

Together for Value



Business Brain Showa-Ota Inc.

Financial Results Briefing for the Fiscal Year Ended March 2022

May 20, 2022

Event Summary

[Company Name]	Business Brain Showa-Ota Inc.	
[Company ID]	9658-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2022	
[Fiscal Period]	FY2021 Annual	
[Date]	May 20, 2022	
[Number of Pages]	43	
[Time]	15:30 – 16:23 (Total: 53 minutes, Presentation: 45 minutes, Q&A: 8 minutes)	
[Venue]	Kabutocho Heiwa Building 2F, 3-3 Kabutocho Nihonbashi, Chuo-ku, Tokyo 103-0026 (Hosted by The Securities Analysts Association of Japan)	
[Venue Size]	145	
[Participants]	16	
[Number of Speakers]	3	
	Kazuhiro Komiya	President
	Hitoshi Uehara	Senior Executive Officer
	Yukinori Okada	Deputy General Manager, Management Department/ Manager, Corporate Planning Department

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Presentation

Moderator: Good afternoon. The IR meeting of Business Brain Showa-Ota Inc. will begin now.

First, I would like to introduce the three attendees from the company.

Mr. Kazuhiro Komiya, President.

Komiya: My name is Komiya. Thank you for joining us today.

Moderator: Mr. Hitoshi Uehara, Senior Executive Officer.

Uehara: This is Uehara. Thank you for joining us today.

Moderator: Mr. Yukinori Okada, Deputy General Manager, Management Department/Manager, Corporate Planning Department.

Okada: My name is Okada. Thank you for joining us today.

Moderator: Today, President Komiya will give a presentation, and after that, we will move on to a question-and-answer session.

Now, President Komiya, please start.

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Goal 2030 (repost)

Goals and Values of the BBS Group



- B** Back Office Comprehensive Supporter
- B** Become a new management partner
- S** Sustainability Management · **S**trengthening human resources

BBS 2023 Sales: 40 billion yen Profit: 3.4 billion yen

BBS 2030 Sales: 100 billion yen Profit: 10 billion yen

*Maintain 70% of consulting/SI business and 30% of BPO business

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Komiya: Hello, everyone. I am Komiya, President of Business Brain Showa-Ota. Thank you very much for attending our financial results briefing session today.

I will report on the progress of BBS 2023, the medium-term management plan announced last May, during the past year, followed by a detailed explanation of the financial results by Senior Executive Officer Uehara.

We, the BBS Group, have set challenging goals of JPY100 billion in sales and JPY10 billion in profit for FY2030, and as a step toward reaching these goals, we are promoting a three-year medium-term management plan that calls for JPY40 billion in sales and JPY3.4 billion in profit in FY2023.

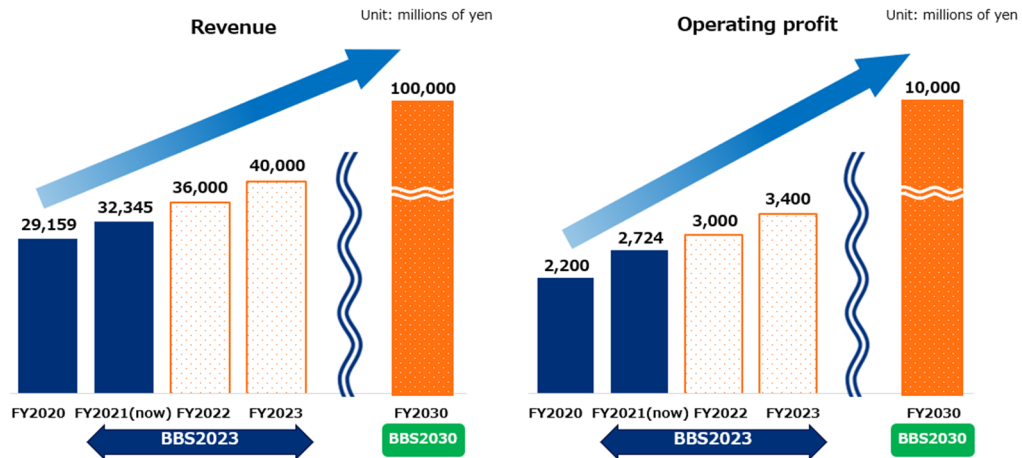
Our goals for FY2030 are to establish a firm position as a comprehensive back office supporter of companies, to become a partner that supports customers by implementing new management suited to new work styles and technologies, and to contribute broadly to society by focusing on sustainable management and strengthening human resources. Thus, we are putting our daily activities into practice.

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In the first year after the renewal of the medium-term management plan, and for the full year ended March 2022, both revenue and operating income exceeded the same period of the previous year and the initial forecast (announced on June 28, 2021), and remained firm. It was a good start toward achieving “BBS 2023.”

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For the fiscal year ended March 31, 2022, we achieved sales revenue of JPY32,345 million and operating income of JPY2,724 million, both of which exceeded our initial forecasts.

We believe that we are off to a good start, with both sales revenue and operating income performing nearly linearly with the targets set in the final year of BBS 2023.

We have also set our forecasts for the fiscal year ending March 31, 2023 at JPY36 billion in net sales and JPY3 billion in operating income.

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BBS 2023 Progress Summary



Business Progress

Revenue
104.3%

Operating profit
130.7%

Profit attributable to owners of parent
130.7%

*Compared to initial forecast

Company-wide strategy

Strengthen group synergies

Strengthen group synergies centered on sales

Strengthen M&As/Alliances

Made joyworks and BSC subsidiaries

Strengthen branding

New company logo, relocation of head office, strengthening of PR
(More videos and press releases)

Business Strategy

"R" CN2 strategy

Expand transaction share among existing customers and expand customers in industries in which we specialize

No.1 Strategy

Strengthen the West Japan area (Make BSC a subsidiary) and expand the number of customers

BPO business strategy

Expand BPO transactions by promoting High Value BPO and technology strategy

Corporate Strategy

Promote digital transformation of Back Office

METI



Acquisition

Sustainability management

Released Scope3 results (2020)



健康経営優良法人
Health and productivity

Certification

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Here is a summary of activities under the BBS 2023 midterm management plan.

As I explained earlier, thanks to your support, we were able to achieve sales and profits that exceeded our plan.

Although we have yet to achieve major results in corporate-wide strategies, business strategies, and corporate strategies, I believe that we have made a good start in general.

We would like to further speed up our activities in the future.

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Company-wide Strategy ① (repost)



Strengthen group synergies

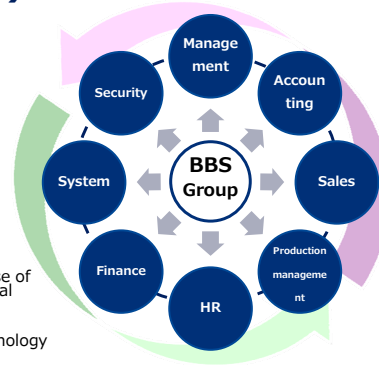
Leverage the BBS cycle to deliver the solutions owned by the BBS Group to our customers as a one-stop shop and innovate through group synergies.

