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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, 2023
[Business period]	The 23rd period (From April 1, 2022 to March 31, 2023)
[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.)
[Phone number]	0952-41-4277
[The name of the administrative contact person]	We do not have an administrative contact as we have no administrative department.
[The nearest contact point]	1-2-20 Kaigan, Minato-ku, Tokyo
[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 19th period	The 20th period	The 21st period	The 22nd period	The 23rd period
Year-end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(1,000 yen)	-	6,728,792	7,517,790	8,310,717	9,277,336
Ordinary profit	(1,000 yen)	-	259,448	2,000,453	1,485,545	1,634,990
Profit (loss) attributable to owners of parent	(1,000 yen)	-	117,222	1,237,601	943,561	962,761
Comprehensive income	(1,000 yen)	-	117,278	1,295,583	896,574	940,421
Net assets	(1,000 yen)	-	3,039,185	4,355,888	5,248,802	6,189,309
Total assets	(1,000 yen)	-	4,604,239	6,248,906	7,387,477	8,219,451
Net assets per share	(Yen)	-	53.95	77.39	93.68	110.76
Basic earnings per share	(Yen)	-	2.13	22.49	17.14	17.49
Diluted earnings per share	(Yen)	-	2.11	22.32	17.02	17.37
Capital adequacy ratio	(%)	-	64.5	68.2	69.8	74.2
Return on equity	(%)	-	4.0	34.2	20.0	17.1
Price earnings ratio	(Times)	-	940.22	132.22	59.85	53.01
Net cash provided by (used in) operating activities	(1,000 yen)	-	430,637	1,323,462	698,237	2,313,091
Net cash provided by (used in) investing activities	(1,000 yen)	-	-365,711	-1,151,757	-1,666,254	-1,651,715
Net cash provided by (used in) financing activities	(1,000 yen)	-	250	620	493,739	-199,915
Cash and cash equivalents at end of period	(1,000 yen)	-	1,263,910	1,453,676	979,399	1,440,860
Number of employees	(Persons)	-	243	316	365	381
[Average number of temporary employees]		[-]	[103]	[80]	[69]	[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 and subsequent fiscal years 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 19th period	The 20th period	The 21st period	The 22nd period	The 23rd period
Year-end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(1,000 yen)	5,468,745	6,687,272	7,389,792	7,976,542	9,044,870
Ordinary profit	(1,000 yen)	145,527	258,159	1,993,407	1,557,826	1,780,246
Profit	(1,000 yen)	11,281	116,169	1,234,659	1,013,067	1,000,320
Investment income using the equity method	(1,000 yen)	-	-	-	-	-
Share capital	(1,000 yen)	443,313	443,439	443,749	444,018	444,125
Total number of issued shares	(Shares)	13,777,536	27,557,680	55,128,288	55,139,520	55,143,968
Net assets	(1,000 yen)	2,857,803	2,974,223	4,262,365	5,229,295	6,207,149
Total assets	(1,000 yen)	3,725,858	4,545,340	6,086,965	7,313,454	8,218,043
Net assets per share	(Yen)	51.94	54.05	77.44	94.99	112.76
Dividend per share (Interim dividend per share)	(Yen)	- (-)	- (-)	- (-)	- (-)	- (-)
Basic earnings per share	(Yen)	0.20	2.11	22.43	18.40	18.17
Diluted earnings per share	(Yen)	0.20	2.10	22.27	18.27	18.05
Capital adequacy ratio	(%)	76.7	65.4	70.0	71.5	75.5
Return on equity	(%)	0.4	4.0	34.1	21.3	17.5
Price earnings ratio	(Times)	6,021.60	948.74	132.53	55.75	51.02
Dividend payout ratio	(%)	-	-	-	-	-
Net cash provided by (used in) operating activities	(1,000 yen)	-250,525	-	-	-	-
Net cash provided by (used in) investing activities	(1,000 yen)	-202,090	-	-	-	-
Net cash provided by (used in) financing activities	(1,000 yen)	-74,333	-	-	-	-
Cash and cash equivalents at end of period	(1,000 yen)	1,127,679	-	-	-	-
Number of employees [Average number of temporary employees]	(Persons)	208 [99]	240 [103]	299 [79]	349 [68]	365 [68]
Total shareholder return (Comparison index: TOPIX including dividends)	(%) (%)	197.5 (95.0)	320.6 (85.9)	475.9 (122.1)	164.2 (124.6)	148.4 (131.8)
Highest share price	(Yen)	5,390 (2,625)	4,835 (2,095)	3,840	3,095	1,279
Lowest share price	(Yen)	2,366 (2,440)	2,000 (1,923)	1,881	797	677

- (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 and subsequent fiscal years are those after the application of the said accounting standard, etc.
2. Investment income based on the equity method for the 19th period 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 19th through 23rd 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 19th 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 on or before April 3, 2022, are those quoted on the First Section of the Tokyo Stock Exchange. The highest and lowest share prices on or after April 4, 2022, are those quoted on the Prime Market 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.

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.
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.
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.
December 2022	Entered into a capital and business alliance with Gurunavi, Inc. in the field of DX services for the restaurant industry.
March 2023	Established OPTiM Farm Corporation

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 (*2) on the premise of connecting various devices.

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

Classification	Product/service name
Mobile Management	- Optimal Biz A cloud device management solution (*5) that facilitates the centralized management of smart devices (*3) and PCs and the implementation of security measures for them from the cloud (*4).
Agritech	- Pinpoint Time Spraying service A service that combines the growth forecasting technology and pest outbreak prediction technology we have cultivated with the knowledge on drone pest control. - Smart Rice Safe and secure rice grown under production management with smart farming solutions utilizing AI, IoT, and drones. - AGRI EARTH An AI, IoT, and blockchain (*6) platform for the agriculture, forestry, fisheries, distribution, processing, and food industries.
Digital Health	- Pocket doctor This is a remote medical examination and health consultation service using smartphones and tablets. - Online healthcare platform A platform that facilitates the easy provision of online healthcare services under an OEM (*7) arrangement. - MINS (Medicaroid Intelligent Network System) A network support system that supports the operation of the hinotori™ Surgical Robot System (a robotic assisted surgery system), the safe and efficient use of the operating room, and the teaching and succession of procedures.
Digital Construction	- OPTiM Geo Scan A 3D surveying application that combines an iPhone equipped with a LiDAR (*8) sensor and GNSS receiver (*9) acquired location information to perform highly accurate surveying in a short time.
Marketing DX	- OPTiM Digital Marketing A marketing DX (*10) service for corporate customers that optimizes their activities relating to customer information management and website content management, development and operation of EC websites, and the reinforcement of contact points with customers.
Office DX	- OPTiM Contract A service to improve the efficiency of contract management by using AI to acquire the other party to the transaction and the contract period that are stipulated in the contract. - OPTiM Denshichobohozon A service that preserves transaction information, such as invoices, receipts, and purchase orders, in accordance with the requirements of the Electronic Books Preservation Act and the Invoicing System. - OPTiM Store A marketplace and sales management service for corporate customers that handle sales of subscription services.

Video Management DX	<ul style="list-style-type: none"> - OPTiM AI Camera An AI image analysis service that performs image analysis from the cloud by using a network camera. - OPTiM AI Camera Enterprise An AI image analysis service that performs an analysis on image analysis hardware by collecting data from a network camera and using more than 300 types of learned models.
Platform	<ul style="list-style-type: none"> - OPTiM Cloud IoT OS An integrated platform for AI/IoT utilization equipped with the necessary functions for the operations of AI/IoT services and platforms. - OPTiM IoT This service securely manages and operates all equipment and devices from the cloud. - 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.

(2) Remote Management Services

Classification	Product/service name
Remote Management Service	<ul style="list-style-type: none"> - Optimal Remote A remote management service that remotely supports support smart devices, PCs, and servers. - Optimal Remote Web A web screen sharing service that can support the real time sharing of web screens displayed on smart devices, PCs, etc., without installing a dedicated application. - Optimal Remote IoT A service that can remote control of a device with an agent installed in advance from the web browser of the device on hand. - Smart Field A site data management solution that supports workers at the site via smart devices such as smart glasses and smart phones. - Optimal Second Sight 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. - Premium Remote Support Service This is a service that provides support for general IT equipment operations, problems, and troubles.

(3) Support Services

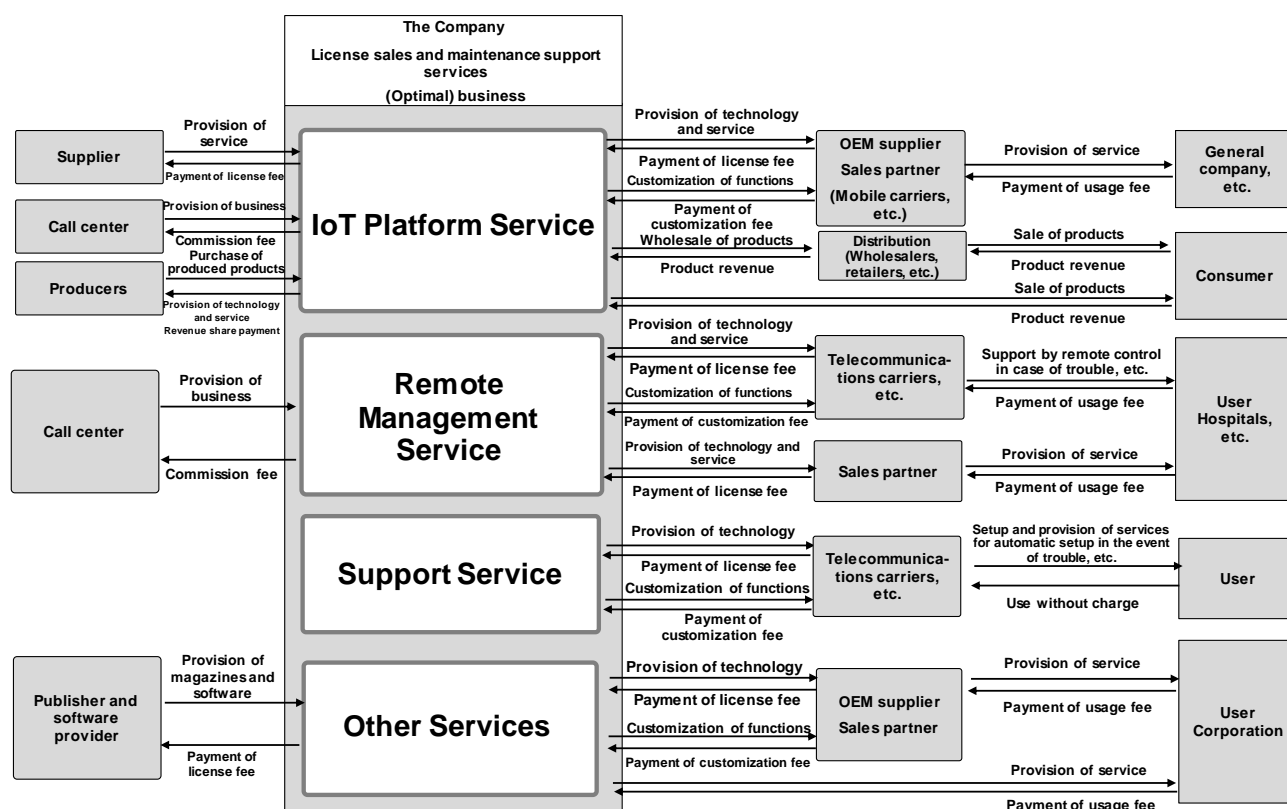
Classification	Product/service name
Support Services	<ul style="list-style-type: none"> - Optimal Setup This is a tool that can automatically analyze, operate, and configure routers (*11) connected to the network. - Optimal Diagnosis & Repair A tool that can diagnose the status of devices, OS (*12), and software, display the results to the user, and automatically recover items for which a problem has occurred.

