the auditor will exercise professional judgment in accordance with auditing standards generally accepted in Japan and will conduct the following with professional skepticism.

- Identify and assess the risk of material misstatement due to fraud or error. Develop and implement audit procedures that address the risks of material misstatement as well. The selection and application of audit procedures are at the auditor's discretion. Obtain sufficient and appropriate audit evidence that forms the basis for the opinion.
- The purpose of an audit of the Consolidated Financial Statements is not to express an opinion on the effectiveness of the entity's internal control; however, in making those risk assessments, the auditor shall consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of the accounting policies and methods of application thereof adopted by management, the reasonableness of the accounting estimates made by management, and the adequacy of related note disclosures.
- Conclude whether it is appropriate for management to prepare the Consolidated Financial Statements on a going concern basis and, based on the audit evidence obtained, whether there are material uncertainties regarding events or conditions that might cast significant doubt on the entity's ability to continue as a going concern. If a material uncertainty regarding the entity's ability to continue as a going concern exists, we are required to draw attention to the notes to the Consolidated Financial Statements in the Audit Report or, if the notes to the Consolidated Financial Statements are not appropriate with respect to the material uncertainty, to express a modified opinion regarding the Consolidated Financial Statements. Although the auditor's conclusions are based on audit evidence obtained up to the date of the audit report, it is possible that future events or circumstances may make it impossible for the entity to continue as a going concern.
- Evaluate whether the presentation and notes to the Consolidated Financial Statements conform to Accounting Standards generally accepted in Japan, and whether the Consolidated Financial Statements including the related notes, present fairly the underlying transactions and accounting events, as well as the overall presentation, structure and content of the Consolidated Financial Statements that include the related notes.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to enable us to express an opinion on the Consolidated Financial Statements. The auditor is responsible for directing, supervising and performing the audit of the Consolidated Financial Statements. The auditor shall be solely responsible for the auditor's opinions.

The auditor shall report to the Corporate Auditors and the Board of Corporate Auditors on the scope and timing of the planned audit, significant audit findings, including material deficiencies in internal controls that have been identified in the course of conducting the audit, and other matters required by the auditing standards.

The auditor shall report to the Corporate Auditors and the Board of Corporate Auditors on the auditor's compliance with the provisions of professional ethics in Japan regarding independence, on matters that may reasonably be considered to affect the auditor's independence, and on safeguards, if any, taken to remove or reduce disincentives.

Of the matters discussed with the Corporate Auditors and the Board of Corporate Auditors, the auditors shall determine those matters that they consider to be of particular importance in the audit of the Consolidated Financial Statements for the current fiscal year, and shall include such matters in the Audit Report. However, such matters shall not be included in the auditor's report if the disclosure of such matters is prohibited by law or if, although extremely limited, the auditor determines that such matters should not be reported as the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest.

<Internal control audit>

Audit opinions

We have audited the internal control report of OPTiM CORPORATION as of March 31, 2022 for the purpose of providing audit certification in accordance with the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act.

In our opinion, the above internal control report, in which OPTiM CORPORATION indicated that internal control over financial reporting as of March 31, 2022 was effective, presents fairly, in all material respects, the assessment results of internal control over financial reporting, in accordance with the assessment criteria for internal control over financial reporting generally accepted in Japan.

Basis for audit opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibility under the auditing standards for internal control over financial reporting is described in "Auditor's Responsibility for Internal Control Audit." We are independent of the Company and its consolidated subsidiaries in accordance with the rules of professional ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that we have obtained sufficient and appropriate audit evidence that forms the basis for our opinion.

Responsibility of management, Corporate Auditors, and Board of Corporate Auditors for the internal control report.

Management is responsible for establishing and operating internal control over financial reporting, and preparing and fairly presenting an internal control report in accordance with the evaluation criteria for internal control over financial reporting generally accepted in Japan.

The responsibility of the Corporate Auditors and the Board of Corporate Auditors is to monitor and verify the establishment and operation of internal control over financial reporting.

It is possible that internal control over financial reporting will not completely prevent or detect misstatements in financial reporting.

Auditor's Responsibility for Internal Control Audit

The auditor's responsibility is to obtain reasonable assurance about whether the internal control report is free of material misstatement based on the internal control audit performed by the auditor and to express an opinion on the internal control report from an independent standpoint in the internal control audit report.