Strengthen M&As/Alliances

Back office Strengthen human resources and solutions that can support corporate back office operations in addition to accounting solutions

(C + D) X Always think about our customers, pick up requests and issues, add ease of use and design of solutions, and create a system that can promote digital transformation

Advanced technology and information Include the latest technologies such as cloud, RPA and AI, develop technology according to customer's requests and strengthen the organization



BBS Quality (strengthen in advance)

Strengthen our retroactive and system quality efforts, enhance the quality of all BBS Group solutions, and ensure quality from the preliminary stage such as the planning and design stages.



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Next, I will discuss each strategy in detail.

First is the corporate-wide strategy.

The corporate-wide strategy is to strengthen group synergies, M&A/alliances, BBS Quality,

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Strengthen branding

Establish BBS branding through the penetration of “management accounting” and the fusion of history and the near future

Management accounting

- Including institutional accounting and management accounting -

A company that supports management accounting in Japan

- Instill in society that BBS is responsible for corporate management accounting (including institutional accounting, management accounting, etc.).

- Especially for mid-sized companies. Cloud services are lacking and need to especially reach out to those who want their own customizations.

BBS

- Established business + image of near future -

History and established business

Providing a sense of security and relief as an established business by disseminating our history of involvement in corporate management and accounting for over 50 years to the outside world.

Near future

At the same time, implement branding that highlights the company’s advanced nature and technological capabilities as a company that promotes digital transformation.

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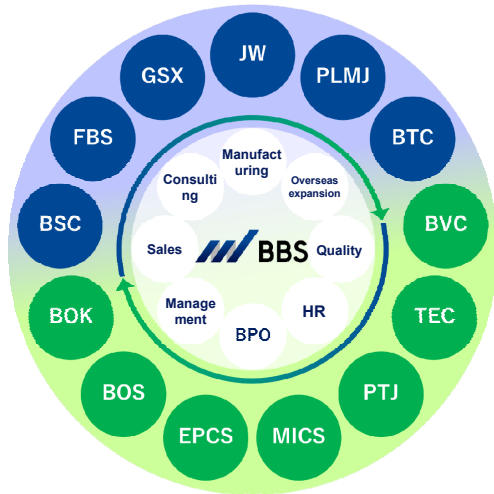
and branding as described on the next page.

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Strengthen group synergies



Group synergies in sales strategy

- ✓ Continue to share information and introduce customers between group companies at monthly group sales meetings
- ✓ Realize comprehensive solution proposals for solving customers' management issues

Results	No. of customer referrals between group companies	Orders
	162 companies	93

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In order to strengthen group synergy, we were able to raise the number of customer referrals to 162 companies and orders received to 93 by holding regular meetings for sales, consulting and IT solutions at all group companies.

By realizing comprehensive group solutions for our customers, we are able to enhance group synergies in each area, and as a result, we are highly valued by our customers.

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M&As -- Acquired two subsidiaries

joyworks inc.

Background and Purpose

1. Strengthen IT services such as system development and AI
2. Strengthen synergies as a comprehensive back office supporter
 - Strengths in IT support and IT-related businesses for education and training



BSC Co., Ltd.

Background and Purpose

1. Promote digital transformation (DX)
 - Strengths in designing and building mission-critical business systems
 - Strong expertise in low-code development, essential for DX
2. Expand offices and scale in western Japan



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Regarding M&A/alliance strengthening, we welcomed BSC Co, Ltd. to the BBS Group in April, following joyworks inc. in August last year.

joyworks inc. is a young company, founded only 10 years ago, with strengths in Java, AI, and other programming skills, as well as smartphone application development.

BSC Co, Ltd., on the other hand, is a company with a long history since its establishment in 1989 and has been working with major companies for many years, specializing in the design and construction of mission-critical business systems. Since our head office is located in Osaka, we believe this will greatly contribute to the expansion of our business in the western Japan area.

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Strengthen branding

Forward-looking management and current accounting all in one.

In these uncertain times, an accurate and quick understanding of the current situation is essential for making better business decisions.

For more than 50 years since our founding, we have been helping various companies transform themselves based on our unique concept of management accounting that seeks to unify management and accounting.

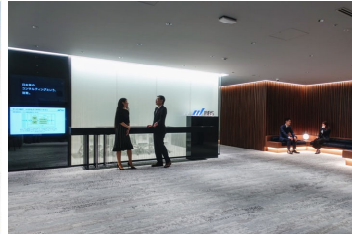
A track record of consulting that has continued to be at the top of management of Japanese companies. Deep expertise in accounting and back office operations. And with the technical know-how to support everything from system development to localization on-site, we can achieve true digital transformation that supports the continuous improvements of corporate value.

That is the digital transformation of management accounting.

▲ Renewal and unification of corporate logo, tagline, etc.



▲ Create and publish branding videos, strengthen press releases, and strengthen support for DX certification



Realization of concept through head office relocation and new office ▶

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As for branding, in addition to a new logo for BBS, we have created a corporate movie, which is available on our website and other media.

In addition, we relocated our head office last December to a new office with a new concept for a better working environment.

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Strengthen branding -- Strengthen CSR activities



▲Held BBS painting contest



◀ Japan Para-Ski Federation



第86回 日本オープンゴルフ選手権
▲Support for professional golf players



▲ Japan Volleyball Association “V. Mirai Project”
JVL Approved VLSP-2021-007



▲Japan Baseball Promotion Association (Japan Professional Baseball Alumni Club) kids baseball camp

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In addition, we have started a painting contest and a new initiative to support young professional golfers.

As for our traditional CSR activities, we continue to support the Japan Volleyball Association, the Professional Baseball OB Club, and the Japan Ski Federation for the Disabled.

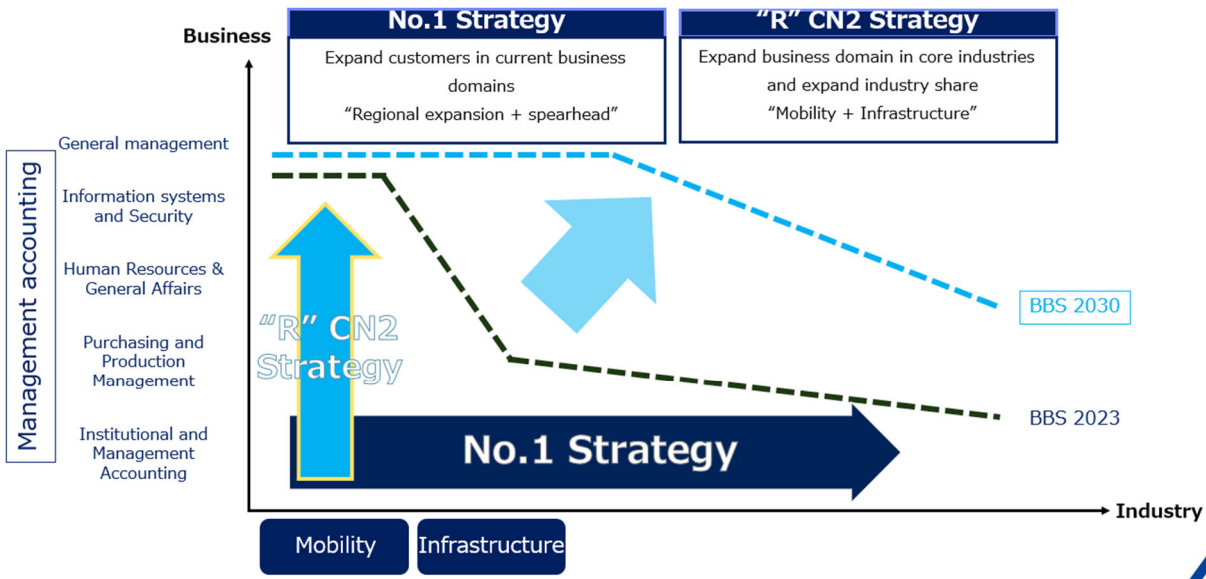
At the Beijing Paralympics held in March, Para-Nordic skiers were also active and won medals with flying colors.