(4) Other Services

Classification	Product/service name
Other Services	<ul style="list-style-type: none"> - 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. - 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. - 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 IT support services ... Assistance in the use and management of information equipment, IT applications and services.
- *3 Smart devices ... Information terminal equipment that can be used for various uses, such as smartphones and tablet devices.
- *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 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.
- *6 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.
- *7 OEM...Original Equipment Manufacturer: Manufacture of products under the brands of other companies rather than under a company's own brands.
- *8 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.
- *9 GNSS receiver ... Equipment that receives radio waves transmitted from multiple navigation satellites to the ground and acquires positioning information
- *10 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.
- *11 Router ... Communication equipment that determines the communication path when communicating on a network
- *12 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.

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.
YURASCOPE 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.
OPTiM Farm Corporation (Note) 1	Minato-ku, Tokyo	20,000	Smart agriculture business	100.0	Officers serve concurrently.
(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	18.4	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, 2023

Name of segment	Number of employees (persons)
Optimal business	381 [69]
Total	381 [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.

(2) Status of the submitting company

As of March 31, 2023

Number of employees (persons)	Average age (years old)	Average years of service (years)	Average annual salary (1,000 yen)
365 [68]	33.2	4.6	5,648

- (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.

(3) Status of labor unions

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

(4) The ratio of female workers among managers, the ratio of male workers who have taken childcare leave, and the wage difference between male and female workers

Submitting company

Current fiscal year				
Ratio of female workers among managers (%) (Note 1)	Ratio of male workers who have taken childcare leave (%) (Note 2)	Wage difference between male and female workers (%) (Note 1)		
		All workers	Regular permanent workers	Part-time and non-permanent workers
4.3	100.0	74.6	83.1	103.2

- (Notes) 1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015)
2. Calculated as a percentage of employees who have taken childcare leave as defined in Article 71-4, item (i) of the Ordinance For Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

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
- 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 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.) and promoting DX
- Deployment of products and services utilizing device management technology and big data
- Establishment of superiority by providing unique products and services that incorporate extensive patents
- Strengthen the platform through continuous development investment in the platform

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

The Group believe that in the fiscal year ending March 31, 2024, 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.

(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 markets in which we operate, including EMM, MDM, and DX, continue to expand steadily. We continue to be well positioned in this market, and we expect this trend to continue.

The Group determines 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 our priorities, we will make aggressive growth investments to strengthen the development of services and promote sales of 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

With stock-type license revenue as 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 its excellent engineers are 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 whole market 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) 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 Listing Maintenance Criteria," which was submitted on June 29, 2023, the Company intends to meet the criteria for maintaining the listing by the fiscal year ending March 31, 2025, by implementing measures to meet the ratio of tradable shares.

2. Sustainability Philosophy and Initiatives

The Group's sustainability philosophy and initiatives are as stated below.

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

Basic policy

As expressed in its management philosophy, the Group operates its business for the purpose of creating universal technologies, services, and business models that will have a significantly positive impact on people around the world. We believe that continuing to create new value and promoting DX in every industry by using AI, IoT, the cloud, mobile technologies, and robotics will enable us to help all people realize a rich and sustainable future. In order for us to continue and accelerate such business operations, we believe that it is essential to support the empowerment of human resources, which are the sources of value provision to society and to customers, mainly by supporting the active roles of diverse human resources, supporting learning to enable employees to demonstrate their abilities, and creating a foundation that helps employees continue to play active roles over the long term without a sense of insecurity.

Governance and risk management

Sustainability initiatives are one of the main discussion themes of the Board of Directors, and relevant information collected from all divisions, mainly through the coordination of the Corporate Management Division and the Corporate Planning Division, is reported to the Board of Directors as needed in a condensed format. Based on the progress of initiatives and other reported information, such as information on significant risks and opportunities, and also on considering changes in the external environment, the Board of Directors discusses and makes decisions on matters such as the verification of the current targets and benefits of initiatives and any necessary changes to policies.

Strategy (on human capital)

The Company's philosophy and main initiatives on supporting the active roles of human resources are as follows:

- Securing diverse, excellent human resources

The Company recruits excellent human resources, whether new graduates or mid-career hires, who will become sources of value provision to society and to customers. As stated in its management philosophy, the Company actively hires people with any attributes (gender, etc.) provided that they are excellent human resources, and it intends to maintain this policy going forward.

- Supporting learning to enable employees to demonstrate their abilities

The Company supports self-improvement by employees to help them demonstrate their abilities to the maximum extent by holding in-house training sessions and study meetings related to the development of products and services and offering programs to assist their participation in external seminars and purchase of books to gain the knowledge and skills necessary for them to execute their business duties. Its new employee training includes IT training for inexperienced employees to learn the basics of engineering. Even inexperienced employees with willingness and aptitude can pursue a career as engineer. The Company helps diverse human resources play active roles through such learning support.

- Creating a foundation that helps employees continue to play active roles over the long term without a sense of insecurity

The Company has introduced and encourages the use of programs including a work-from-home program, a shorter-working-hour program, and a childbirth and childcare leave program in order to ensure that excellent human resources, regardless of their attributes, can play active roles across changes in their life stages in a flexible manner and without a sense of insecurity.

Indicators and targets

In accordance with the basic policy and strategy (on human capital) stated above, the Company uses the indicators shown in the table below as indicators pertaining to the policy on the development of human resources, including the diversity of human resources, and the policy on the improvement of the internal environment.

The table below also shows targets and results for the indicators.

Indicators	Targets	Results (current fiscal year)
Ratio of female workers among managers	4.8% by March 31, 2030	4.3%
Ratio of women among new graduates hired	15% each year	11.6%

* As for the group-wide efforts regarding the policy and the targets shown above, specific measures are taken and related data for the indicators are managed by the Company, but not by all companies belonging to the consolidated group. For this reason, it is difficult for us to provide disclosure on a consolidated group basis. Therefore, the targets and results pertaining to the indicators shown above are those of the submitting company, which carries out the main business of the consolidated group.

3. 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 33.6% 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

As the Group's medium-term business policy is to promote well-balanced portfolio management that is resilient to changes in the environment, it plans to continue to develop new businesses and offer services flexibly in response to changes in the environment. Therefore, as we continue to work on new businesses, research and development expenses may precede and lower profit margins in the future. The Group always starts a new business or service only after a careful environmental analysis and market analysis. However, if the new business does not grow as expected or an unexpected event occurs, 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, including the X-Tech Service, may cause our services to lose their competitiveness, which may 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: 346,294,000 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. 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) Safety of drones

The Group strives to realize accident-free drones that can safely coexist with people. By adopting an essential safety design based on risk analysis and applying those technologies that are shared within the Group, the Group develops drones that can fly safely even in an environment in which GPS is out of reach or in bad weather. However, in the event that the crash of a drone manufactured by the Group results in damage to a person or property, the Group's business and business performance may be affected through, for example, the payment of a significant amount of compensation or other costs relating to product liability or a recall, or the loss of social credibility.

(22) Group management

The Company needs to coordinate closely with its consolidated subsidiaries as it aims to practice management that leverages synergies in collaboration with them. For this reason, some of the Officers and employees of the Company concurrently serve as officers of consolidated subsidiaries. As operating results of the consolidated subsidiaries are included in the consolidated financial statements of the Group, the financial condition and operating results of the Group may be affected by them. The value of investments in consolidated subsidiaries may also change depending on their business conditions. If the investment value declines due to, for example, the poor operating results of a consolidated subsidiary, such as a large loss, the Company may not be able to realize the expected investment returns. In this case, the financial condition and operating results of the Group may be affected.

(23) Business investment

The Group actively considers and executes acquisitions of and investments in companies and business in its industry or related industries in order to respond to changes in the environment. The Group undertakes such corporate acquisitions and business investments carefully after evaluating the investee's management conditions and market trends through due diligence. The Group

also strives to improve the financial performance of the investees after they join the Group through the sharing of information and sales networks within the Group in the same manner as with existing subsidiaries. However, these efforts may not produce the expected results due to both internal and external factors. If the acquired assets are impaired or their earnings power declines, the financial performance of the Group may be affected, such as by the impairment of goodwill or non-current assets or a loss on valuation of investment securities.

(24) Food safety

Our Group companies work together to maintain and improve quality in order to continue to provide valuable products and services to customers safely and securely. However, if a problem relating to the quality of our products and services arises, the Group is exposed to the risks of health damage to customers, anxiety among them, and the resulting damage to the Group's corporate brand, loss of social credibility, and increase in costs to handle the problem. In this case, the financial performance of the Group may be affected.

4. 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 moved toward moderate recovery, despite weakness shown in some sectors.

In this market environment, the Group has newly classified its services into three groups to inform our shareholders of the growth strategy more easily. Concretely, we have reorganized IoT Platform Service as a whole into Mobile Management Service with a focus on Optimal Biz and X-Tech (cross-tech) Service, which is dedicated to each industry/business category. (X-Tech Service includes Agritech, Digital Health, Digital Construction, Office DX*1, etc.) In accordance with the three service classifications, by adding Other Service with a focus on IT support service including Optimal Remote and Optimal Second Sight to the two above-mentioned services, we would like to report the progress of the Group below.

First of all, we would like to present an overall report for the current consolidated fiscal year. License sales including Optimal Biz, which is a part of Mobile Management Service, progressed in a satisfactory manner, and we strived to continue growth investments, strengthen service development, and promote service sales by using our strong sales network in relation to each field of X-Tech Service in order to support steady future sales and boost stock sales with a high profit ratio. We believe that growth investments will not only contribute to an increase in the number of licenses for the current consolidated fiscal year but also lead to an increase in future license sales.

Examples of actual progress made by the Group during the current fiscal year are as follows.

First, with regard to the Mobile Management Service situation, the number of licenses in Optimal Biz increased steadily due to expanding demand caused by the necessity to manage PCs and smartphones used for business and to take security measures in response to the spread of DX in society.