Throughout the audit process, the auditor will exercise professional judgment in accordance with auditing standards for internal control over financial reporting generally accepted in Japan and will conduct the following with professional skepticism.

- The auditor shall perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. Audit procedures for internal control audits are selected and applied at the auditor's discretion, based on the materiality of the effect on the reliability of financial reporting.
- The auditor reviews the presentation of the internal control report as a whole, including the statements made by management regarding the scope of evaluation of internal control over financial reporting, evaluation procedures and evaluation results.
- The auditor obtains sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. The auditor is responsible for directing, supervising, and performing the audit of the internal control report. The auditor shall be solely responsible for the auditor's opinions.

The auditor shall report to the Corporate Auditors and the Board of Corporate Auditors on the scope and timing of the planned internal control audit, the results of the internal control audit, material deficiencies in internal control identified that should be disclosed, the results of their correction, and any other matters required by the standards for internal control audits.

The auditor shall report to the Corporate Auditors and the Board of Corporate Auditors on the auditor's compliance with the provisions of professional ethics in Japan regarding independence, on matters that may reasonably be considered to affect the auditor's independence, and on safeguards, if any, taken to remove or reduce disincentives.

Conflicts of interest

There are no interests between the Company or its consolidated subsidiaries and our audit firm or its executive partners that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

End

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- (Note) 1. The above is an electronic version of the matters stated in the original Audit Reports, the original of which is kept separately by the Company (the company submitting the Annual Securities Report).
2. XBRL data is not included in the scope of the audit.

Independent Auditor's Audit Report

June 30, 2022

OPTiM CORPORATION

To the Board of Directors of OPTiM CORPORATION

Grant Thornton Taiyo LLC

Tokyo Office

Designated Limited Liability Partner Corporate Executive Partner	Certified Public Accountant	Youichi Honma	seal
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Designated Limited Liability Partner Corporate Executive Partner	Certified Public Accountant	Motoki Ishikawa	seal
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Audit opinions

We have audited the 22nd Period Non-Consolidated Financial Statements of OPTiM CORPORATION listed in the Status of Accounting for the fiscal year from April 1, 2021 to March 31, 2022, comprising the Non-Consolidated Balance Sheet, Non-Consolidated Statements of Income, Non-Consolidated Statements of Changes in Equity, Significant Accounting Policies for the Preparation of Non-Consolidated Financial Statements, Other Notes, and Supplementary Schedule, for the purpose of providing audit certification in accordance with the provisions of Article 193-2-1 of the Financial Instruments and Exchange Act.

In our opinion, the above Non-Consolidated Financial Statements present fairly, in all material respects, the financial position of OPTiM CORPORATION as of March 31, 2022, and the results of its operation for the fiscal year ended on that date, in conformity with accounting principles generally accepted in Japan.

Basis for audit opinion

We have audited in accordance with the auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's responsibility in auditing the Non-Consolidated Financial Statements." We are independent of the Company in accordance with the rules of professional ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that we have obtained sufficient and appropriate audit evidence that forms the basis for our opinion.

Major audit considerations

Major audit considerations are those matters that the auditor, as a professional expert, considered to be of particular importance in the audit of the Non-Consolidated Financial Statements for the current fiscal year. The major audit considerations are those matters that were addressed in the course of performing the audit of the Non-Consolidated Financial Statements as a whole and in forming our audit opinion, and we do not express an opinion on those matters individually.

Reasonableness of capitalization of software
This information is omitted as it is identical to the major audit consideration (Reasonableness of capitalization of software) included in the Audit Reports on the Consolidated Financial Statements.

Other statements

Other statements consist of information other than information on the Consolidated Financial Statements, Non-Consolidated Financial Statements, and the Audit Reports thereof, which are included in the Annual Securities Report. Management is responsible for preparing and disclosing other statements. The responsibility of the Corporate Auditors and the Board of Corporate Auditors is to monitor the execution of duties by the Board Directors in the preparation and operation of the process for reporting other statements.

Our audit opinion on the Non-Consolidated Financial Statements does not cover other statements and, accordingly, we express no opinion on them.

Our responsibility in the audit of the Non-Consolidated Financial Statements is to read the other statements carefully and, in the course of that reading, to consider whether there are material differences between the other statements and the Non-Consolidated Financial Statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements other than such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report with respect to the other statements.

