Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

May 13, 2022

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Under Japanese GAAP)

Company name: RAKUS Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 3923
URL: https://www.rakus.co.jp
Representative: Takanori Nakamura, Representative Director and President
Inquiries: Yoshifumi Matsushima, Director, Strategic Planning Department
Telephone: +81-50-8880-3200
Scheduled date of annual general meeting of shareholders: June 24, 2022
Scheduled date to commence dividend payments: June 27, 2022
Scheduled date to file annual securities report: June 27, 2022
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	20,629	34.1	1,578	(59.5)	1,595	(58.9)	1,078	(63.3)
March 31, 2021	15,387	32.6	3,898	232.0	3,881	229.7	2,936	267.3

Note: Comprehensive income For the fiscal year ended March 31, 2022: ¥1,092 million [(62.8)%]
For the fiscal year ended March 31, 2021: ¥2,939 million [268.2%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	5.95	–	13.1	13.8	7.7
March 31, 2021	16.20	–	45.1	41.9	25.3

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2022: ¥- million
For the fiscal year ended March 31, 2021: ¥- million

Notes: 1. The Company performed a share split at the ratio of two shares per share of common shares on October 1, 2020. “basic earnings per share” have been calculated based on the assumption that the share split was performed at the beginning of the previous fiscal year.
2. Diluted earnings per share are not stated because there are no dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	11,700	8,617	73.6	47.55
March 31, 2021	11,471	7,842	68.4	43.28

Reference: Equity

As of March 31, 2022: ¥8,617 million
As of March 31, 2021: ¥7,842 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	(11)	(877)	(295)	4,861
March 31, 2021	4,271	(432)	(303)	6,035

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter–end	Second quarter–end	Third quarter–end	Fiscal year–end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	–	0.00	–	1.75	1.75	317	10.8	4.9
Fiscal year ended March 31, 2022	–	0.00	–	1.90	1.90	344	31.9	4.2
Fiscal year ending March 31, 2023 (Forecast)	–	0.00	–	1.95	1.95		–	

3. Consolidated earnings forecasts for the year ending March 31, 2023 (from April 1, 2022 to September 30, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2022 (cumulative)	12,773	34.8	492	(44.6)	492	(45.3)	298	(49.3)	1.64

Note: For the consolidated earnings forecast for the fiscal year ending March 31, 2023, only the earnings forecast for the six months ending September 30, 2022 has been disclosed because calculation of a reasonable earnings forecast for the full year is difficult at the present time. For details, please refer to “1. Overview of operating results, etc. (4) Future outlook” on page 4 of the attachment.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For details, please refer to "3. Consolidated financial statements and notes (5) Notes to consolidated financial statements (Changes in accounting policies)" on page 12 of the attachment.

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	181,216,000 shares
As of March 31, 2021	181,216,000 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2022	1,494 shares
As of March 31, 2021	1,490 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2022	181,214,507 shares
Fiscal year ended March 31, 2021	181,214,582 shares

Note: The Company performed a share split at the ratio of two shares per share of common share on October 1, 2020. The "total number of issued shares at the end of the period," the "number of treasury shares at the end of the period" and the "average number of shares outstanding during the period" are calculated based on the assumption that the share split was performed at the beginning of the previous fiscal year.

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	15,793	38.2	1,096	(67.4)	1,104	(67.0)	787	(70.1)
March 31, 2021	11,431	39.1	3,367	300.1	3,343	295.7	2,637	324.4

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2022	4.35	–
March 31, 2021	14.55	–

Notes: 1. The Company performed a share split at the ratio of two shares per share of common share on October 1, 2020. "basic earnings per share" have been calculated based on the assumption that the share split was performed at the beginning of the previous fiscal year.

2. Diluted earnings per share are not stated because there are no dilutive shares.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	9,726	7,470	76.8	41.23
March 31, 2021	9,777	6,997	71.6	38.62

Reference: Equity
As of March 31, 2022: ¥7,470 million
As of March 31, 2021: ¥6,997 million

Note: The Company performed a share split at the ratio of two shares per share of common share on October 1, 2020. "net assets per share" have been calculated based on the assumption that the share split was performed at the beginning of the previous fiscal year.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Note concerning forward-looking statements)

Forward-looking statements such as earnings forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable by the Company and are not intended to be a promise by the Company to achieve them. Furthermore, actual performance, etc. may vary significantly due to a variety of factors. Please refer to "1. Overview of operating results, etc. (4) Future outlook" on page 4 of the attachment for the conditions assumed in earnings forecasts and notes on use of earnings forecasts.