Next, we would like to report on X-Tech Service.

As for Agritech, we have consistently strived, from technological development to distribution, through research and development and the smart agrifood project. From now on, in order to further strengthen this situation, we will further promote basic research and verification in cooperation with domestic public research institutions as well as the commercialization and expansion of agriculture DX as a whole. For the current consolidated fiscal year, we favorably expanded sales by cultivating, managing, and selling Smart Rice 2023, which is a new and safe Smart Rice produced in 2022 by using AI and drones and reducing the use of agrichemicals. Sales of Smart Rice were favorable through Smart Agrifood (nickname: *Sumachoku*), which consists of our online stores, Amazon, etc. In addition, as a result of the above-mentioned efforts, we began selling agri-contractor services, which spread to every region of Japan, including the Pinpoint Time Spraying service that makes the realization of pest control DX possible.

As for Digital Health, we provided SOGO MEDICAL CO., LTD. with a platform that combines the customer management function of OPTiM Digital Marketing and the online medication instruction function of the online healthcare platform. SOGO MEDICAL CO., LTD. began its Tayorisu service, an official healthcare app service based on this platform, and has been steadily introducing this service to its roughly 740 stores (*2) with locations in every region of Japan. Business with Sysmex Corporation and Mediaroid Corporation was also steady in the healthcare field. In the 4th quarter, fees such as those for OPTiM Cloud IoT OS, which provides technology for Mediaroid Corporation's MINS (a network support system for the hinotori™ Surgical Robot System) started to grow in earnest as license sales, contributing to increases in operating profit and the like.

As for Digital Construction, we endeavored to expand our sales channels with a focus on OPTiM Geo Scan, which is a smartphone app for three-dimensional surveying. We also started to provide the OPTiM Geo Scan Platform, by which not only civil engineering surveys but also many of the operations needed on construction sites can be implemented via smartphone. Based on this activity, we will develop and advance construction/civil engineering DX services to promote labor-saving/efficiency in the entire construction process from the commencement of construction work to the completion of testing. For the current consolidated fiscal year, introduction of an added feature to OPTiM Geo Scan has enabled creation of diagram data (diagram production) used in the production of plan view, longitudinal and cross-sectional diagrams from survey data. The new feature is

made available as the OPTiM Geo Design app. In this manner, the number of OPTiM Geo Scan licenses steadily increased due to OPTiM Geo Scan's satisfactory options to increase productivity on construction sites and because it can be used for public work projects in accordance with the Ministry of Land, Infrastructure, Transport and Tourism's guidelines for 3D technology-based finished shape measurement management.

As for Office DX, the number of licenses for OPTiM Contract, which is an AI-based contract document management service, steadily increased due to the acquiring of the JIIMA certification (a certification system for the legal requirements of electronic transactions software*3), promotion of the strengthening of alliances with various electronic contract services, etc.

*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 Source: Announcement by SOGO MEDICAL CO., LTD. dated February 7, 2023.

*3 Source: Certification system of Legal Requirements for Electronic Transaction Software: Japan Image and Information Management Association (JIIMA) checks whether commercial software and software services that store transaction information when national tax-related documents are prepared by computer and exchanged electronically meet the requirements of Article 7 of the revised Electronic Bookkeeping Law, and certifies those that are determined to meet the legal requirements.

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 8,219,451,000 yen, an increase of 831,973,000 yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 527,482,000 yen in software, an increase of 461,461,000 yen in cash and deposits, and a decrease of 214,593,000 yen in leasehold and guarantee deposits.

(Liabilities)

Total liabilities at the end of the current consolidated fiscal year amounted to 2,030,141,000 yen, a decrease of 108,532,000 yen from the end of the previous consolidated fiscal year. This was mainly due to a 200,000,000 yen decrease in short-term borrowings.

(Net assets)

Total net assets at the end of the current consolidated fiscal year amounted to 6,189,309,000 yen, an increase of 940,506,000 yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in retained earnings of 962,761,000 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 9,277,336,000 yen (up 11.6% year on year), operating profit of 1,750,121,000 yen (up 14.0% year on year), ordinary profit of 1,634,990,000 yen (up 10.1% year on year), and profit attributable to owners of parent of 962,761,000 yen (up 2.0% year on year).

(ii) Cash flow status

Cash and cash equivalents (hereinafter referred to as cash) at the end of the current fiscal year increased by 461,461,000 yen from the end of the previous fiscal year to 1,440,860,000 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 2,313,091,000 yen (698,237,000 yen in the same period of the previous year). This was mainly due to profit before income taxes of 1,612,024,000 yen and depreciation and amortization expense of 620,619,000 yen.

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

Net cash used in investing activities amounted to 1,651,715,000 yen (1,666,254,000 yen used in the same period of the previous year). This was mainly due to expenditures of 1,229,243,000 yen for the purchase of intangible fixed assets, 324,360,000 yen for the purchase of tangible fixed assets.

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

Net cash used by financing activities amounted to 199,915,000 yen (493,739,000 yen provided in the same period of the previous year). This was mainly due to proceeds from short-term borrowings of 800,000,000 yen and repayments of short-term borrowings of 1,000,000,000 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, 2022 to March 31, 2023)	
	Sales (1,000 yen)	Year on year (%)
IoT Platform Services	8,074,331	116.6
Remote Management Services	692,648	89.0
Support Services	110,638	96.3
Other Services	399,716	80.9
Total	9,277,336	111.6

(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, 2021 to March 31, 2022)		Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)	
	Sales (1,000 yen)	Percentage (%)	Sales (1,000 yen)	Percentage (%)
KDDI Corporation	2,870,756	34.5	3,114,648	33.6

(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 9,277,336,000 yen (up 11.6% 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 8,074,331,000 yen (up 16.6% year-on-year).

(Cost of sales)

Cost of sales in the current consolidated fiscal year was 4,598,156,000 yen (up 23.3% 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 4,679,179,000 yen (up 2.1% year-on-year).

(Selling, general and administrative expenses)

Selling, general and administrative expenses for the current consolidated fiscal year were 2,929,057,000 yen (down 3.9% year-on-year). This was mainly due to a decrease in research and development expenses.

As a result, operating profit amounted to 1,750,121,000 yen (up 14.0% year-on-year).

(Non-operating expenses (income))

Non-operating income for the current consolidated fiscal year was 14,409,000 yen (down 52.7% year-on-year). This is mainly due to the difference in consumption taxes.

Non-operating expenses for the current consolidated fiscal year amounted to 129,541,000 yen (up 62.8% year-on-year). This was mainly due to share of loss of entities accounted for using equity method.

As a result, ordinary profit was 1,634,990,000 yen (up 10.1% 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).

Extraordinary losses for the current consolidated fiscal year were 22,965,000 yen (there was no extraordinary loss in the previous consolidated fiscal year). This was due to impairment losses and loss on valuation of investment securities.

As a result, profit before income taxes amounted to 1,612,024,000 yen (up 8.5% year-on-year).

(Profit (loss) attributable to owners of parent)

Total income taxes for the current consolidated fiscal year amounted to 649,052,000 yen (542,293,000 yen for the previous consolidated fiscal year), an increase of 106,759,000 yen from the previous consolidated fiscal year. This was mainly due to an increase in taxable income resulting from an increase in license revenues.

As a result, profit attributable to owners of the parent amounted to 962,761,000 yen (up 2.0% 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, and DX markets in which the Group operates continue to expand steadily, and the Group's position in those markets remains dominant.

In order to become a group that plays a central role in the Fourth Industrial Revolution, the Group has carried out growth investments intensively in the X-Tech Service, as represented by the "XX x IT" initiatives that integrate IT with various industries and sectors and that has already shown some results. We will continue to promote our efforts mainly focusing on the X-Tech Service and 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, 3. 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 9,277,336,000 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 1,440,860,000 yen, accounting for 17.5% 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).

5. 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
IoT Platform Services	Sysmex Corporation	Use of the OPTiM Cloud IoT OS license in the Mediaroid Intelligent Network System	A contract for the use of the OPTiM Cloud IoT OS license by Sysmex Corporation in the Mediaroid Intelligent Network System in Japan	From April 2022 to September 2026
IoT Platform Services	Mediaroid Corporation	Contract for the outsourcing of maintenance and operation of the Mediaroid Intelligent Network System	Outsourcing of maintenance and operation of the Mediaroid Intelligent Network System provided by Mediaroid to medical institutions by using the CIOS platform	From April 2022 to March 2026
IoT Platform Services	Saga City	Saga City Super App Development	Requirements definition and development in the Saga City Super App development project	From November 2022 to March 2023
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.

6. 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 955,893,000 yen. Note that research and development expenses under selling, general and administrative expenses totaled 876,968,000 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 for the current consolidated fiscal year amounted to 165,750,000 yen. The main details thereof are as follows: 78,017,000 yen for drones and drone-related devices and 26,131,000 yen for office construction.

Since the Group's business consists only of a single segment 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 has only one business segment, the license sales and maintenance support service (Optimal) business, this information is omitted.

(1) Submitting company

As of March 31, 2023

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	300,055	59,378	68,672	2,408,949	69	2,837,126	349 [36]
OPTiM SAGA (Saga)	Office	5,419	1,175	2,922	573	91	10,182	14 [24]
OPTiM KOBE (Hyogo)	Office	16,371	-	687	-	-	17,058	2 [0]

(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 414,816,000 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, 2023

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	268	621	244	-	-	1,133	4 [1]
OPTiM Bank Technologies Corp.	Head office (Saga)	Office	611	-	-	-	-	611	5 [0]
Landlog Marketing Corporation	Head office (Tokyo)	Office	-	-	145	-	-	145	0 [0]
YURAScore Corp.	Head office (Tokyo)	Office	-	-	265	-	-	265	7 [0]

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

2. The building is leased and the annual rent is 4,887,000 yen.

3. 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, 2023)	Number of issued shares as of the date of submission (shares) (June 30, 2023)	Name of listed financial instruments exchange or registered and licensed financial instruments business association	Details
Common shares	55,143,968	55,146,784	Tokyo Stock Exchange Prime Market	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	55,143,968	55,146,784	-	-

(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, 2023, 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)*	12,394 [12,306]
Class, description and number of shares to be issued upon exercise of stock acquisition rights (shares)*	Common shares 396,608 [393,792]
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 holder") 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, 2023). 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, 2023), 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)
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
From April 1, 2022 to March 31, 2023 (Note) 1	4,448	55,143,968	106	444,125	106	408,625

(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, 2023 to April 30, 2023, the total number of issued shares increased by 2,816 shares, and share capital and legal capital surplus increased by 67,000 yen respectively due to the exercise of stock acquisition rights.

(5) Status by shareholder

As of March 31, 2023

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)	-	11	30	97	98	16	12,545	12,797	-
Number of shares held (Unit)	-	38,796	6,601	45,659	17,393	39	442,647	551,135	30,468
Percentage of shares held (%)	-	7.04	1.20	8.28	3.16	0.01	80.31	100	-

(Note) 94,260 shares of treasury stock are included in "Individuals and others" and 60 shares in "Status of shares less than one unit."