Responsibility of management, Corporate Auditors, and Board of Corporate Auditors for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Non-Consolidated Financial Statements in conformity with Accounting Standard generally accepted in Japan. This includes the establishment and operation of internal control deemed necessary by management to prepare and properly present the Non-Consolidated Financial Statements that are free from material misstatement, either due to fraud or error.

In preparing Non-Consolidated Financial Statements, management evaluates whether it is appropriate to prepare Non-Consolidated Financial Statements based on the premise of going concern, and if it is necessary to disclose matters concerning going concern in accordance with Accounting Standard generally accepted in Japan, management is responsible for disclosing such matters.

The responsibility of the Corporate Auditors and the Board of Corporate Auditors is to monitor the execution of duties by the Board Directors in the preparation and operation of the financial reporting process.

Auditor's responsibility in auditing the Non-Consolidated Financial Statements

The auditor is responsible for obtaining reasonable assurance about whether the Non-Consolidated Financial Statements as a whole are free of material misstatement, whether due to fraud or error, based on the audit performed by the auditor, and for expressing an opinion on the Non-Consolidated Financial Statements from an independent standpoint in the Audit Report. A misstatement is considered to be material if it could have been caused by fraud or error and, individually or in the aggregate, could reasonably be expected to affect the decisions of users of the Non-Consolidated Financial Statements.

Throughout the audit process, the auditor will exercise professional judgment in accordance with auditing standards generally accepted in Japan and will conduct the following with professional skepticism.

- Identify and assess the risk of material misstatement due to fraud or error. Develop and implement audit procedures that address the risks of material misstatement as well. The selection and application of audit procedures are at the auditor's discretion. Obtain sufficient and appropriate audit evidence that forms the basis for the opinion.
- The purpose of an audit of the Non-Consolidated Financial Statements is not to express an opinion on the effectiveness of the entity's internal control; however, in making those risk assessments, the auditor shall consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of the accounting policies and methods of application thereof adopted by management, the reasonableness of the accounting estimates made by management, and the adequacy of related note disclosures.
- Conclude whether it is appropriate for management to prepare the Non-Consolidated Financial Statements on a going concern basis and, based on the audit evidence obtained, whether there are material uncertainties regarding events or conditions that might cast significant doubt on the entity's ability to continue as a going concern. If a material uncertainty regarding the entity's ability to continue as a going concern exists, we are required to draw attention to the notes to the Non-Consolidated Financial Statements in the audit report or, if the notes to the Non-Consolidated Financial Statements are not appropriate with respect to the material uncertainty, to express a modified opinion regarding the Non-Consolidated Financial Statements. Although the auditor's conclusions are based on audit evidence obtained up to the date of the audit report, it is possible that future events or circumstances may make it impossible for the entity to continue as a going concern.
- Evaluate whether the presentation and notes to the Non-Consolidated Financial Statements conform to Accounting Standards generally accepted in Japan, and whether the Non-Consolidated Financial Statements including the related notes, present fairly the underlying transactions and accounting events, as well as the overall presentation, structure and content of the Non-Consolidated Financial Statements that include the related notes.

The auditor shall report to the Corporate Auditors and the Board of Corporate Auditors on the scope and timing of the planned audit, significant audit findings, including material deficiencies in internal controls that have been identified in the course of conducting the audit, and other matters required by the auditing standards.

The auditor shall report to the Corporate Auditors and the Board of Corporate Auditors on the auditor's compliance with the provisions of professional ethics in Japan regarding independence, on matters that may reasonably be considered to affect the auditor's independence, and on safeguards, if any, taken to remove or reduce disincentives.

Of the matters discussed with the Corporate Auditors and the Board of Corporate Auditors, the auditors shall determine those matters that they consider to be of particular importance in the audit of the Non-Consolidated Financial Statements for the current fiscal year, and shall include such matters in the Audit Report. However, such matters shall not be included in the auditor's report if the disclosure of such matters is prohibited by law or if, although extremely limited, the auditor determines that such matters should not be reported as the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest.

Conflicts of interest

There are no interests between the Company and the audit firm or its executive partners that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

End

(Note) 1. The above is an electronic version of the matters stated in the original Audit Reports, the original of which is kept separately by the Company (the company submitting the Annual Securities Report).

2. XBRL data is not included in the scope of the audit.