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Consulting/SI Business Strategy Overview (Repost)



Here is the progress of our business strategy.

For the consulting/SI business, we have two major strategies.

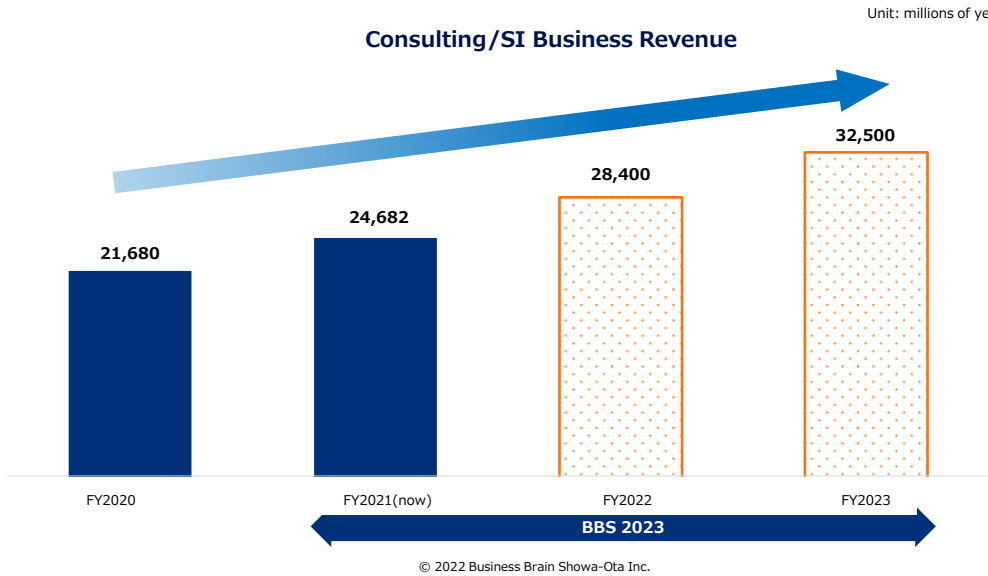
RCN2 strategy to become a partner to support our clients' back offices based on accounting by enhancing our focus on existing clients and industries, especially in the mobility and infrastructure industries, and the No.1 strategy is to expand BBS's existing strength in accounting to various industries, domains, and regions, and to increase the number of client companies.

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By implementing the RCN2 and No.1 strategies, the consulting/SI business achieved sales of JPY24,682 million in the fiscal year ended March 31, 2022, a significant increase of JPY3,002 million or 28.2% YoY.

The consulting/SI business performed well, although some parts of the business struggled slightly due to a review of investment effects at major customers of PLM support solutions following the outbreak of new coronavirus infections, Delta strains in the first half of the year.

From our service menu as a comprehensive back office supporter, we have seen a recovery in our clients' willingness to invest in the areas of paperless, business innovation, DX, and security.

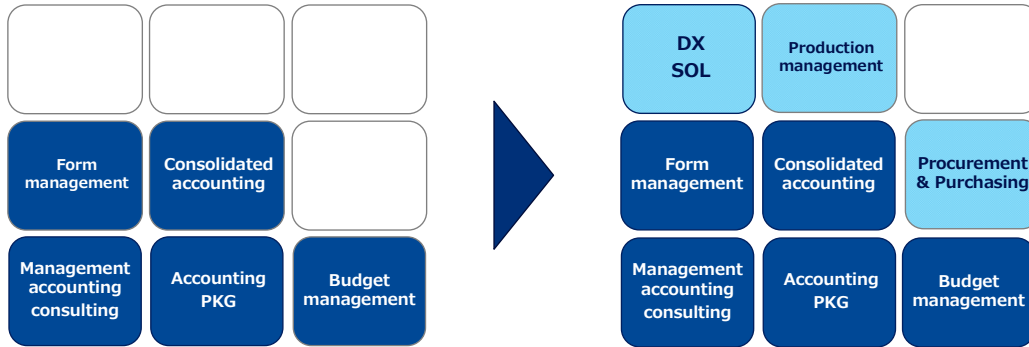
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Create a strategic map within clients and select target (business) areas

[Image of business domain expansion] Expand BBS’s business domain to increase customer confidence



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This is an image of the RCN2 strategy. We are steadily working to clarify the Group's position in relation to our clients' business areas and to gradually increase the areas in which we can be of service to our clients.

Last fiscal year, we were able to assist our clients in promoting DX and building systems for production management and procurement/purchasing operations.

We will continue to provide our clients with optimal solutions that fit their actual situation and utilize the know-how gained through these activities in the same industry so that we can continue to be appreciated by our clients.

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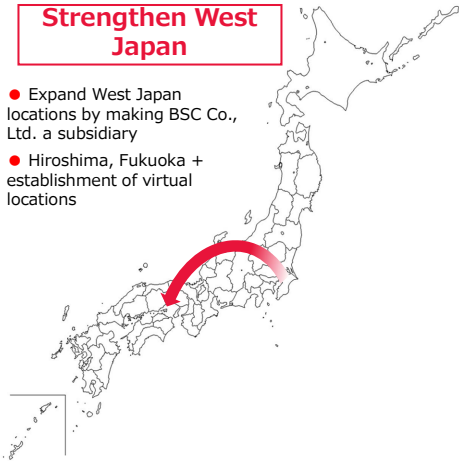
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Develop and expand management accounting nationwide

Aim to be No. 1 in business accounting systems

Strengthen West Japan

- Expand West Japan locations by making BSC Co., Ltd. a subsidiary
- Hiroshima, Fukuoka + establishment of virtual locations



Strengthen West Japan (Regional expansion)	Orders	Compared to previous year
Chugoku / Kyushu	11 companies / 42 million yen	127%
[Reference data]		
Target area	No. of companies	
	Listed companies	
Chugoku / Kyushu	582,000 companies	200 companies

* The number of companies is based on the "Economic Census for Business Activity" (Economic Statistics Division, Statistics Bureau, Ministry of Internal Affairs and Communications), as of June 2016.