(6) Status of major shareholders

As of March 31, 2023

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	34,684,800	63.01
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	1,616,600	2.94
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	942,200	1.71
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	685,500	1.25
FUJIFILM Holdings Corporation	2-26-30 Nishiazabu, Minato-ku, Tokyo	589,280	1.07
The Nomura Trust and Banking Co., Ltd. (Trust Account)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	360,700	0.66
Koichiro Nonomura	Ota-ku, Tokyo	300,800	0.55
Seiji Tokuda	Naka-ku, Yokohama-shi, Kanagawa	277,408	0.50
Total	-	43,468,888	78.96

(7) Status of voting rights

(i) Number of issued shares

As of March 31, 2023

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 94,200	-	-
Shares with full voting rights (other)	Common shares 55,019,300	550,193	-
Shares less than one unit	Common shares 30,468	-	Shares less than one unit (100 shares)
Total number of issued shares	55,143,968	-	-
Total number of voting rights of shareholders	-	550,193	-

(ii) Treasury stock, etc.

As of March 31, 2023

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	94,200	-	94,200	0.17
Total	-	94,200	-	94,200	0.17

2. Status of Acquisition of Treasury Stock, etc.

[Type of shares, etc.] Acquisition of common shares pursuant to Article 155, item (xiii) and item (vii) 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	4,912	0
Treasury stock acquired during this period	600	-

(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, 2023 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	94,260	-	94,860	-

(Note) The number of treasury shares held during this period does not include shares less than one unit purchased and sold from June 1, 2023 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.

The Board of Directors mainly discusses the progress status of the medium-term management plan and the formulation of future medium-term management plans, improving corporate governance, sustainability initiatives, and the operating effectiveness of the internal control system, including compliance and risk management.

Status of activities of the Board of Directors

During the current fiscal year, the Company held 15 meetings of the Board of Directors, and the attendance of each Board Director at these meetings was as follows:

Name	Number of meetings held	Number of attendances
Shunji Sugaya	15 times	15 times
Genta Taniguchi	15 times	15 times
Takeshi Kyusaka	15 times	15 times
Akihiro Hayashi	15 times	15 times
Rikihei Egawa	15 times	15 times
Yuichiro Takezaki (Note)	11 times	11 times

(Note) Outside Board Director Yuichiro Takezaki was newly elected at the 22nd Ordinary General Meeting of Shareholders held on June 29, 2022, so his attendance shown in the table above pertains only to the meetings held after his assumption of office.

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 Committee 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 deliberates and reports to the Board of Directors mainly on matters relating to the election of candidates for Board Directors and the dismissal of Board Directors. The Remuneration Committee deliberates and reports to the Board of Directors mainly on matters relating to the remuneration of Board Directors, including the amount of individual Board Directors' 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.

During the current fiscal year, the Nomination Committee held two meetings and the Remuneration Committee held two meetings. The attendance of each Board Director at these meetings was as shown in the table below.

The Nomination Committee discussed the policy on future nominations, qualifications for successors, etc., as no proposal for the election of Officers was submitted to the General Meeting of Shareholders to be held after the end of the current fiscal year.

Name	Nomination Committee		Remuneration Committee	
	Number of meetings held	Number of attendances	Number of meetings held	Number of attendances
Shunji Sugaya	2 times	2 times	2 times	2 times
Rikihei Egawa	2 times	2 times	2 times	2 times
Yuichiro Takezaki	2 times	2 times	2 times	2 times

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 holds a meeting as necessary when an important transaction or action that conflicts with the interests of controlling shareholders and minority shareholders or the possibility thereof arises in order to discuss the merits and demerits of it. The Committee deliberates and examines the necessity and rationality, the appropriateness of the conditions, and the fairness of such a transaction or action, 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.

As there was no applicable transaction or action in the current fiscal year, the Special Committee held only one meeting to discuss policies for the future, among other things.

The attendance of each Board Director at the meeting was as follows:

Name	Special Committee	
	Number of meetings held	Number of attendances
Rikihei Egawa	Once	Once
Yuichiro Takezaki	Once	Once

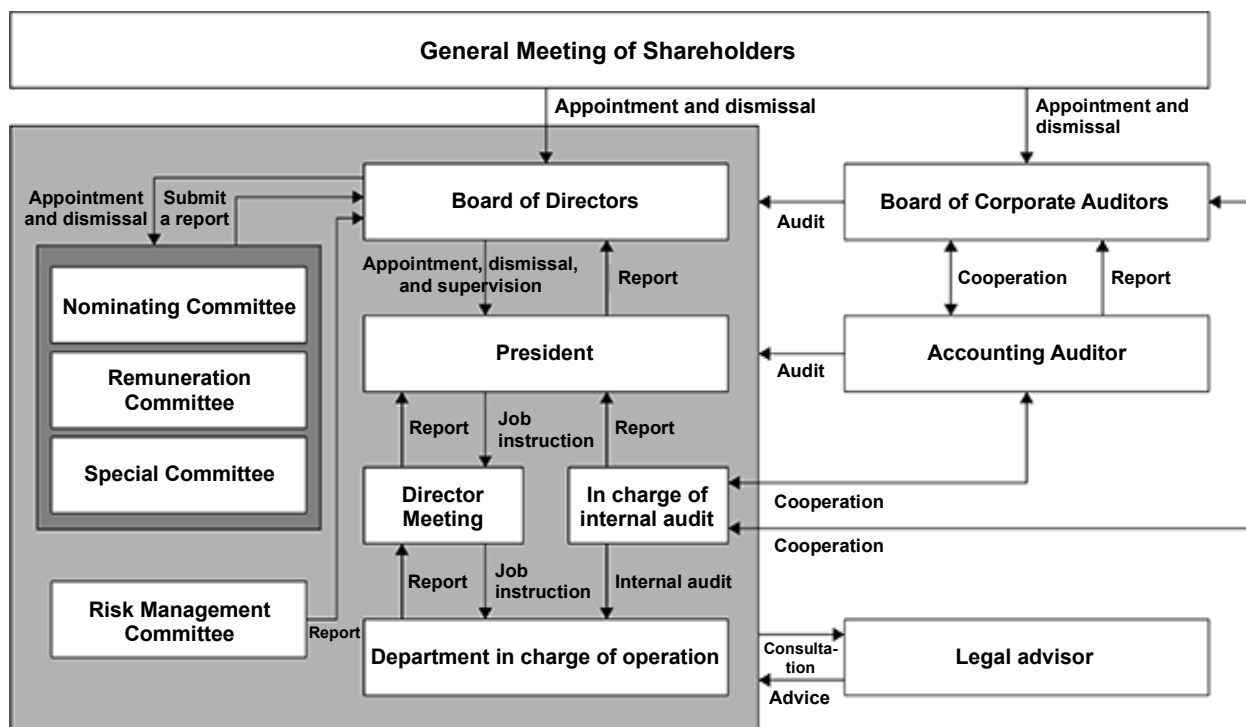
e. Directors' Meeting

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 five 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) Establishment of the system to ensure the appropriateness of operations of subsidiaries of the submitting company

The Company has established a system to ensure the appropriateness of operations of its subsidiaries. For example, the Director in charge of each subsidiary collects information on its status and reports it to the Board of Directors. In addition, the internal audit staff conducts audits of subsidiaries based on interviews and monitoring, as well as on-site reviews.

(x) 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 2023 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	34,684,800
Board Director In charge of technology	Genta Taniguchi	February 10, 1982	April 2006 Joined the Company June 2020 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 Joined the Company June 2020 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 Joined Shohkoh Fund & Co., Ltd. July 2004 Joined Galia Plus January 2006 Joined Clearstone Co., Ltd. June 2007 Appointed as Board Director of the company April 2010 Joined the Company June 2011 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 Joined Hayakawa Electric Industry Co., Ltd. (currently Sharp Corporation) April 2006 Joined NTT Electronics Corporation September 2015 Appointed as Board Director of the Company (current position)	(Note) 3	6,400
Board Director	Yuichiro Takezaki	July 9, 1979	April 2003 Joined Morgan Stanley Japan Securities Co., Ltd. November 2006 Perry Capital Senior Analyst October 2009 Silver Lake Partners, in charge of Japan July 2013 CFO of Telepathy Japan Inc. August 2019 Executive Officer, CSO of Fairy Devices Inc. December 2020 Appointed as Board Director of the company (current position) June 2022 Appointed as Board Director of the Company (current position)	(Note) 3	0
Corporate Auditor (Full-time)	Takayuki Kojima	March 3, 1942	April 1966 Assistant, Kagoshima University November 1971 Associate Professor, Faculty of Agriculture, Saga University May 1989 Professor, Faculty of Agriculture, Saga University April 1995 Member of the University's Board of Trustees, Saga University February 2002 Dean, Faculty of Agriculture, Saga University April 2004 Director of the University's Board of Trustees, Saga University April 2007 Head of Saga Study Center, The Open University of Japan April 2008 Advisor, Kyushu Electric Power Company, Incorporated September 2018 Board of Trustees of Nishikyushu University (current position) June 2019 Appointed as full-time Corporate Auditor of the Company (current position)	(Note) 4	800
Corporate Auditor	Katsuo Yoshidomi	May 20, 1943	April 1962 Joined SEKIDO KIKO MANUFACTURING Co., Ltd. June 1963 Joined Hashiguchi Denki K.K. April 1992 Appointed as Board Director of the company June 2000 Appointed as Corporate Auditor of the Company (current position) March 2010 Appointed as part-time advisor to Hashiguchi Denki K.K.	(Note) 4	25,600
Corporate Auditor	Yoshinori Isagai	June 9, 1964	April 1987 Joined Matsushita Electric Industrial Co., Ltd. April 1994 Joined Isagai Corporation 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,	(Note) 4	32,000

Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (Shares)
			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					34,800,080

- (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.

Outside Board Director Rikihei Egawa has 6,400 shares of the Company but has no personal or business relationship with the Company. He was elected as an Outside Board Director based on the expectation that he can, for the management of the Company in general, make the most of his business experience at business companies and his expertise.

Outside Board Director Yuichiro Takezaki has no personal or business relationship with the Company. He was elected as an Outside Board Director based on the expectation that he can, for the management of the Company in general, make the most of his long-standing experience in and knowledge of M&A and corporate finance, as well as his extensive experience as a senior management executive at IT companies.

Outside Corporate Auditor Takayuki Kojima has 800 shares of the Company but has no personal or business relationship with the Company. He was elected as an Outside Corporate Auditor based on the expectation that he can, for the oversight of the management of the Company, make the most of his extensive knowledge of and his abundant experience in corporate management acquired through his deep involvement in the management of incorporated educational institutions while holding important positions at multiple university corporations, including a national university corporation.