(Change in unit of presentation)

Although the amounts of accounts and other items presented in the Company's consolidated financial statements were stated in thousands of yen, the Company has changed the presentation to state the amounts in millions of yen, effective from the consolidated fiscal year under review. For ease of comparison, the amounts for the previous consolidated fiscal year are also presented in millions of yen.

○Table of Attachment Contents

Index

1. Overview of operating results, etc. 2
   (1) Overview of operating results for the fiscal year under review 2
   (2) Overview of financial position for the fiscal year under review 3
   (3) Overview of cash flows for the fiscal year under review 3
   (4) Future outlook 4
   (5) Basic policy on dividends of surplus and dividends for the fiscal year under review and the next fiscal year 4
2. Basic policy regarding selection of accounting standards 4
3. Consolidated financial statements and notes thereto 5
   (1) Consolidated balance sheets 5
   (2) Consolidated statements of income and consolidated statements of comprehensive income 7
      (Consolidated statements of income) 7
      (Consolidated statements of comprehensive income) 8
   (3) Consolidated statements of changes in equity 9
   (4) Consolidated statements of cash flows 11
   (5) Notes to consolidated financial statements 12
      (Notes regarding assumption of going concern) 12
      (Changes in accounting policies) 12
      (Segment information, etc.) 12
      (Per share information) 16
      (Significant subsequent events) 16

1. Overview of operating results, etc.

(1) Overview of operating results for the fiscal year under review

In the telecommunications service market in which the Company operates, attention is being drawn to the re-examination of work styles due to novel coronavirus infections (COVID-19) and the digitalization of corporate operations due to the promotion of digitalization by the government.

In such a management environment, the Group has stated the management policy of "concentration of investment of cash generated by several highly profitable services into growth services" and, using performance in the fiscal year ended March 31, 2021 as a baseline, established the new medium-term management targets of net sales CAGR (compound annual growth rate) of 25% to 30% over five years from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2026, profit of ¥10 billion or more and net assets of ¥20 billion or more in the fiscal year ending March 31, 2026. In order to achieve maximum net sales target CAGR of 30%, which is being particularly emphasized among these, the Group plans to engage in strengthening investment with the aim of the fastest rate of growth while verifying the effect of responses and measures to address the external environment by formulating measures and budgets for each six-month period for the first four years.

During the fiscal year ended March 31, 2022, which is the first year for the medium-term management targets, in addition to the expansion of the sales organization continuously engaged in the cloud business driving high growth, the strengthening of marketing investment implemented from the start of the fiscal year for Raku Raku Seisan and Raku Raku Meisai led to an increase in new orders from the second half of the fiscal year, and contributed to acceleration of the rate of growth in net sales as the scale of sales expanded. In the IT outsourcing business, revenue increased significantly as a result of significantly increasing the number of personnel to respond for the strong need for IT engineers.

Novel coronavirus infections (COVID-19) had an impact on a subsidiary established during the fiscal year, and shares in the subsidiary were impaired due to results deviating from the anticipated business plan.

As a result, during the fiscal year under review, net sales were ¥20,629 million (up 34.1% year on year), operating profit was ¥1,578 million (down 59.5% year on year), ordinary profit was ¥1,595 million (down 58.9% year on year) and profit attributable to owners of parent was ¥1,078 million (down 63.3% year on year).

Operating results by segment were as follows.

a. Cloud business

In the cloud business, the effects of strengthening marketing investment from the start of the fiscal year emerged in an increase in new orders from the second half of the fiscal year, leading to a significant increase in the number of customers. By major service, as a result of directing a large portion of marketing investment to Raku Raku Seisan and Raku Raku Meisai, this led to a significant increase in new orders driving high growth. Furthermore, steady growth was also maintained for other services.

As a result, net sales were ¥16,716 million (up 35.9% year on year), but segment profit was ¥1,227 million (down 65.6% year on year) due to the impact of strengthening growth investment.

b. IT outsourcing business

In the IT outsourcing business, the number of engineers decreased slightly due to the temporary decline in the working rate and reduction of hiring as a result of the impact of novel coronavirus infections (COVID-19) in the fiscal year ended March 31, 2021, but against the backdrop of strong customer needs, the number of working engineers increased as a result of active recruiting during the fiscal year ended March 31, 2022, leading to a significant increase in revenue.