Listed companies are from the head office addresses published in "Kaisha Shikihō" 2021 Vol. 1 (New Year issue)

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Under the No.1 strategy, one of our strategies is to expand our business in western Japan, particularly in Hiroshima and Fukuoka.

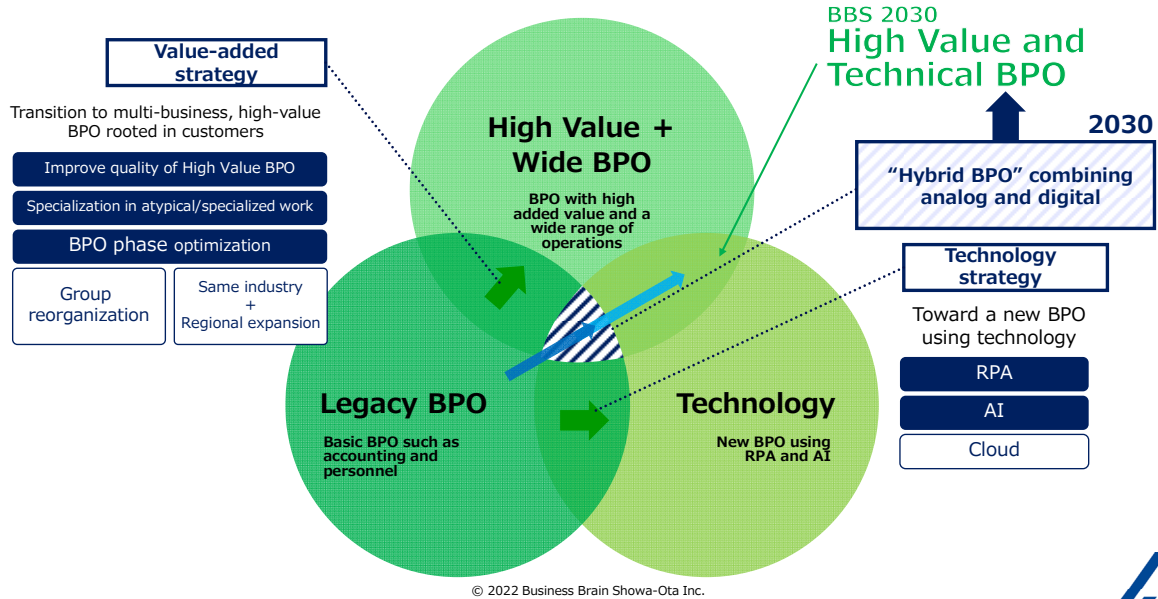
It has been one year since we started specific activities, and last year we received orders from 11 companies amounting to JPY42 million. We would like to speed up our business expansion in the western Japan area in cooperation with BSC, a new member of the group.

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BPO Business Strategy Overview (repost)



Next is the BPO business.

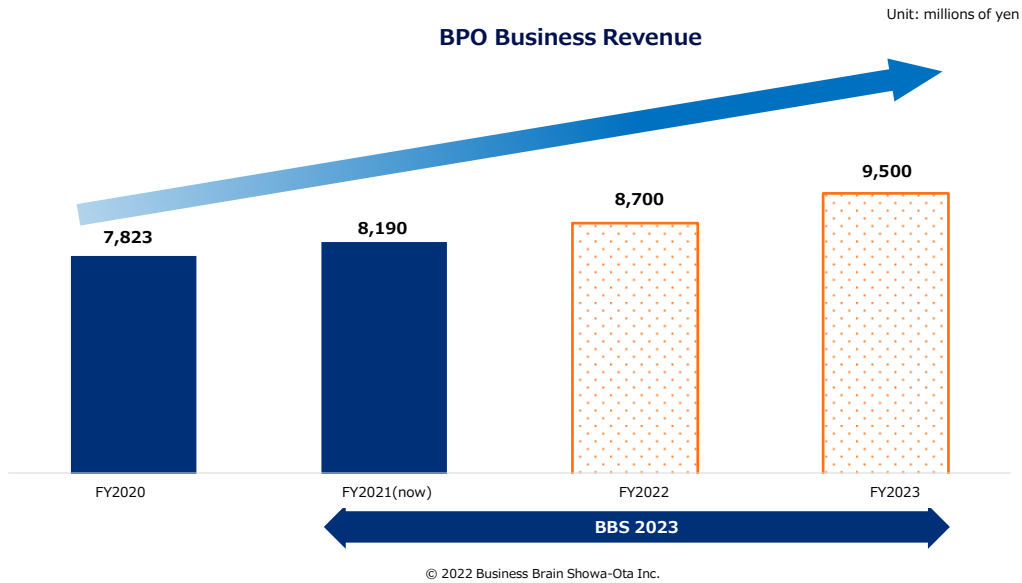
For the BPO business, we are pursuing two strategies: value-added strategy and technology strategy.

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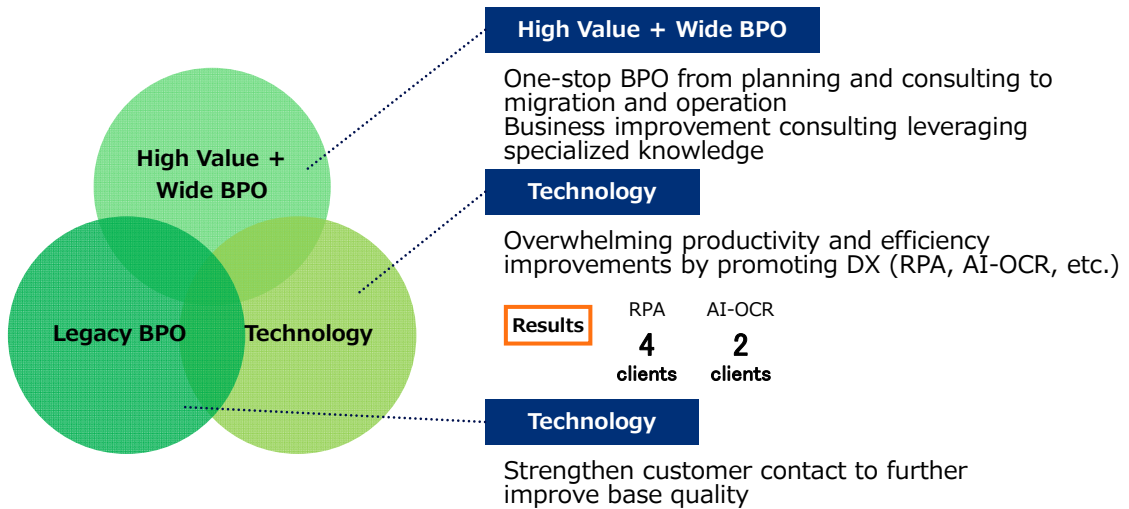
Actual sales in the BPO business for the fiscal year ended March 31, 2022 totaled JPY8.19 billion, an increase of JPY367 million YoY which is a steady increase.

Although some projects were at the same level as the previous year due to the occurrence of underperforming projects and a rebound from the previous year's strong performance, the BPO business as a whole outperformed the previous year.

