

Notes to Financial Statements

- (1) Significant changes involving subsidiaries during the term: None
(Changes in specific subsidiaries that affected the scope of consolidation)
- (2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
- | | |
|--|------|
| i. Change in accounting policies : | Yes |
| ii. Changes not relating to i. : | None |
| iii. Changes in accounting estimates : | None |
| iv. Restatements : | None |

(Note) For more details, please refer to (3) Notes to Quarterly Financial Statements (Changes in Accounting Policies) of 2. Consolidated Financial Statements on page 6.

- (4) Number of shares issued (common stock)
- | | |
|---|------------|
| i. Number of shares issued at the fiscal year end (including treasury shares) | |
| 3rd Quarter ended December 31, 2021: | 28,600,000 |
| FY ended March 31, 2021: | 28,600,000 |
| ii. Number of treasury shares at the fiscal year end | |
| 3rd Quarter ended December 31, 2021: | 1,850,337 |
| FY ended March 31, 2021: | 1,390,253 |
| iii. Average number of shares outstanding during the period | |
| 3rd Quarter ended December 31, 2021: | 27,166,075 |
| 3rd Quarter ended December 31, 2020: | 27,563,788 |

*** Financial report is not included in the scope of the audit or the certified public accountant.**

*** Advice relating to appropriate use of financial forecasts and other relevant information**

Earnings forecasts and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes are reasonable, and it is not intended to promise its achievement. Actual results may therefore differ materially from these statements for various reasons. Some important factors that might have an effect on business performance pertain to Business Risks stated in the Company's annual securities report and other information already released, but factors influencing business performance are not limited to those released.

1. Qualitative Information on the Consolidated Results for the 3rd Quarter

Qualitative Information on the Consolidated Operating Results

During the first three quarters of the current fiscal year (the nine months from April 1, 2021 to December 31, 2021), the economic climate was challenging due to intermittent restrictions on economic activities caused by the effect of the novel coronavirus disease (COVID-19). Meanwhile, the future outlook has remained uncertain amid factors that include a surge in cases of new coronavirus variants overseas, despite signs of recovery having emerged after authorities lifted the state of emergency declaration.

The Company's orders have been mounting a recovery amid a situation where investment in technological development looking to the next generation has picked up among leading manufacturers who serve as its major clients.

Under such circumstances, the Company actively engaged in recruitment with an eye on medium- and long-term growth, thereby increasing its number of engineers (total for MT and MF) to 11,260 (up 585, or 5.5% compared to December 31, 2020) as of December 31, 2021, including 764 (MT: 462, MF: 302) new employees joining the Group in April 2021. In addition, the number of engineers assigned to clients increased as assignments proceeded in response to orders. Further, working hours increased year on year due to a rebound in overtime work.

Consolidated net sales for the period under review increased ¥7,448 million, or 10.4%, from a year earlier to ¥78,936 million.

Consolidated cost of sales increased ¥4,618 million, or 8.6%, from a year earlier to ¥58,079 million, due mainly to an increase in labor expenses associated with growth in the number of engineers. Consolidated selling, general and administrative expenses increased ¥814 million, or 7.8%, from a year earlier to ¥11,294 million, due mainly to an increase in hiring-related expenses.

Consolidated operating profit increased ¥2,015 million, or 26.7%, from a year earlier to ¥9,562 million.

Consolidated ordinary profit increased ¥2,068 million, or 27.2% from a year earlier to ¥9,667 million. Profit attributable to owners of parent increased ¥1,475 million, or 29.4% from a year earlier to ¥6,492 million.

For details, please refer to the "Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2022" released today on the Company's website.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of Yen)

	Fiscal year ended Mar. 31, 2021	The 3rd Quarter ended Dec. 31, 2021
Assets		
Current assets		
Cash and deposits	45,132	43,374
Notes and accounts receivable - trade	14,600	14,987
Work in process	139	337
Other	1,013	1,205
Allowance for doubtful accounts	(0)	(0)
Total current assets	60,885	59,903
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,373	3,248
Other, net	1,749	1,738
Total property, plant and equipment	5,122	4,986
Intangible assets		
Other	495	381
Total intangible assets	495	381
Investments and other assets		
Deferred tax assets	7,684	7,595
Other	854	830
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	8,535	8,423
Total non-current assets	14,153	13,792
Total assets	75,038	73,695
Liabilities		
Current liabilities		
Income taxes payable	1,214	1,738
Provision for bonuses for directors (and other officers)	187	167
Provision for bonuses	6,801	4,247
Other	6,069	8,286
Total current liabilities	14,272	14,440
Non-current liabilities		
Retirement benefit liability	16,294	16,502
Total non-current liabilities	16,294	16,502
Total liabilities	30,566	30,942
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	6,155	6,155
Retained earnings	40,903	42,116
Treasury shares	(6,159)	(9,290)
Total shareholders' equity	45,898	43,981
Accumulated other comprehensive income		
Revaluation reserve for land	(662)	(662)
Remeasurements of defined benefit plans	(763)	(566)
Total accumulated other comprehensive income	(1,426)	(1,229)
Total net assets	44,472	42,752
Total liabilities and net assets	75,038	73,695

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

(Millions of Yen)

	The 3rd Quarter ended Dec. 31, 2020	The 3rd Quarter ended Dec. 31, 2021
Net sales	71,487	78,936
Cost of sales	53,460	58,079
Gross profit	18,027	20,856
Selling, general and administrative expenses	10,480	11,294
Operating profit	7,546	9,562
Non-operating income		
Interest income	0	0
Subsidy income	48	103
Other	8	9
Total non-operating income	57	114
Non-operating expenses		
Commitment fees	1	1
Commission expenses	3	6
Other	1	0
Total non-operating expenses	6	9
Ordinary profit	7,598	9,667
Extraordinary losses		
Impairment losses	4	4
Other	0	0
Total extraordinary losses	4	4
Profit before income taxes	7,593	9,662
Income taxes	2,577	3,170
Profit	5,016	6,492
Profit attributable to owners of parent	5,016	6,492

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	The 3rd Quarter ended Dec. 31, 2020	The 3rd Quarter ended Dec. 31, 2021
Profit	5,016	6,492
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	195	197
Total other comprehensive income	195	197
Comprehensive income	5,212	6,689
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,212	6,689

(3) Notes to Quaterly Financial Statements

(3)-1 Notes to Financial Statements Regarding Going Concern: None

(3)-2 Significant changes in shareholders' equity: None

(3)-3 Application of special accounting for preparing quarterly consolidated financial statements

Tax expenses

Tax expenses are calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the 3rd quarter ended December 31, 2021.

(3)-4 Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition and Its Implementation Guidance

Effective from the beginning of the first quarter of the current fiscal year, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related standards, and recognizes revenue when control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for those goods or services.

These changes in accounting policy have no impact on the quarterly consolidated financial statements.

Application of Accounting Standard for Fair Value Measurement and Its Implementation Guidance

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the first quarter of the current fiscal year and has applied the new accounting policy prescribed by the Fair Value Measurement Accounting Standard, etc. prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). These changes in accounting policy have no impact on the quarterly consolidated financial statements.

(3)-5 Additional Information

There has been no material change in the assumptions regarding the impact of the spread of COVID-19 stated in (Additional Information) of the Company's annual securities report for the fiscal year ended March 31, 2021.