As a result, net sales were ¥3,912 million (up 26.6% year on year), segment profit was ¥351 million (up 6.2% year on year) due to the working rate being higher than anticipated throughout the year.

(2) Overview of financial position for the fiscal year under review

Assets, liabilities and net assets

(Assets)

Current assets during the fiscal year under review were ¥8,419 million, a decrease of ¥160 million from the previous fiscal year. The main factors were increases of ¥781 million in accounts receivable - trade and ¥131 million in income taxes refund receivable, and a decrease of ¥1,173 million in cash and deposits. Non-current assets were ¥3,281 million, an increase of ¥390 million from the previous fiscal year. The main factors were decreases of ¥163 million in goodwill and ¥73 million in customer-related assets, and increases of ¥241 million in guarantee deposits, ¥141 million in deferred tax assets, and ¥113 million in tools, furniture and fixtures.

As a result, total assets were ¥11,700 million, an increase of ¥229 million from the previous fiscal year.

(Liabilities)

Current liabilities during the fiscal year under review were ¥2,977 million, a decrease of ¥629 million from the previous fiscal year. The main factors were increases of ¥549 million in contract liabilities, ¥537 million in accounts payable - other and ¥222 million in accrued expenses, and decreases of ¥1,051 million in income taxes payable, ¥452 million in advances received and ¥444 million in accrued consumption taxes. Non-current liabilities were ¥106 million, an increase of ¥83 million from the previous fiscal year. This was mainly due to increases of ¥36 million in long-term borrowings and ¥60 million in long-term accrued expenses.

As a result, total liabilities were ¥3,083 million, a decrease of ¥545 million from the previous fiscal year.

(Net assets)

Total net assets during the fiscal year under review were ¥8,617 million, an increase of ¥775 million from the previous fiscal year. This was mainly due to retained earnings decreasing by a decrease of ¥317 million as a result of dividends of surplus, and an increase of ¥1,078 million as a result of recording profit attributable to owners of parent.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents decreased by ¥1,173 million year on year to ¥4,861 million in the fiscal year under review. Cash flows and the respective factors contributing thereto during the fiscal year under review were as follows.

(Cash flows from operating activities)

Cash flows from operating activities was ¥4,283 million deterioration year on year, resulting in ¥11 million in net cash used. Increases were mainly attributable to ¥1,543 million in profit before income taxes, a ¥501 million increase in accounts payable - other, ¥399 million in depreciation and an increase of ¥282 million in accrued expenses, and decreases were mainly attributable to ¥1,770 million in income taxes paid, a ¥680 million increase in trade receivables and a ¥445 million decrease in accrued consumption taxes.

(Cash flows from investing activities)

Cash outflows from investing activities increased by ¥445 million year on year, resulting in ¥877 million in net cash used. This was mainly attributable to ¥413 million in purchase of property, plant and equipment, ¥315 million in payments of guarantee deposits, and ¥100 million in purchase of shares of subsidiaries and associates.

(Cash flows from financing activities)

Cash outflows from financing activities decreased by ¥8 million year on year, resulting in ¥295 million in net cash used. This was mainly attributable to ¥41 million in proceeds from long-term borrowings and ¥317 million in dividends paid.

(4) Future outlook

Using performance in the fiscal year ended March 31, 2021 as a baseline, the Group established the new medium-term management targets of net sales CAGR (compound annual growth rate) of 25% to 30% over five years until the fiscal year ending March 31, 2026, profit attributable to owners of parent of ¥10 billion or more and net assets of ¥20 billion or more in the fiscal year ending March 31, 2026. However, in light of the recent situation, the Company will raise the lower limit for net sales CAGR to 26%. In order to continue to achieve maximum net sales target CAGR of 30%, which is being particularly emphasized among the medium-term management targets, the Group plans to engage in strengthening investment with the aim of the fastest rate of growth while verifying the effect of responses and measures to address the external environment by formulating measures and budgets for each six-month period for the first four years.