Outside Corporate Auditor Katsuo Yoshidomi has 25,600 shares of the Company but has no personal or business relationship with the Company. He was elected as an Outside Corporate Auditor based on the expectation that he can, for the oversight of the management of the Company, make the most of his long-standing management experience at business companies and his

expertise in the area of business accounting.

Outside Corporate Auditor Yoshinori Isagai has 32,000 shares of the Company but has no personal or business relationship with the Company. He was elected as an Outside Corporate Auditor based on the expectation that he can, for the oversight of the management of the Company, make the most of his insight in business administration, which is his field of study, and his experience at a nonprofit organization.

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 14 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	14 times	14 times
Katsuo Yoshidomi	14 times	14 times
Yoshinori Isagai	14 times	14 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.

The internal audit staff monitors accounting matters within the internal control system, which also covers the subsidiaries. For non-accounting matters, they conduct independent audits within the internal control system required by the Companies Act and report the results of the audits to the President and the Board of Corporate Auditors.

The internal audit staff strives to share information internally by exchanging opinions with the Corporate Auditors about once a month on matters detected when conducting the internal audits. In addition, the internal audit staff exchanges opinions with the Corporate Auditors and the audit firm regularly once every six months and also as necessary on matters detected when conducting the audits in order to ensure the effectiveness of the audits.

(iii) Status of accounting audit

A. Name of the auditing firm

Grant Thornton Taiyo LLC

B. Continuous audit period

3 years

C. Certified Public Accountants who have performed services

Motoki Ishikawa and Youichi Honma

D. Composition of assistants for the audit

5 Certified Public Accountants, 13 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) 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	28,400	-	27,000	-
Consolidated subsidiary	-	-	-	-
Total	28,400	-	27,000	-

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.)

Bonuses are paid to Board Directors as performance-linked remuneration.

The performance indicator selected as the basis for calculating performance-linked remuneration is the operating profit of the Group for each fiscal year. We selected the performance indicator to enhance motivation for improving performance in each fiscal year and to clearly show the performance of our main business in light of the Company's business details.

Performance-linked remuneration amounts are calculated in consideration of achieving the targets for operating profit, employee balance, return to shareholders, etc. The Group recorded an operating profit of 1,750 million yen for the current fiscal year. 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)	72,850	41,800	31,050	-	4
Corporate Auditor (Excluding Outside Corporate Auditors)	-	-	-	-	-
Outside Officer	9,040	9,040	-	-	5

(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
45,980	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.

The Company may hold shares of other companies from a medium- to long-term perspective for the purpose of facilitating collaborations based on a business alliance or other arrangements. The Company's holding policy is to continue to hold such shares provided that it is beneficial for the Company to hold such shares as the holdings are expected to enhance the corporate value of the Company and to benefit the shareholders of the Company. As for policy shares, the Board of Directors of the Company determines whether it is appropriate to hold them after comprehensively considering matters such as the appropriateness of the holding purpose and the benefits and risks associated with the holdings. Policy shareholdings are subject to a review in response to future changes in circumstances and may be reduced if the Company determines that there is no justifiable reason for holding them. The Company will exercise the voting rights of policy shares after examining whether each proposal is consistent with the holding policy of the Company in view of the holding purpose of the Company and whether it contributes to the efficient and sound management of the issuer and ultimately to enhancing the corporate value of the issuer and the Company.

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	1,007
Stocks other than unlisted stocks	1	259,506

(Stock names whose shares held by the Company increased during the current fiscal year)

	Number of stocks (Stock)	Total amount of acquisition cost pertaining to the increased shares (1,000 yen)	Reason for the increase in the number of shares
Unlisted stocks	-	-	-
Stocks other than unlisted stocks	1	300,030	To build business and collaborative relationships

(Stock names whose shares held by the Company decreased during the current fiscal year)

Not applicable.

C. Number of shares held and amount on the balance sheet by stock name of specified investment in equity securities and deemed holdings of equity securities

Specified investment in equity securities

Stock name	Current fiscal year	Previous fiscal year	Holding purpose, outline of business alliance, etc., quantitative effect of holdings, and reason for the increase in the number of shares held	Cross-shareholdings of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Amount on the balance sheet (1,000 yen)	Amount on the balance sheet (1,000 yen)		
Gurunavi, Inc.	779,300	-	Holding purpose: To build business and collaborative relationships Outline of business alliance, etc.: Creation of services that use the AI/IoT platform of the Company	None
	259,506	-		

(Notes) 1. "-" means that the Company does not hold the shares.

2. It is difficult to disclose quantitative effect of the holdings. The reasonableness of the holdings and whether they continue to contribute to enhancing the corporate value of the Company have been evaluated by the Board of Directors.

(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: hereinafter referred to as "Regulation on Financial Statements").

The Company falls under the category of a company filing non-consolidated financial statements under special rules and prepares its non-consolidated financial statements in accordance with the provisions of Article 127 of the Regulation on Financial Statements.

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, 2022 to March 31, 2023) and the Financial Statements for the fiscal year (from April 1, 2022 to March 31, 2023) 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, 2022)	Current consolidated fiscal year (March 31, 2023)
Assets		
Current assets		
Cash and deposits	979,399	1,440,860
Notes and accounts receivable - trade, and contract assets	*1 2,277,485	*1 2,101,357
Merchandise and finished goods	75,918	48,729
Work in process	18	3,504
Raw materials and supplies	18,065	7,311
Other	181,199	147,182
Total current assets	3,532,087	3,748,945
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	323,294	322,725
Machinery, equipment and vehicles, net	13,828	61,175
Construction in progress	6,725	-
Other, net	60,907	72,937
Total property, plant and equipment	*2 404,754	*2 456,839
Intangible assets		
Software	1,537,909	2,065,391
Software in progress	112,437	344,131
Other	10,578	161
Total intangible assets	1,660,924	2,409,684
Investments and other assets		
Investment securities	151,273	396,312
Shares of subsidiaries and associates	*3 503,341	*3 386,435
Leasehold and guarantee deposits	560,888	346,294
Deferred tax assets	512,688	399,649
Other	61,519	75,290
Total investments and other assets	1,789,710	1,603,981
Total non-current assets	3,855,390	4,470,505
Total assets	7,387,477	8,219,451

(Unit: 1,000 yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	599,575	512,385
Short-term borrowings	514,550	314,550
Income taxes payable	88,783	335,286
Contract liabilities	204,570	197,557
Provision for bonuses	140,957	210,712
Provision for bonuses for directors (and other officers)	23,196	31,775
Other	428,558	288,856
Total current liabilities	2,000,191	1,891,122
Non-current liabilities		
Asset retirement obligations	138,482	139,018
Total non-current liabilities	138,482	139,018
Total liabilities	2,138,674	2,030,141
Net assets		
Shareholders' equity		
Share capital	444,018	444,125
Capital surplus	728,150	728,256
Retained earnings	4,054,056	5,016,817
Treasury shares	-75,272	-75,401
Total shareholders' equity	5,150,952	6,113,799
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,184	-16,365
Total accumulated other comprehensive income	6,184	-16,365
Non-controlling interests	91,665	91,876
Total net assets	5,248,802	6,189,309
Total liabilities and net assets	7,387,477	8,219,451

(ii) Consolidated Statements of Income and Comprehensive Income

[Consolidated Statements of Income]

(Unit: 1,000 yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Net sales	*1 8,310,717	*1 9,277,336
Cost of sales	3,728,929	4,598,156
Gross profit	4,581,787	4,679,179
Selling, general and administrative expenses	*2, *3 3,047,166	*2, *3 2,929,057
Operating profit	1,534,621	1,750,121
Non-operating income		
Interest income	6	6
Insurance claim income	6,913	402
Subsidy income	269	3,296
Consumption tax gain	15,673	586
Other	7,611	10,116
Total non-operating income	30,474	14,409
Non-operating expenses		
Interest expenses	476	1,382
Share of loss of entities accounted for using equity method	69,786	116,906
Foreign exchange losses	124	88
Loss on investments in investment partnerships	2,647	9,790
Loss on retirement of non-current assets	6,466	977
Other	49	396
Total non-operating expenses	79,550	129,541
Ordinary profit	1,485,545	1,634,990
Extraordinary losses		
Impairment losses	-	*4 10,267
Loss on valuation of investment securities	-	*5 12,698
Total extraordinary losses	-	22,965
Profit before income taxes	1,485,545	1,612,024
Income taxes - current	397,733	511,670
Income taxes for prior periods	-	14,390
Income taxes - deferred	144,559	122,991
Total income taxes	542,293	649,052
Profit	943,251	962,972
Profit (loss) attributable to non-controlling interests	-309	210
Profit (loss) attributable to owners of parent	943,561	962,761

[Consolidated Statements of Comprehensive Income]

(Unit: 1,000 yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Profit	943,251	962,972
Other comprehensive income		
Valuation difference on available-for-sale securities	-46,677	-22,550
Total other comprehensive income	*1 -46,677	*1 -22,550
Comprehensive income	896,574	940,421
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	896,884	940,211
Comprehensive income attributable to non-controlling interests	-309	210

(iii) Consolidated Statement of Changes in Equity

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
Acquisition of treasury shares					-
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
Acquisition of treasury shares				-
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

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Unit: 1,000 yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	444,018	728,150	4,054,056	-75,272	5,150,952
Changes during period					
Issue of new shares (Exercise of share acquisition rights)	106	106			213
Profit (loss) attributable to owners of parent			962,761		962,761
Acquisition of treasury shares				-128	-128
Net changes in items other than shareholders' equity					
Total changes during period	106	106	962,761	-128	962,846
Balance at end of period	444,125	728,256	5,016,817	-75,401	6,113,799

	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	6,184	6,184	91,665	5,248,802
Changes during period				
Issue of new shares (Exercise of share acquisition rights)				213
Profit (loss) attributable to owners of parent				962,761
Acquisition of treasury shares				-128
Net changes in items other than shareholders' equity	-22,550	-22,550	210	-22,339
Total changes during period	-22,550	-22,550	210	940,506
Balance at end of period	-16,365	-16,365	91,876	6,189,309