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As for our BPO business strategy, in order to advance our value-added strategy and our technology strategy, I believe it is important to first improve the quality of our Legacy BPO operations further and to deal firmly with our existing customers.

On top of that, as a value-added strategy, we will provide one-stop BPO services from planning and consultation to transition and operation by conducting business improvement consultations that leverage the expertise of certified public accountants, tax accountants, and labor and social security attorneys to provide high-value BPO services.

In addition, as for technology strategy, we will promote the use of RPA and AI-OCR to promote DX, which will lead to an overwhelming increase in productivity and efficiency.

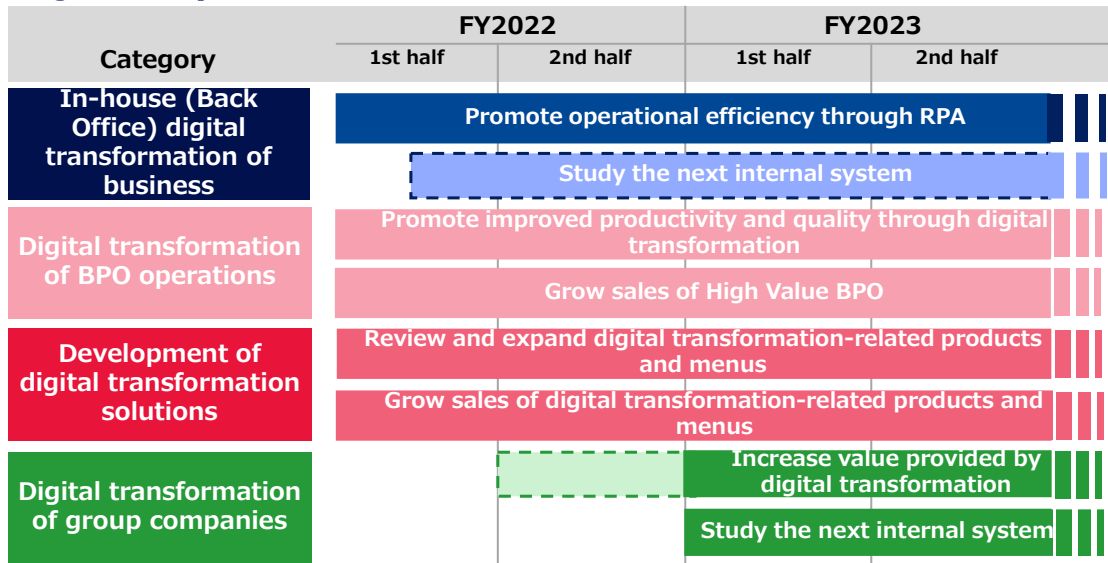
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Major DX promotion activities of BBS 2023



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Finally, I will explain the progress of our corporate strategy.

We are promoting four major DX promotion activities.

First, we are promoting the DXing of our internal Back Office to improve operational efficiency.

Second, as I mentioned earlier, we are aiming for an overwhelming improvement in productivity and quality by DXing BPO operations.

The third point is in terms of providing DX solutions to customers.

By creating a menu of related commercial products, we are able to provide appropriate solutions to our customers in a timely manner.

Finally, as a fourth point, we will promote DXing throughout the Group in the future, aiming to promote what I have just mentioned at each group company as well.

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Promote digital transformation of Back Office



Obtain “Certified digital transformation business” certification

Promote digital transformation and management accounting that are half a step ahead together with customers, and contribute broadly to digital transformation and business accounting in Japan.



- Become a greater promoter of digital transformation for our customers
- Further accelerate the digital transformation of BBS

In addition to digitalization to go paperless, advance digital transformation in consideration of safety that takes into account data utilization within the company and group companies.

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In terms of DX for internal Back Office operations, in February we obtained certification as a DX-certified business operator as stipulated by the Ministry of Economy, Trade, and Industry. By promoting our DX, we will further focus on helping our customers promote DX.

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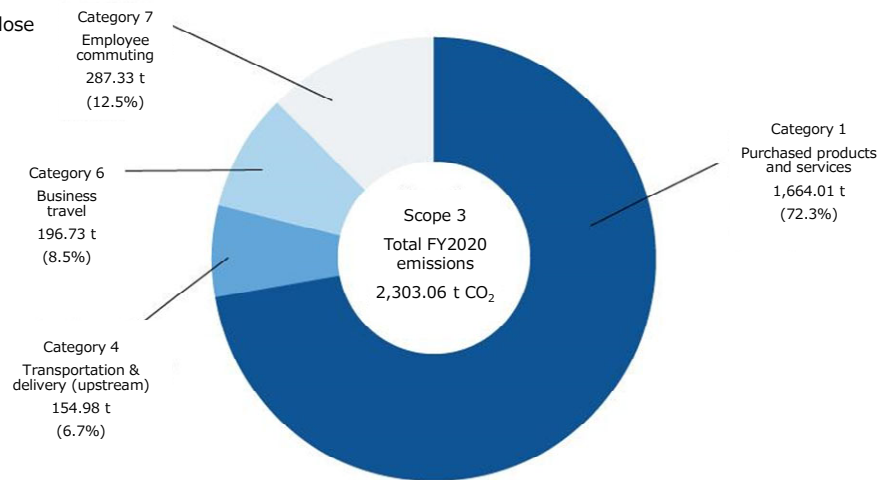


Sustainability Management - Environment / Diversity & Inclusion

Greenhouse Gas Emissions Results

In addition to Scope1 + 2 disclose

Scope 3 achievements



BBS HP URL: <https://www.bbs.co.jp/corporate/sustainability/environment/data.html>

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Sustainability Management Initiatives.

We have been disclosing Scope1+2 of our greenhouse gas emissions for some time, but we have now posted the results of Scope3, which represents the greenhouse gas emissions of the entire BBS Group supply chain, on our website.

The figures for the fiscal year ended March 31, 2022 are currently being calculated, but based on the BBS Group's target of FY2019, we will work toward a 30% reduction by FY2030 and net zero by FY2050.

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Sustainability Management - Environment / Diversity & Inclusion

Progress outside the environmental sector



Opening of "BBS Smile Farm"



▲Cultivation inside plastic greenhouses

Certified Health and Productivity Management Outstanding Organization



Sustainability & Employee Initiatives -- Best Practice Award



▲Urban area cleanup activity that won the Gold Award.

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Diversity & Inclusion Initiatives.

Last December, we opened BBS Smile Farm in WorkHappiness Farm, a social farm in Ichikawa City, Chiba Prefecture. We are working to make the company a rewarding place to work by operating the farm with a focus on people with disabilities and senior human resources.

In addition, the company has implemented various health management initiatives, such as countermeasures against new coronavirus infection and improvement of the office environment and was recognized as an excellent health management corporation in March.

In addition, as part of the employees' sustainability activities, they also engaged in a cleanup of the Office neighborhood.

This is the progress of our medium-term management plan.