During the fiscal year ended March 31, 2022, which is the first year covered by the medium-term management targets, hiring plans, budgets, and marketing initiatives for each six month period are leading to an acceleration of the growth rate. Therefore, the Group will continue capturing the strong digitization needs and plans to further strengthen investment in order to realize further high growth, and in the six months ending September 30, 2022, the Group plans net sales of ¥12,773 million (up 34.8% year on year), operating profit of ¥492 million (down 44.6% year on year), ordinary profit of ¥492 million (down 45.3% year on year) and profit attributable to owners of parent of ¥298 million (down 49.3% year on year).

During the period covered by the medium-term management targets in which the fiscal year ending March 31, 2026 is the final year, operating profit is expected to bottom out in the fiscal year ending March 31, 2023, and profit is expected to increase from the fiscal year ending March 31, 2024 until the final fiscal year.

(5) Basic policy on dividends of surplus and dividends for the fiscal year under review and the next fiscal year

The Company recognizes that providing returns to shareholders is the most important issue for management and has established a basic policy of paying continuous and stable dividends while maintaining internal reserves required for conducting business and strengthening the management base in order to achieve profitable growth.

The Company will implement dividends of surplus aiming to provide a consolidated dividend payout ratio exceeding 10% based on appropriate distribution of profit according to the expansion of performance, and also set the lower limit of annual dividends per share at the previous year’s level in principle to continually increase dividends with consideration for continuity and stability of dividends.

Based on the above policy, dividends for the fiscal year under review are planned to be a year-end dividend of ¥1.90 per share assuming a resolution is passed in the ordinary general meeting of shareholders to be held in June 2022.

Despite the current business environment, the Company plans to pay a year-end dividend of ¥1.95 per share for the next fiscal year due to operating a business with high stability and profitability.

2. Basic policy regarding selection of accounting standards

The Group applies Japanese accounting standards to ensure comparability with peer companies within Japan.

3. Consolidated financial statements and notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	6,035	4,861
Accounts receivable - trade	2,322	3,104
Merchandise	0	–
Income taxes refund receivable	–	131
Other	234	333
Allowance for doubtful accounts	(12)	(11)
Total current assets	8,580	8,419
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	133	175
Tools, furniture and fixtures, net	597	710
Total property, plant and equipment	730	886
Intangible assets		
Goodwill	791	627
Customer relationship	134	61
Software	38	34
Total intangible assets	964	723
Investments and other assets		
Investment securities	0	0
Shares of subsidiaries and associates	–	52
Long-term loans receivable from subsidiaries and associates	–	36
Guarantee deposits	647	888
Deferred tax assets	543	685
Other	11	12
Allowance for doubtful accounts	(7)	(4)
Total investments and other assets	1,195	1,671
Total non-current assets	2,891	3,281
Total assets	11,471	11,700

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	0	1
Current portion of long-term borrowings	–	4
Accounts payable - other	747	1,285
Accrued expenses	531	754
Income taxes payable	1,168	116
Accrued consumption taxes	642	198
Advances received	452	–
Contract liabilities	–	549
Other	62	67
Total current liabilities	3,606	2,977
Non-current liabilities		
Long-term borrowings	–	36
Long-term accrued expenses	8	69
Deferred tax liabilities	14	–
Total non-current liabilities	22	106
Total liabilities	3,629	3,083
Net assets		
Shareholders' equity		
Share capital	378	378
Capital surplus	308	308
Retained earnings	7,157	7,918
Treasury shares	(0)	(0)
Total shareholders' equity	7,842	8,604
Accumulated other comprehensive income		
Deferred gains or losses on hedges	0	2
Foreign currency translation adjustment	(1)	10
Total accumulated other comprehensive income	(0)	13
Total net assets	7,842	8,617
Total liabilities and net assets	11,471	11,700

(2) Consolidated statements of income and consolidated statements of comprehensive income

(Consolidated statements of income)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	15,387	20,629
Cost of sales	5,030	6,598
Gross profit	10,357	14,030
Selling, general and administrative expenses	6,459	12,452
Operating profit	3,898	1,578
Non-operating income		
Interest income	0	0
Foreign exchange gains	–	1
Compensation income	8	0
Subsidy income	5	11
Insurance claim income	–	2
Other	1	1
Total non-operating income	15	17
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	2	–
Market change expenses	29	–
Other	0	0
Total non-operating expenses	31	0
Ordinary profit	3,881	1,595
Extraordinary income		
Gain on sale of investment securities	210	–
Total extraordinary income	210	–
Extraordinary losses		
Loss on retirement of non-current assets	3	4
Loss on valuation of investment securities	1	–
Loss on valuation of shares of subsidiaries and associates	–	47
Total extraordinary losses	4	52
Profit before income taxes	4,087	1,543
Income taxes - current	1,327	621
Income taxes - deferred	(177)	(156)
Total income taxes	1,150	465
Profit	2,936	1,078
Profit attributable to owners of parent	2,936	1,078