(iv) Consolidated statements of cash flows

(Unit: 1,000 yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Net cash provided by (used in) operating activities		
Profit before income taxes	1,485,545	1,612,024
Depreciation and amortization expense	492,789	620,619
Impairment losses	-	10,267
Amortization of goodwill	6,579	6,579
Increase (decrease) in provision for bonuses for directors (and other officers)	142	8,578
Increase (decrease) in provision for bonuses	5,635	69,755
Increase (decrease) in provision for loss on orders received	355	-355
Interest and dividend income	-6	-6
Interest expenses	476	1,382
Loss (gain) on investments in investment partnerships	2,647	9,790
Share of loss (profit) of entities accounted for using equity method	69,786	116,906
Loss (gain) on valuation of investment securities	-	12,698
Decrease (increase) in trade receivables	-470,304	176,128
Decrease (increase) in inventories	7,374	34,457
Increase (decrease) in trade payables	-6,266	-97,973
Loss on retirement of non-current assets	6,466	977
Increase (decrease) in accounts payable - other	54,728	-49,594
Increase (decrease) in accrued expenses	11,703	9,950
Increase (decrease) in accrued consumption taxes	-108,644	69,649
Increase (decrease) in contract liabilities	-3,240	-7,013
Other	-26,167	-3,399
Subtotal	1,529,598	2,601,421
Interest and dividends received	6	6
Interest paid	-598	-1,574
Income taxes paid	-830,769	-272,370
Income taxes paid for in prior periods	-	-14,390
Net cash provided by (used in) operating activities	698,237	2,313,091
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-56,295	-324,360
Purchase of intangible assets	-1,110,901	-1,229,243
Payments for asset retirement obligations	-1,500	-
Purchase of investment securities	-	-300,030
Purchase of shares of subsidiaries and associates	-167,027	-
Proceeds from distributions from investment partnerships	9,200	-
Purchase of insurance funds	-9,981	-9,981
Payments of leasehold and guarantee deposits	-331,475	-5,387
Proceeds from refund of leasehold and guarantee deposits	1,331	216,654
Other	396	633
Net cash provided by (used in) investing activities	-1,666,254	-1,651,715
Net cash provided by (used in) financing activities		
Proceeds from short-term borrowings	500,000	800,000
Repayments of short-term borrowings	-2,600	-1,000,000
Purchases of treasury shares	-	-128
Dividends paid to non-controlling interests	-4,200	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	539	213
Net cash provided by (used in) financing activities	493,739	-199,915
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	-474,277	461,461
Cash and cash equivalents at beginning of period	1,453,676	979,399
Cash and cash equivalents at end of period	*1 979,399	*1 1,440,860

[Notes]

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

1. Matters concerning scope of consolidation

(1) Number of consolidated subsidiaries, 5 companies

Name of major consolidated subsidiaries

OPTiM AGRI MICHINOKU Corp.

OPTiM Bank Technologies Corp.

Landlog Marketing Corporation

YURASCOPE Co., Ltd.

OPTiM Farm Corporation

From the current consolidated fiscal year, the Company has included the newly established subsidiary OPTiM Farm Corporation in the scope of consolidation.

(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.

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

- Assets other than stocks with no market price, etc.

Market value method

(All valuation gains or losses are treated as a component of net assets, and costs of securities sold are calculated by the moving average method.)

- 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, 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	1,537,909	2,065,391
Software in progress	112,437	344,131

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

Software and software in progress consist mainly of software for internal use for the provision of services, and they are capitalized after assessing their value based on the estimated license revenue plan within 5 years if it is determined to be certain that they will generate revenues in the future. 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 of presentation method)

(Consolidated Statements of Income)

"Commission income" in non-operating income, which was presented separately in the previous consolidated fiscal year, is included in "Other" in the current consolidated fiscal year as it has fallen below 10% of the total 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, the amounts previously presented in "Commission income" (0,000 yen) and "Other" (7,610,000 yen) in non-operating income in the consolidated statement of income for the previous consolidated fiscal year have been reclassified as "Other" (7,611,000 yen).

(Consolidated statements of cash flows)

"Increase (decrease) in provision for loss on orders received," which was included in "Other" in net cash provided by (used in) operating activities in the previous consolidated fiscal year, has been presented as a separate line item from the current consolidated fiscal year as its quantitative significance has increased.

"Decrease (increase) in accounts receivable - other" and "Increase (decrease) in deposits received," which were presented as separate line items in net cash provided by (used in) operating activities in the previous consolidated fiscal year, have been included in "Other" from the current consolidated fiscal year as they are no longer quantitatively significant. To reflect this change in presentation, the Consolidated Financial Statements for the previous fiscal year have been reclassified.

As a result, the amounts previously presented in "Decrease (increase) in accounts receivable – other" (an outflow of 1,615,000 yen), "Increase (decrease) in deposits received" (an inflow of 1,234,000 yen), and "Other" (an outflow of 25,431,000 yen) in net cash provided by (used in) operating activities in the consolidated statement of cash flows for the previous consolidated fiscal year have been reclassified as "Increase (decrease) in provision for loss on orders received" (an inflow of 355,000 yen) and "Other" (an outflow of 26,167,000 yen).

"Proceeds from collection of loans receivable," which was presented as a separate line item in net cash provided by (used in) investing activities in the previous consolidated fiscal year, has been included in "Other" from the current consolidated fiscal year as it is no longer quantitatively significant. To reflect this change in presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the amount previously presented in "Proceeds from collection of loans receivable" in net cash provided by (used in) investing activities in the consolidated statements of cash flows for the previous consolidated fiscal year (an inflow of 396,000 yen) has been reclassified as "Other" (an inflow of 396,000 yen).

(Consolidated Balance Sheets)

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

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Notes receivable	71,789,000 yen	81,907,000 yen
Accounts receivable	2,100,055,000 yen	2,019,449,000 yen
Contract assets	105,640,000 yen	-

*2 Accumulated depreciation of property, plant and equipment

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Accumulated depreciation of property, plant and equipment	268,420,000 yen	342,202,000 yen

*3 Items related to affiliated companies are as follows.

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Shares of subsidiaries and associates	503,341,000 yen	386,435,000 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, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Salary and allowance	614,140,000 yen	706,761,000 yen
Provision for bonuses	60,064,000 yen	101,945,000 yen
Provision for bonuses for directors (and other officers)	23,196,000 yen	31,775,000 yen
Research and development expenses	1,148,643,000 yen	876,968,000 yen

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

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
	1,148,643,000 yen	876,968,000 yen

*4 Impairment losses

The Group recognized impairment losses on the following group of assets for the current consolidated fiscal year:

Region	Main use	Type	Impairment losses (1,000 yen)
Minato-ku, Tokyo	Business assets	Software	6,429
		Goodwill	3,837

The Group uses asset grouping based on its business that consists only of a single segment of license sales and maintenance support services (Optimal). For its consolidated subsidiaries, the Group uses asset grouping based on accounting units.

As the revenues that were initially expected from the software and goodwill pertaining to YURASCOPE Co., Ltd. a consolidated subsidiary of the Company, can no longer be expected, an impairment loss for the full amount of their book value (10,267,000 yen in total) has been recognized.

*5 Loss on valuation of investment securities

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

Not applicable.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

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

(Consolidated Statements of Comprehensive Income)

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

(1,000 yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities		
Amount accrued in the current period	-67,277	-32,502
Reclassification adjustment	-	-
Before tax effect adjustment	-67,277	-32,502
Tax effect amount	20,600	9,952
Valuation difference on available-for-sale securities	-46,677	-22,550
Total other comprehensive income	-46,677	-22,550

(Consolidated Statement of Changes in Equity)

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

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.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

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	55,139,520	4,448	-	55,143,968
Total	55,139,520	4,448	-	55,143,968
Treasury shares				
Common shares (Note) 2	89,348	4,912	-	94,260
Total	89,348	4,912	-	94,260

(Note) 1. The increase of 4,448 common shares issued and outstanding is due to the exercise of stock options.

2. The increase of 4,912 shares of common stock held as treasury stock is due to the acquisition of restricted stock without compensation (4,800 shares) and the purchase of shares of less than one unit (112 shares).

(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, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Cash and deposits	979,399,000 yen	1,440,860,000 yen
Cash and cash equivalents	979,399,000 yen	1,440,860,000 yen

(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, 2022)	Current consolidated fiscal year (March 31, 2023)
Balance of future lease payments at end of period		
Within 1 year	410,317	410,317
Over 1 year	707,593	297,275
Total	1,117,910	707,593

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

Fiscal year ended March 31, 2023

	The Consolidated Balance Sheet amount (1,000 yen)	Fair value (1,000 yen)	Differences (1,000 yen)
Investment securities	259,506	259,506	-
Leasehold and guarantee deposits	346,294	314,036	-32,258
Total assets	605,801	573,543	-32,258

(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, 2023)
Investments in limited liability investment partnerships (*1)	163,856
Unlisted stocks (*2)	359,384

*1 Investments in limited liability investment partnerships are not stated in accordance with Paragraph 24-16 of the Guidance on Accounting Standards for Fair Value Calculation (ASBJ Guidance No. 31) because they do not have market prices.

*2 Unlisted stocks are not stated because they do not have market prices.

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

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.

Fiscal year ended March 31, 2023

	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	1,440,860	-	-	-
Notes and accounts receivable – trade, and contract assets	2,101,357	-	-	-
Total	3,542,218	-	-	-

Leasehold and guarantee deposits are 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, 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	-	-	-

Fiscal year ended March 31, 2023

	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	314,550	-	-	-
Total	314,550	-	-	-

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

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Classification	Fair value (1,000 yen)			
	Level 1	Level 2	Level 3	Total
Investment securities	259,506	-	-	259,506
Total assets	259,506	-	-	259,506

(Note) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value
Listed stocks are valued at market prices. Because listed stocks are transacted in an active market, market prices are classified as level 1.

(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.

Fiscal year ended March 31, 2023

Classification	Fair value (1,000 yen)			
	Level 1	Level 2	Level 3	Total
Leasehold and guarantee deposits	-	314,036	-	314,036
Total assets	-	314,036	-	314,036

(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, 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.

Fiscal year ended March 31, 2023

Classification	The Consolidated Balance Sheet amount (1,000 yen)	Fair value (1,000 yen)	Differences (1,000 yen)
Consolidated Balance Sheet amounts do not exceed their acquisition cost			
Investment securities	259,506	300,030	-40,523
Total	259,506	300,030	-40,523

Investments in Investment Business Limited Liability Partnership (Investments in Investment Business Limited Liability Partnership (135,708,000 yen on the Consolidated Balance Sheet) and unlisted stocks (1,097,000 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, 2022

Not applicable.

Fiscal year ended March 31, 2023

Impairment loss of 12,698,000 yen was recognized for investment securities (12,698,000 yen for Other available-for-sale securities).

(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, 2023) are included, and the number of stock options is converted into the number of shares.