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**Consolidated subsidiary Global Security Experts, Inc. was listed on TSE Mothers
(currently TSE Growth) on December 20, 2021.**



Ceremony to commemorate listing on the Tokyo Stock Exchange

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I would like to discuss two final topics.

First, last December, our subsidiary, GLOBAL SECURITY EXPERTS Inc. went public.

We expect that BBS Group will maintain its security technology and contribute to the enhancement of our brand through further growth in the field of cyber security, which is currently attracting a great deal of attention.

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Kagoshima Center Opened



BBS Outsourcing Kumamoto Inc. newly opened as Kagoshima Center (scheduled to open on June 2)

Business

1. BBS back office shared functions
2. New BPO operations
3. Development center function scheduled to start in October



▲ View of Kagoshima Center



▲ March 29 Signing of location agreement with Kagoshima City

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The second point is the opening of the Kagoshima Center.

A new center will be opened in Kagoshima to expand capacity for BPO operations.

We utilize our centers in Japan to provide more specialized, high-value BPO to support our clients' operations.

This concludes my presentation, and Executive Vice President Uehara will now give an overview of the financial results.

Thank you very much.

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[Financial Highlights] Consolidated Operating Results



Achieved revenue growth for 12 consecutive fiscal years

(millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022	Change from previous year	Earnings forecast*	Ratio to expected value
Orders received	28,163	33,647	5,484	-	-
Revenue	29,159	32,346	3,187	32,000	101.1%
Operating profit	2,200	2,745	545	2,500	109.8%
Ratio of Operating profit	7.5%	8.5%	+1.0 point	-	-
Profit before tax	2,312	2,792	480	2,500	111.7%
Profit	1,600	1,810	210	1,660	109.0%
Profit attributable to owners of parent	1,554	1,764	210	1,600	110.3%
Return on equity attributable to owners of parent	5.3%	5.5%	+0.2 points	-	-
Diluted earnings per share	131.58 yen	146.05 yen	14.47 yen	-	-
ROE	15.6%	15.0%	-0.6 points	-	-

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* Values announced on October 28, 2021



Uehara: Hello. I am Uehara, Senior Executive Officer.

I would now like to provide an overview of the financial results for the fiscal year ended March 31, 2022.

First, let me discuss the overall consolidated operating results.

Orders received totaled JPY33.6 billion, an increase of JPY5.5 billion or 19% YoY.

As for sales revenue, it is in the form of JPY32.3 billion, an increase of JPY3.2 billion or 11% YoY.

If you go below, operating income was JPY2.7 billion, an increase of JPY550 million or 25% YoY, and operating income margin was also improved by 1%.

If you go further down, profit attributable to owners of the parent company is JPY1.8 billion, an increase of JPY220 million YoY.

ROE was 15%, a deterioration of 0.6 % YoY.

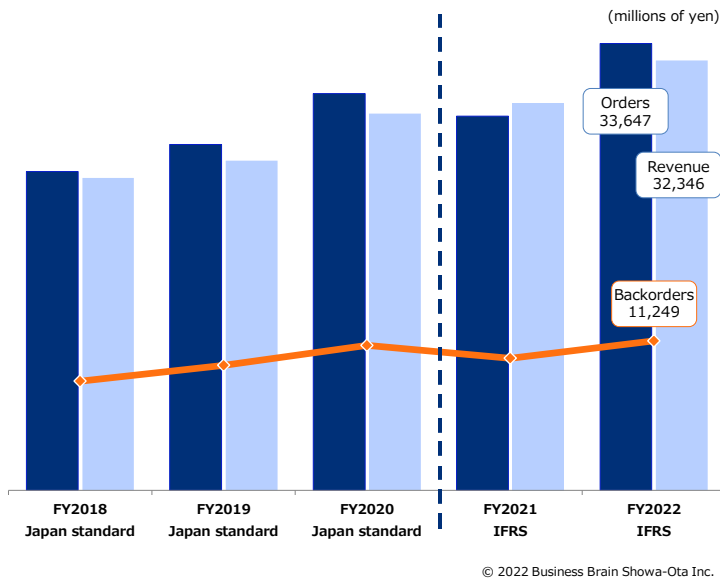
Details will be explained on the following pages and beyond.

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Orders recovered and backlog increased

- Orders increased by 19.5% YoY, and backlog of orders also increased, surpassing FY2020.
- Revenue increased for 12 consecutive fiscal years
- In particular, growth in the information security field has contributed significantly.
- System development for accounting systems field and financial industry also recovered steadily.
- Management services are also generally firm

* BBS changed to IFRS from the fiscal year ended March 2021, and the scope of consolidation has changed. Since the impact of this change is minor, the figures before the fiscal year ended March 2020 are not retroactively processed, and use the figures based on Japanese standards.

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First, the status of orders.

Orders, as I mentioned earlier, increased by 19% YoY.

The order backlog is JPY11.2 billion, exceeding the largest backlog in recent years, which was in the fiscal year ended March 31, 2020, two years ago.

If you look at the graph of the relationship between orders and sales, you can see that orders would normally grow, resulting in a backlog of orders, which would contribute to sales in the following year.

I think we need a cycle that goes around like this, though. Unfortunately, that improvement was reversed last fiscal year. For this fiscal year, we have returned to the original rotation, and we believe that we are now back in a good cycle.

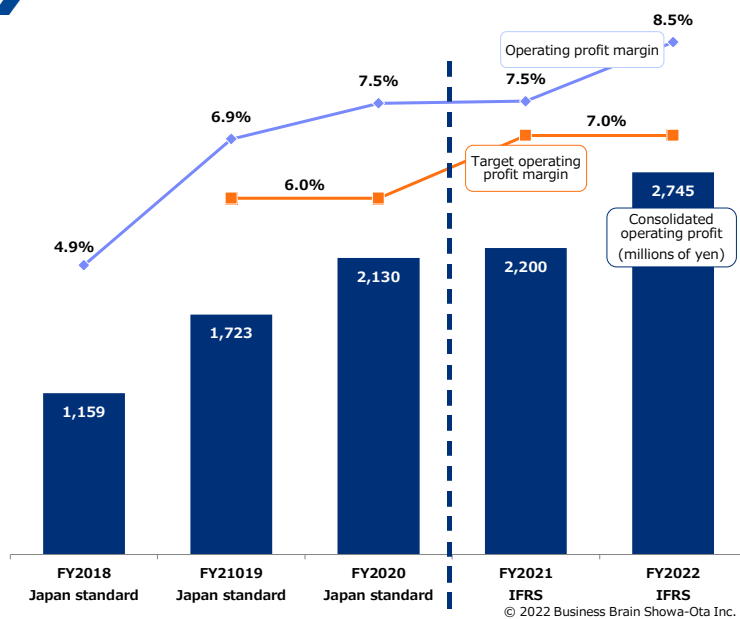
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[Financial Highlights] Consolidated Operating Profit

Continued growth **BBS**



1. Expanded sales and improved gross profit margin

- Significant increase in information security sales and sales growth
- Improved gross profit margin in the accounting system field

2. Improved unprofitable business

- Outsourcing for global companies has turned profitable due to improvements in unprofitable businesses.