(Consolidated statements of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	2,936	1,078
Other comprehensive income		
Deferred gains or losses on hedges	(0)	1
Foreign currency translation adjustment	3	11
Total other comprehensive income	3	13
Comprehensive income	2,939	1,092
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,939	1,092

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	378	308	4,510	(0)	5,196
Changes during period					
Dividends of surplus			(289)		(289)
Profit attributable to owners of parent			2,936		2,936
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,646	(0)	2,646
Balance at end of period	378	308	7,157	(0)	7,842

	Accumulated other comprehensive income			Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	1	(5)	(3)	5,192
Changes during period				
Dividends of surplus				(289)
Profit attributable to owners of parent				2,936
Purchase of treasury shares				(0)
Net changes in items other than shareholders' equity	(0)	3	3	3
Total changes during period	(0)	3	3	2,649
Balance at end of period	0	(1)	(0)	7,842

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	378	308	7,157	(0)	7,842
Changes during period					
Dividends of surplus			(317)		(317)
Profit attributable to owners of parent			1,078		1,078
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	761	(0)	761
Balance at end of period	378	308	7,918	(0)	8,604

	Accumulated other comprehensive income			Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	0	(1)	(0)	7,842
Changes during period				
Dividends of surplus				(317)
Profit attributable to owners of parent				1,078
Purchase of treasury shares				(0)
Net changes in items other than shareholders' equity	1	11	13	13
Total changes during period	1	11	13	775
Balance at end of period	2	10	13	8,617

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	4,087	1,543
Depreciation	301	399
Amortization of goodwill	163	163
Increase (decrease) in allowance for doubtful accounts	0	(4)
Interest income	(0)	(0)
Interest expenses	0	0
Foreign exchange losses (gains)	(0)	(0)
Market change expenses	29	–
Loss (gain) on sale of investment securities	(210)	–
Loss (gain) on valuation of investment securities	1	–
Loss on valuation of shares of subsidiaries and associates	–	47
Loss on retirement of non-current assets	3	4
Decrease (increase) in trade receivables	(552)	(680)
Decrease (increase) in inventories	3	0
Increase (decrease) in trade payables	(0)	0
Increase (decrease) in accounts payable - other	314	501
Increase (decrease) in accrued expenses	81	282
Increase (decrease) in accrued consumption taxes	415	(445)
Other, net	95	(54)
Subtotal	4,736	1,758
Interest and dividends received	0	0
Interest paid	(0)	(0)
Income taxes paid	(464)	(1,770)
Net cash provided by (used in) operating activities	4,271	(11)
Cash flows from investing activities		
Purchase of property, plant and equipment	(321)	(413)
Purchase of intangible assets	(6)	(12)
Proceeds from sale of investment securities	250	–
Payments of guarantee deposits	(356)	(315)
Proceeds from refund of guarantee deposits	1	5
Loan advances	–	(41)
Proceeds from collection of loans receivable	–	0
Purchase of shares of subsidiaries and associates	–	(100)
Net cash provided by (used in) investing activities	(432)	(877)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3)	–
Proceeds from long-term borrowings	–	41
Repayments of long-term borrowings	–	(0)
Market change expenses	(10)	(19)
Purchase of treasury shares	(0)	(0)
Dividends paid	(289)	(317)
Net cash provided by (used in) financing activities	(303)	(295)
Effect of exchange rate change on cash and cash equivalents	3	10
Net increase (decrease) in cash and cash equivalents	3,539	(1,173)
Cash and cash equivalents at beginning of period	2,496	6,035
Cash and cash equivalents at end of period	6,035	4,861

(5) Notes to consolidated financial statements

(Notes regarding assumption of going concern)

Not applicable.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) (hereinafter the "Accounting Standard for Revenue Recognition") and relevant ASBJ regulations effective from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Furthermore, due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, the "advances received" shown under "current liabilities" on the consolidated balance sheets for the previous fiscal year have been included under "contract liabilities" from the current fiscal year. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(Application of accounting standard for fair value measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) (hereinafter the "Accounting Standard for Fair Value Measurement") and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44(2) of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

This change in accounting policies has no impact on the consolidated financial statements.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Group's reportable segments are based on financial information separate by component of the Group, and subject to periodic reviews by the Board of Directors to determine the allocation of management resources and assessment of performance.