(i) Number of stock options

	No. 5 Stock acquisition rights
Pre-vesting (shares)	
As of March 31, 2022	—
Grant	—
Invalidation	—
Vested rights	—
Unsettled balance	—
After vesting (shares)	
As of March 31, 2022	401,056
Vested rights	—
Exercise of right	4,448
Invalidation	—
Unexercised balance	396,608

(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)	910
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: 348,618,000 yen

(ii) The aggregate intrinsic value of the rights exercised during the current consolidated fiscal year: 3,832,000 yen

(Tax effect accounting)

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

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Deferred tax assets		
Provision for bonuses	43,864,000 yen	64,742,000 yen
Provision for bonuses for directors (and other officers)	6,399,000 yen	9,507,000 yen
Asset retirement obligations	42,403,000 yen	42,567,000 yen
Accrued enterprise tax	10,043,000 yen	18,572,000 yen
Accrued expenses	14,662,000 yen	17,391,000 yen
Accounts payable - trade	11,207,000 yen	-
Accounts payable - other	11,094,000 yen	10,382,000 yen
Prepaid expenses	6,055,000 yen	4,348,000 yen
Accounts receivable - other	493,000 yen	493,000 yen
Excess depreciation	456,795,000 yen	330,936,000 yen
Shares of subsidiaries and associates	12,007,000 yen	18,593,000 yen
Valuation difference on available-for-sale securities	-	12,408,000 yen
Consolidation adjustment account (goodwill for tax purposes)	7,151,000 yen	6,109,000 yen
Other	37,790,000 yen	59,110,000 yen
Deferred tax assets, Subtotal	659,968,000 yen	595,163,000 yen
Valuation allowance	-77,430,000 yen	-126,280,000 yen
Deferred tax assets, Total	582,538,000 yen	468,882,000 yen
Deferred tax liabilities		
Removal costs corresponding to asset retirement obligations	-41,899,000 yen	-39,059,000 yen
Reserve for investment loss	-25,221,000 yen	-23,738,000 yen
Valuation difference on available-for-sale securities	-2,729,000 yen	-5,185,000 yen
Other	-	-1,250,000 yen
Deferred tax liabilities, Total	-69,850,000 yen	-69,233,000 yen
Deferred tax assets, net	512,688,000 yen	399,649,000 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, 2022)	Current consolidated fiscal year (March 31, 2023)
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Entertainment expenses and other items not permanently deductible for income tax purposes	0.1	0.2
Per capita inhabitant tax	0.4	0.4
Tax on retained surplus	5.5	6.1
Change in valuation allowance	1.9	2.7
Share of loss of entities accounted for using equity method	1.4	2.2
Tax credits	-3.7	-2.3
Amortization of goodwill	0.1	0.2
Donations not deductible for tax purposes	0.3	0.2
Other	-0.2	-0.0
Effective rate of Corporate tax rate after applying tax effect accounting	36.5	40.3

(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, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Balance at beginning of period	61,943,000 yen	138,482,000 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	830,000 yen	536,000 yen
Decrease due to fulfillment of asset retirement obligations	-96,230,000 yen	-
Balance at end of period	138,482,000 yen	139,018,000 yen

(Matters related to revenue recognition)

1. Information that disaggregates revenue from contracts with customers

Previous 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

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

	Amount (1,000 yen)
Stock-type revenue	6,686,615
Flow-type revenue	2,590,720
Revenue from contracts with customers	9,277,336
Other revenue	-
Sales to external customers	9,277,336

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. The Group recognizes revenue for license sales contracts in accordance with the volume of use of a license as the control over the service is transferred to the customer as the customer uses the license. The Group recognizes revenue for other maintenance service contracts over the service provision period stipulated in each contract as the control over the service is transferred to the customer over the period.

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. As we have determined that costs are incurred in proportion to the percentage of fulfillment of performance obligations, we recognize revenue over a certain period using the percentage of completion based on the percentage of actual costs to the total estimated costs (input method). However, if the period from the transaction start date under the contract for work to the day on which the performance obligations are expected to be fully fulfilled is extremely short, we recognize revenue when the performance obligations have been fully fulfilled, rather than over a certain period.

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.

Balances of contract assets and contract liabilities

Contract assets mainly consist of the Group's rights to the consideration pertaining to its performance obligations under contracts for work for the development of software and are transferred to receivables when these rights become unconditional. Contract liabilities mainly consist of unearned revenue received before the fulfillment of performance obligations under license sales contracts and maintenance service contracts and are reversed as revenue is recognized in accordance with the fulfillment of performance obligations. The payment terms and conditions vary with each contract.

The balance of contract assets is disclosed in the Notes (Consolidated Balance Sheets) in Consolidated Financial Statements. The balance of contract liabilities is disclosed in (Consolidated Balance Sheets) in Consolidated Financial Statements.

(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, 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

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

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	8,074,331	692,648	110,638	399,716	9,277,336

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	3,114,648

[Information on impairment loss on non-current assets 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 amortization of goodwill and unamortized balance by reportable segment]

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

Not applicable.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

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

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, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	93.68 yen	110.76 yen
Basic earnings per share	17.14 yen	17.49 yen
Diluted earnings per share	17.02 yen	17.37 yen

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

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Total net assets (1,000 yen)	5,248,802	6,189,309
Amount deducted from total net assets (1,000 yen)	91,665	91,876
(Of which, non-controlling interests (1,000 yen))	(91,665)	(91,876)
Net assets related to common stock at the end of the period (1,000 yen)	5,157,137	6,097,433
Number of shares of common stock used to calculate net assets per share of common stock at the end of the period (shares)	55,050,172	55,049,708

2. 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, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (1,000 yen)	943,561	962,761
Amount not attributable to common shareholders (1,000 yen)	-	-
Profit attributable to owners of the parent related to common stock (1,000 yen)	943,561	962,761
Average number of shares of common stock during the period (shares)	55,044,723	55,050,340
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (1,000 yen)	-	-
Increase in the number of common shares (shares)	395,943	377,852
(of which stock acquisition rights (shares))	(395,943)	(377,852)
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	514,550	314,550	0.45	-
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	514,550	314,550	-	-

(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)	1,945,562	4,151,770	6,324,710	9,277,336
Profit before income taxes (1,000 yen)	148,142	508,813	691,749	1,612,024
Profit attributable to owners of parent (1,000 yen)	68,430	298,890	399,513	962,761
Basic earnings per share (yen)	1.24	5.43	7.26	17.49

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings per share (yen)	1.24	4.19	1.83	10.23

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, 2022)	Current fiscal year (March 31, 2023)
Assets		
Current assets		
Cash and deposits	826,260	1,278,803
Notes and accounts receivable - trade, and contract assets	*1 2,181,660	*1 2,094,107
Merchandise and finished goods	59,192	32,618
Work in process	18	3,504
Raw materials and supplies	17,336	6,488
Prepaid expenses	95,852	77,328
Other	*1 183,652	*1 122,398
Allowance for doubtful accounts	-	-41,060
Total current assets	3,363,972	3,574,189
Non-current assets		
Property, plant and equipment		
Buildings	322,314	321,846
Machinery and equipment	12,585	60,554
Vehicles	0	0
Tools, furniture and fixtures	60,029	72,282
Construction in progress	6,725	-
Total property, plant and equipment	401,654	454,682
Intangible assets		
Software	1,526,807	2,072,231
Software in progress	112,437	344,131
Other	161	161
Total intangible assets	1,639,405	2,416,524
Investments and other assets		
Investment securities	151,183	396,222
Shares of subsidiaries and associates	607,388	557,600
Long-term loans receivable from subsidiaries and associates	39,850	35,350
Long-term prepaid expenses	607	4,629
Leasehold and guarantee deposits	559,741	345,147
Deferred tax assets	488,971	398,471
Other	60,679	70,574
Allowance for doubtful accounts	-	-35,350
Total investments and other assets	1,908,421	1,772,646
Total non-current assets	3,949,481	4,643,854
Total assets	7,313,454	8,218,043

(Unit: 1,000 yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	*1 580,937	*1 499,460
Short-term borrowings	500,000	300,000
Accounts payable - other	*1 304,666	*1 112,792
Accrued expenses	53,200	63,057
Income taxes payable	85,170	334,482
Contract liabilities	*1 199,672	*1 189,998
Deposits received	19,353	15,302
Provision for bonuses	143,253	211,437
Provision for bonuses for directors (and other officers)	20,900	31,050
Other	38,521	114,292
Total current liabilities	1,945,676	1,871,874
Non-current liabilities		
Asset retirement obligations	138,482	139,018
Total non-current liabilities	138,482	139,018
Total liabilities	2,084,158	2,010,893
Net assets		
Shareholders' equity		
Share capital	444,018	444,125
Capital surplus		
Legal capital surplus	408,518	408,625
Other capital surplus	319,631	319,631
Total other capital surplus	728,150	728,256
Retained earnings		
Other retained earnings		
Reserve for investment loss	57,147	53,787
Retained earnings brought forward	4,069,066	5,072,747
Total other retained earnings	4,126,214	5,126,534
Treasury shares	-75,272	-75,401
Total shareholders' equity	5,223,110	6,223,515
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	6,184	-16,365
Total valuation and translation adjustments	6,184	-16,365
Total net assets	5,229,295	6,207,149
Total liabilities and net assets	7,313,454	8,218,043

(ii) Non-Consolidated Statements of Income

(Unit: 1,000 yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net sales	*1 7,976,542	*1 9,044,870
Cost of sales	*1 3,476,808	*1 4,410,035
Gross profit	4,499,734	4,634,834
Selling, general and administrative expenses	*1, *2 2,967,049	*1, *2 2,858,743
Operating profit	1,532,685	1,776,091
Non-operating income		
Interest income	*1 1,203	*1 1,186
Insurance claim income	6,913	402
Subsidy income	269	3,296
Consumption tax gain	14,195	576
Outsourcing service income	*1 5,768	*1 6,002
Other	*1 7,429	*1 7,456
Total non-operating income	35,780	18,920
Non-operating expenses		
Interest expenses	293	1,237
Foreign exchange losses	124	88
Loss on investments in investment partnerships	3,705	12,361
Loss on retirement of non-current assets	6,466	977
Other	49	101
Total non-operating expenses	10,639	14,766
Ordinary profit	1,557,826	1,780,246
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	-	67,216
Provision of allowance for doubtful accounts for subsidiaries and associates	-	76,410
Other	-	12,698
Total extraordinary losses	-	156,324
Profit before income taxes	1,557,826	1,623,921
Income taxes - current	393,138	508,757
Income taxes for prior periods	-	14,390
Income taxes - deferred	151,620	100,452
Total income taxes	544,758	623,600
Profit	1,013,067	1,000,320

[Schedules of cost of sales]

Classification	Note Number	Previous fiscal year (From April 1, 2021 to March 31, 2022)		Current fiscal year (From April 1, 2022 to March 31, 2023)	
		Amount (1,000 yen)	Composition ratio (%)	Amount (1,000 yen)	Composition ratio (%)
I Labor cost		1,423,485	28.5	1,501,771	26.3
II Expenses	*1	3,571,530	71.5	4,200,859	73.7
Total manufacturing costs for the period		4,995,016	100.0	5,702,631	100.0
Inventory of work in process at beginning of period		6,749		18	
Total		5,001,765		5,702,650	
Inventories of work in process at end of period		18		3,504	
Transfer to other accounts	*2	2,347,977		2,235,565	
Cost of products manufactured		2,653,769		3,463,579	
Inventories of merchandise and finished goods at beginning of period		67,429		59,192	
Merchandise purchased during the period		815,239		920,561	
Total		3,536,439		4,443,334	
Inventories of merchandise and finished goods at end of period		59,192		32,618	
Transfer to other accounts	*2	438		680	
Cost of sales		3,476,808		4,410,035	

(Notes)*1 Major breakdown is as follows.