3. Decrease in IFRS cost adjustments

- Adjustment amount of 60 million yen (down 244 million yen from the previous fiscal year)
- Decrease in costs linked to stock price due to the decline in the stock price of the Company, etc.

4. Lower head office relocation costs

- Actual cost 392 million yen (down 58 million yen vs budget)
- Lower restoration costs

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Revenue increased steadily to JPY32.3 billion for the 12th consecutive fiscal year.

As I have written my comments on the side, the main reasons for this are that there was a large increase in the information security field in particular, as well as a steady recovery or growth in the mainstay accounting system field and the field for the financial industry.

We will now look at operating income. Operating income was JPY2.7 billion, an increase of JPY550 million or 25% YoY.

As I mentioned earlier, the operating margin improved by 1% to 8.5%, which is 1.5% higher than our target operating margin of 7%, which is a bit low.

As we have commented on the factors that contributed to the increase in operating income, there is an improvement in the underlying business performance.

As an added point, and this was explained here last year, IFRS-related expenses. In addition, the expenses associated with the relocation of the head office, which we had mentioned would be incurred this fiscal year, were not as much as expected, which was the opposite of the reason for the increase.

Regarding IFRS-related expenses, in particular, there is an item called stock-based compensation, in which expenses increase or decrease in conjunction with the share price of the company's stock. That is why our stock price, and this is a bit unfortunate, was about JPY2,000 at the end of the previous period, but at the end of this period it was about JPY1,500, down about JPY500 compared to March.

Because of this, our original cost estimate was based on the assumption that the JPY2,000 would increase further, but this was reversed, and the cost was not as high as we had expected.

As for the head office relocation costs, the relocation-related work itself went as planned, but we were able to successfully shorten the restoration period through various negotiations.

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The portion of the cost that was reduced, resulting from the fact that only one month's rent was required instead of two months, is the reason for the fairly large decrease in expenses.

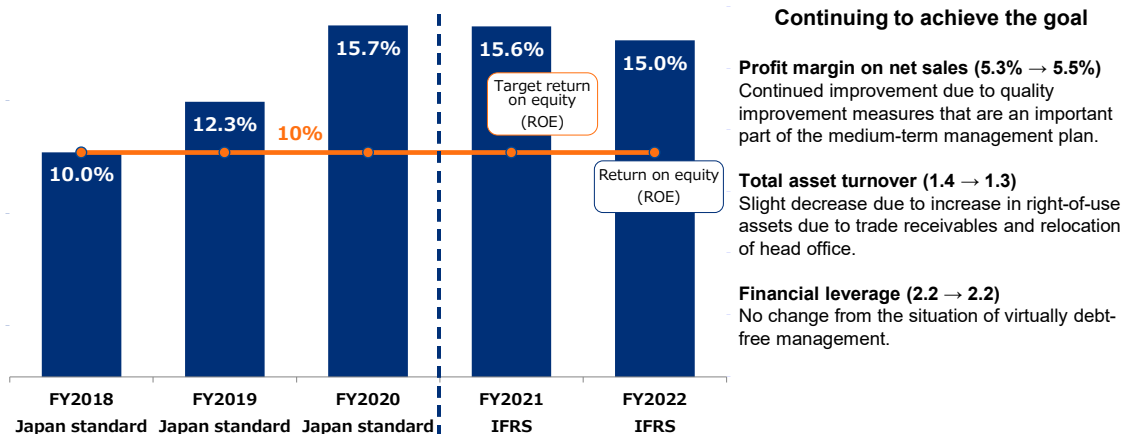
I would like to explain the business relationship in more detail in the segment section later.

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In the next section, I have mentioned ROE as another target management indicator. Unfortunately, it has worsened by 0.6%.

However, our target is 10%, so we have managed to exceed the target by 5%.

The main reason for the deterioration of ROE is the deterioration of the total capital turnover ratio, which is broken down into three components as shown on the side.

The reason for this is that, although the comments are written from a debit perspective, trade receivables and right-of-use assets have increased, and the turnover rate has fallen as a result of the expansion of total assets.

On the other hand, in terms of the balance sheet, liabilities and equity, the biggest factor was the increase in equity.

Naturally, one factor behind the increase in equity is the increase in profits, but as Komiya mentioned earlier, our subsidiary GSX was listed on the stock exchange, and we sold some of our shares as a result.

The result of this sale is a gain on the sale in the non-consolidated accounts, but since this is a consolidated subsidiary, the amount equivalent to the gain on the sale is taken directly to capital surplus, without recognizing a gain on the sale under accounting standards, since the consolidated subsidiary continues to operate.

As a result, there was an accounting treatment that the P/L did not pass, but the equity portion was inflated by an amount equivalent to the profit. As a result, total assets have increased, and turnover has fallen.

I'm wondering if this excess in equity can basically be considered an increase in funds. We intend to use this as a source of funds for future growth, especially for M&A.

We have also announced a review of our dividend policy for the fiscal year under review, and we will continue to move forward while keeping in mind the return of profits to our shareholders.

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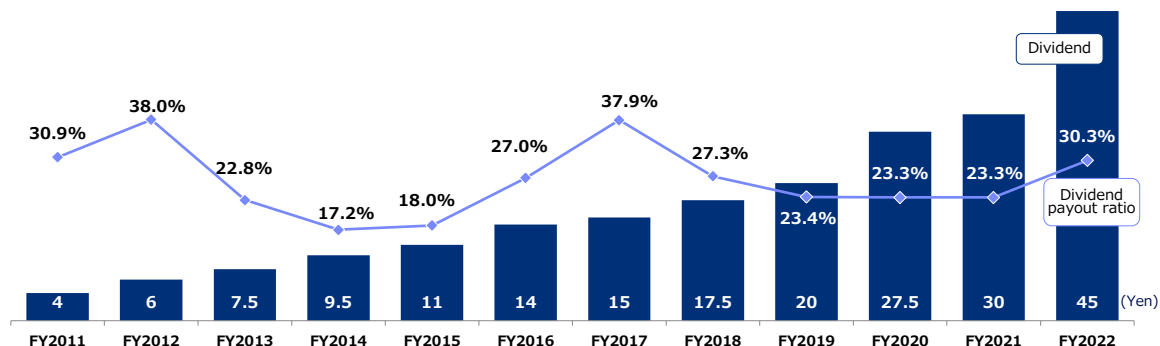
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[Financial Highlights] Annual Dividend



Decided on a basic policy of a dividend payout ratio of 30% and increased the annual dividend by 15 yen



*The Company conducted a 2-for-1 stock split of common stock, effective July 1, 2020. Accordingly, the annual dividend per share for the fiscal year ended March 31, 2020 and prior is shown after taking into account the stock split.

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Next, we will discuss dividends. As I mentioned earlier, we announced our dividend policy at the end of January.

We have been doing this with a payout ratio of 30% in mind to some extent, but starting this fiscal year, we would like to maintain a consolidated payout ratio of 30% at the end of the fiscal year.