The Group conducts business activities in two businesses: the cloud business and the IT outsourcing business. Therefore, the Group uses the "cloud business" and the "IT outsourcing business" as its two reportable segments.

The "cloud business" segment includes cloud products such as Raku Raku Seisan, Raku Raku Meisai, Mail Dealer, Raku Raku Hambai, Hai Hai Mail and Blastmail.

The "IT outsourcing business" is a business centered on dispatching IT engineers. The business provides advance technical capabilities by specializing in the areas of Java development and servers/networking.

2. Methods of calculation of the amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

The methods of accounting for the reported business segments use methods in accordance with accounting policies used for preparation of the consolidated financial statements, and the profit of reportable segments is based on operating profit. Intersegmental net sales and transfers are based on third-party trading prices. The Group does not allocate assets to business segments, but the depreciation of such assets is allocated to business segments according to reasonable standards based on the state of use thereof.

3. Information on the amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segment			Adjustment	Amount on consolidated statements of income
	Cloud business	IT outsourcing business	Total		
Net sales					
Net sales to external customers	12,298	3,089	15,387	–	15,387
Intersegmental net sales and transfers	0	48	48	(48)	–
Total	12,298	3,138	15,436	(48)	15,387
Segment profit	3,568	330	3,898	–	3,898
Other items					
Depreciation	277	23	301	–	301
Amortization of goodwill	163	–	163	–	163

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment			Adjustment	Amount on consolidated statements of income
	Cloud business	IT outsourcing business	Total		
Net sales					
Net sales to external customers	16,716	3,912	20,629	–	20,629
Intersegmental net sales and transfers	0	64	64	(64)	–
Total	16,716	3,976	20,693	(64)	20,629
Segment profit	1,227	351	1,578	(0)	1,578
Other items					
Depreciation	366	31	398	0	399
Amortization of goodwill	163	–	163	–	163

Note: Adjustments are as follows:

(1) The adjustment of negative ¥0 million for segment profit is operating expenses unable to be allocated, which is not attributable to the reportable segments.

(2) The adjustment of ¥0 million for depreciation is depreciation not attributable to the reportable segments.

[Related information]

Fiscal year ended March 31, 2021

1. Information by product and service

   This information has been omitted because the same information is disclosed in segment information.

2. Regional information

   (1) Net sales

   This has been omitted because net sales to external customers in Japan account for more than 90% of net sales on the consolidated statements of income.

   (2) Property, plant and equipment

   This has been omitted because the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

   This has been omitted because there are no external customers whose net sales account for 10% or more of net sales on the consolidated statements of income.

Fiscal year ended March 31, 2022

1. Information by product and service

   This information has been omitted because the same information is disclosed in segment information.

2. Regional information

   (1) Net sales

   This has been omitted because net sales to external customers in Japan account for more than 90% of net sales on the consolidated statements of income.

   (2) Property, plant and equipment

   This has been omitted because the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

   This has been omitted because there are no external customers whose net sales account for 10% or more of net sales on the consolidated statements of income.

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

Not applicable.

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

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segment			Total
	Cloud business	IT outsourcing business	Total	
Amount of amortization during current period	163	–	163	163
Balance at end of period	791	–	791	791

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment			Total
	Cloud business	IT outsourcing business	Total	
Amount of amortization during current period	163	–	163	163
Balance at end of period	627	–	627	627

[Information on gain on bargain purchase by reportable segment]

Not applicable.

(Per share information)

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Net assets per share	¥43.28	¥47.55
Basic earnings per share	¥16.20	¥5.95

Notes: 1. Diluted earnings per share are not stated because there are no dilutive shares.

2. The Company performed a share split at the ratio of two shares per share of common share on October 1, 2020. Net assets per share and basic earnings per share have been calculated based on the assumption that the share splits were performed at the beginning of the previous fiscal year.

3. The basis for calculation of basic earnings per share is as follows.

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (Millions of yen)	2,936	1,078
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent of common shares (Millions of yen)	2,936	1,078
Average number of shares of common shares during the period	181,214,582	181,214,507

(Significant subsequent events)

Not applicable.