Item	Previous fiscal year (1,000 yen)	Current fiscal year (1,000 yen)
Outsourcing expenses	2,068,703	2,484,392
Communication expenses	385,449	426,182
Depreciation and amortization expense	376,812	526,573
Rent expenses on land and buildings	301,985	272,576

*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	1,233,488	952,027
Software in progress	1,107,764	1,240,795
Other	7,163	43,422
Total	2,348,416	2,236,245

(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, 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	-
Reversal of reserve for investment loss							
Profit						1,013,067	1,013,067
Acquisition of treasury shares							
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		-			-
Reversal of reserve for investment loss		-			-
Profit		1,013,067			1,013,067
Acquisition of treasury shares		-			-
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

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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	444,018	408,518	319,631	728,150	57,147	4,069,066	4,126,214
Changes during period							
Issuance of new shares - exercise of share acquisition rights	106	106		106			
Provision of reserve for investment loss							
Reversal of reserve for investment loss					-3,359	3,359	
Profit						1,000,320	1,000,320
Acquisition of treasury shares							
Net changes in items other than shareholders' equity							
Total changes during period	106	106	-	106	-3,359	1,003,680	1,000,320
Balance at end of period	444,125	408,625	319,631	728,256	53,787	5,072,747	5,126,534

	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	5,223,110	6,184	6,184	5,229,295
Changes during period					
Issuance of new shares - exercise of share acquisition rights		213			213
Provision of reserve for investment loss		-			-
Reversal of reserve for investment loss		-			-
Profit		1,000,320			1,000,320
Acquisition of treasury shares	-128	-128			-128
Net changes in items other than shareholders' equity			-22,550	-22,550	-22,550
Total changes during period	-128	1,000,405	-22,550	-22,550	977,854
Balance at end of period	-75,401	6,223,515	-16,365	-16,365	6,207,149

[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

Assets other than stocks with no market price, etc...Stated at fair value

(All valuation gains or losses are treated as a component of net assets, and costs of securities sold are calculated by the moving average method.)

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 years

Tools, furniture and fixtures: 2 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) Allowance for doubtful accounts

To prepare for bad-debt loss including loans, the collectability of general accounts receivable is examined by using the ratio of actual bad-debt loss, and the collectability of specified accounts receivable including doubtful accounts receivable is examined on a case-by-case basis, and unrecoverable loans are estimated and posted.

(2) 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.

(3) 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, 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	1,526,807	2,072,231
Software in progress	112,437	344,131

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

Software and software in progress consist mainly of software for internal use for the provision of services, and they are capitalized after assessing their value based on the estimated license revenue plan within 5 years if it is determined to be certain that they will generate revenues in the future. 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 of presentation method)

The non-consolidated balance sheets; statements of income; statements of changes in equity; schedule of property, plant and equipment; and schedule of provisions have been prepared based on the forms provided for in Article 127, paragraph (1) of the Regulation on Financial Statements.

The notes provided for in each item of Article 127, paragraph (2) of the Regulation on Financial Statements are replaced with the notes provided for by the Regulations on Corporate Accounting that correspond to each item.

(Non-Consolidated Balance Sheets)

Long-term prepaid expenses (607,000 yen in the previous fiscal year), which were included in Other of Investments and other assets in the previous fiscal year, are separately shown for the current fiscal year because of their increased importance.

Accrued consumption tax (114,292,000 yen in the current fiscal year), which was separately shown in the previous fiscal year, is included in the Other of Current Liabilities in the current fiscal year because of its small amount.

(Non-Consolidated Statements of Income)

"Commission income" (-000 yen for the current fiscal year), which was presented separately in the previous fiscal year, has been included in "Other" in non-operating income from the current fiscal year as its amount has become insignificant.

(Non-Consolidated Balance Sheets)

*1 Assets and liabilities of affiliated companies (excluding those presented in separate line items)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Short-term monetary receivables	225,310,000 yen	158,749,000 yen
Short-term monetary payable	14,220,000 yen	47,608,000 yen

(Non-Consolidated Statements of Income)

*1 Transactions with subsidiaries and affiliates

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Operating transactions (revenue)	124,877,000 yen	208,539,000 yen
Operating transactions (expense)	56,484,000 yen	99,816,000 yen
Non-operating transactions (revenue)	41,688,000 yen	50,565,000 yen

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

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Salary and allowance	630,666,000 yen	711,179,000 yen
Provision for bonuses	62,360,000 yen	102,670,000 yen
Provision for bonuses for directors (and other officers)	20,900,000 yen	31,050,000 yen
Depreciation and amortization expense	103,594,000 yen	42,842,000 yen
Research and development expenses	1,143,180,000 yen	873,102,000 yen
Approximate ratio		
Selling expenses	9%	9%
General and administrative expenses	91,000 yen	91,000 yen

(Investment securities)

Shares of subsidiaries and affiliates

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

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

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

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

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	39,500
Shares of associates	518,100

(Tax effect accounting)

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

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Deferred tax assets		
Provision for bonuses	43,864,000 yen	64,742,000 yen
Provision for bonuses for directors (and other officers)	6,399,000 yen	9,507,000 yen
Asset retirement obligations	42,403,000 yen	42,567,000 yen
Accrued enterprise tax	9,761,000 yen	18,546,000 yen
Allowance for doubtful accounts	-,000 yen	23,396,000 yen
Accrued expenses	14,484,000 yen	17,208,000 yen
Accounts payable - trade	11,207,000 yen	-
Accounts payable - other	11,094,000 yen	10,382,000 yen
Prepaid expenses	6,055,000 yen	4,348,000 yen
Accounts receivable - other	493,000 yen	493,000 yen
Excess depreciation	453,047,000 yen	322,984,000 yen
Shares of subsidiaries and associates	12,007,000 yen	39,175,000 yen
Valuation difference on available-for-sale securities	-	12,408,000 yen
Other	19,050,000 yen	26,357,000 yen
Deferred tax assets, Subtotal	629,868,000 yen	592,119,000 yen
Valuation allowance	-71,047,000 yen	-125,664,000 yen
Deferred tax assets, Total	558,821,000 yen	466,454,000 yen
Deferred tax liabilities		
Removal costs corresponding to asset retirement obligations	-41,899,000 yen	-39,059,000 yen
Reserve for investment loss	-25,221,000 yen	-23,738,000 yen
Valuation difference on available-for-sale securities	-2,729,000 yen	-5,185,000 yen
Deferred tax liabilities, Total	-69,850,000 yen	-67,983,000 yen
Deferred tax assets, net	488,971,000 yen	398,471,000 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, 2022)	Current fiscal year (March 31, 2023)
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Entertainment expenses and other items not permanently deductible for income tax purposes	0.1%	0.2%
Per capita inhabitant tax, etc.	0.4%	0.3%
Tax on retained surplus	5.3%	6.0%
Change in valuation allowance	2.0%	3.4%
Tax credits	-3.5%	-2.5%
Donations not deductible for tax purposes	0.3%	0.2%
Other	-0.2%	0.2%
Effective rate of Corporate tax rate after applying tax effect accounting	35.0%	38.4%

(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.]

(Unit: 1,000 yen)

Classification	Type of Assets	Balance at beginning of period	Increase during the period	Decrease during the period	Depreciation or amortization during period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	322,314	26,131	-	26,599	321,846	39,544
	Machinery and equipment	12,585	76,352	0	28,384	60,554	48,522
	Vehicles	0	-	-	-	0	975
	Tools, furniture and fixtures	60,029	62,922	1,078	49,590	72,282	248,348
	Construction in progress	6,725	42,742	49,467	-	-	-
	Total	401,654	208,149	50,546	104,574	454,682	337,391
Intangible assets	Software	1,526,807	1,010,266	-	464,841	2,072,231	-
	Software in progress	112,437	1,240,795	1,009,101	-	344,131	-
	Other	161	-	-	-	161	-
	Total	1,639,405	2,251,061	1,009,101	464,841	2,416,524	-

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

Buildings	Office construction	26,131,000 yen
Machinery and equipment	Drones and drone-related devices	76,352,000 yen
Tools, furniture and fixtures	Personal computer	23,734,000 yen
Construction in progress	Internally developed hardware	42,742,000 yen
Software	Transfer from software in progress	1,009,101,000 yen
Software in progress	Self-developed software	1,240,795,000 yen

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

Tools, furniture and fixtures	Electronic substrate	383,000 yen
Construction in progress	Transfer to Tools, furniture and fixtures	3,637,000 yen
Construction in progress	Transfer to Machinery and equipment	45,829,000 yen
Software in progress	Transfer to software	1,009,101,000 yen

[Schedule of allowance for doubtful accounts]

(Unit: 1,000 yen)

Item	Balance at beginning of period	Increase during the period	Decrease during the period	Balance at end of period
Allowance for doubtful accounts (current)	-	41,060	-	41,060
Allowance for doubtful accounts (non-current)	-	35,350	-	35,350
Provision for bonuses	143,253	211,437	143,253	211,437
Provision for bonuses for directors (and other officers)	20,900	31,050	20,900	31,050

(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" as provided for by Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

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 (22nd period) (April 1, 2021 to March 31, 2022), Submitted to Director General, Fukuoka Regional Finance Bureau on June 30, 2022

(2) Internal control report and attached documents

Submitted to Director General, Fukuoka Regional Finance Bureau on June 30, 2022

(3) Quarterly Reports and Confirmation letters

(The First Quarter of the 23rd Period) (From April 1, 2022 to June 30, 2022) Submitted to Director General, Fukuoka Regional Finance Bureau on August 12, 2022

(The Second Quarter of the 23rd Period) (From July 1, 2022 to September 30, 2022) Submitted to Director General, Fukuoka Regional Finance Bureau on November 14, 2022

(The Third Quarter of the 23rd Period) (From October 1, 2022 to December 31, 2022) Submitted to Director General, Fukuoka Regional Finance Bureau on February 14, 2023

(4) Extraordinary report

Submitted to the Director-General of the Fukuoka Local Finance Branch Bureau on June 30, 2022

Extraordinary report submitted pursuant to Article 19, paragraph (2), item (ix)-2 (Results of Exercise of Voting Rights at a General Meeting of Shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs

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, 2023

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, 2022 to March 31, 2023, 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, 2023, 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, 2023, the Company recorded software of 2,065,391,000 yen and software in progress of 344,131,000 yen as described in Notes, Significant accounting estimates. They consist mainly of software for internal use for the provision of services. 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 876,968,000 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, 2023 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, 2023 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, 2023

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 23rd Period Non-Consolidated Financial Statements of OPTiM CORPORATION listed in the Status of Accounting for the fiscal year from April 1, 2022 to March 31, 2023 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, 2023, 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.