In accordance with this policy, we will increase the dividend by JPY15 to JPY45 for this fiscal year.

Since we have paid an interim dividend of JPY16, we would like to pay a year-end dividend of JPY29 for the fiscal year under review, although this is a little unbalanced.

For the next fiscal year and beyond, we would like to operate in such a manner that we will pay an interim dividend based on the annual earnings forecast and adjust the year-end dividend in the same manner.

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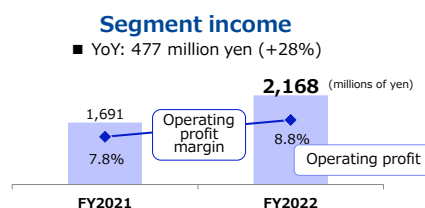
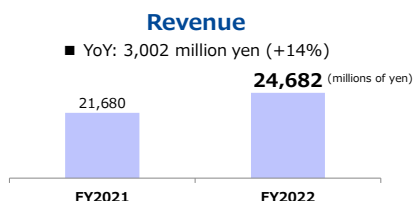
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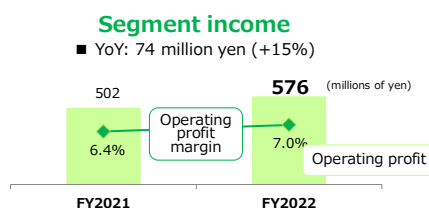
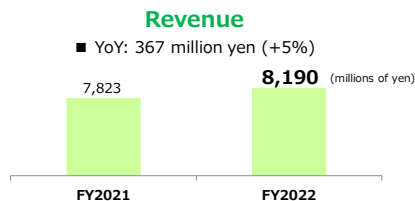
[Financial Highlights] Income (Loss) by Segment

Significant increase in sales and profit in the consulting and system development businesses

Consulting and system development business



Management services (BPO) business



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Let me now explain the situation by segment.

The first is the consulting system development business.

Net sales increased JPY3 billion YoY to JPY24.7 billion. In terms of growth, the growth rate was 14%.

Segment income also increased by JPY480 million YoY to JPY2.2 billion, a 28% increase as a percentage.

The other is the management services, BPO, business, which posted sales revenue of JPY8.2 billion or JPY370 million, an increase of 5% YoY.

Segment income was JPY580 million, an increase of JPY70 million YoY or 15% as a percentage.

As a result, the ratio of management services or BPO business to total sales revenue is 25%, which is still far short of our target of 30%. On the contrary, the situation has been a bit down in terms of ratio.

This is a consulting and system development business that is doing quite well.

While the growth rate is high, the BPO business has not been able to grow. It has been growing but not as much as we had hoped.

Although there is an overall demand, the number of BPO projects has been increasing, especially for more advanced and complex projects. We are having a lot of trouble securing people and quality control for this, and the growth rate has not been as high as in consulting and systems development.

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[Financial Highlights] Consulting and System Development Business Details



(millions of yen)

	Revenue			Segment income		
	Year ended March 31, 2021	Year ended March 31, 2022	YoY Increase (decrease)	Year ended March 31, 2021	Year ended March 31, 2022	YoY Increase (decrease)
Accounting system consulting and system development	13,329	14,811	1,482 ↑	1,224	1,541	317 ↑
System development for the financial industry	4,824	5,259	435 ↑	119	298	179 ↑
Information security consulting	2,916	4,366	1,450 ↑	231	318	87 ↑
PLM support solutions	875	766	-109 ↓	118	80	-38 ↓
(Adjustment)	-264	-520	-256	-1	-69	-68
Segment total	21,680	24,682	3,002 ↑	1,691	2,168	477 ↑

- Accounting system consulting and system development**
 Sales increased due to recovery in orders since 2Q, JW, acquired in August, also contributed in the 2nd half (approx. 400 million yen). Profit increased due to increased sales, stable quality, and improved profit margins resulting from high capacity utilization despite the cost of relocating head office.
- System development for the financial industry**
 Sales increased (returned to FY2020 level), partly due to the rebound from the investment restraint during the COVID-19 pandemic in the previous fiscal year, and profits increased due to an increase in high-profit projects and profit recovery.
- Information security consulting**
 Sales increased significantly due to the increase in information security measures promoted through digital transformation, and profits increased due to the effect of increased sales. GSX was listed on TSE Mothers in December 2021.
- PLM support solutions**
 Sales decreased mainly due to investment restraint by major customers in the mobility field, while profits were secured due to the effect of collaboration within group companies.

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I would now like to look at a few more details of the consulting and system development business by further sub-segments.

The first one is accounting system consulting and system development at the top.

I am putting a small comment below.

As I mentioned a little during the interim briefing, recovery was quite slow at the beginning, and we suffered throughout the first half of the year. We were expecting an increase in orders in the second half of the year or so.

As a result, orders began recovering favorably in 2Q, and the recovery in orders in 2Q contributed to the overall increase in sales.

As Komiya mentioned earlier, we acquired joyworks inc. in August, and the sales of this subsidiary have been added from the second half of the year, which is also a factor in the increase in sales.

Profit growth is the most significant factor in the increase in profits due to higher sales.

We have been working on various other major themes related to quality, and the stabilization of quality has resulted in an increase in profits due to the fact that there have not been many bad projects in this area.

Another is the improvement in profit margins associated with high occupancy. In short, we are short on staff, and we have to cover a large part of our shortages with employee overtime and other means. In this sense, the unit labor cost is relatively low. As a result, profits have increased.

As a result, this sub-segment bore the largest share of the head office relocation costs I mentioned earlier, but despite the burden, we were able to ultimately land on a profit increase.

For this new fiscal year, we expect that the trend will remain mostly steady.

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We were able to receive orders for several large projects, and the joyworks inc. I mentioned earlier has been effective since the second half of the year, and sales and other contributions from this company will continue throughout the first half of this fiscal year and throughout the year.

In addition, sales from BSC, which was acquired in April, are also included in this segment, and we expect continued sales and earnings growth when we consider such requirements as the addition of BSC's sales.

As for profit margins, there is an increase in profits associated with sales. As I mentioned earlier, the company is in a difficult situation if the high utilization rate continues for another year as we have managed to keep projects running by having employees work overtime.

We are currently very focused on recruiting and augmenting our human resources. In that sense, recruitment-related costs will increase and, of course, the utilization rate will decrease as a result.

In other cases, where we are unable to cover the costs of hiring, we use subcontractors or partners to cover the costs, which results in a negative profit margin.

I personally think that the profit margin for this fiscal year was a little too good, and I see a slightly lower profit margin as a good level to continue.

Next, we will continue with the development of systems for the financial industry.

As for this one, there has been a considerable increase in revenues. However, if you look at the comparison between the two fiscal years, the sales of the previous year were affected by the coronavirus, which caused a considerable drop in sales revenue, so the increase in sales revenue is a return to fiscal year, FY2019.

If you compare the fiscal year, FY2019, we are back to roughly the same level of sales.

We have done some projects such as the fund wrap system, and there has been an increase in profit from such things.

This will be discussed in the next fiscal year and beyond, but the fact is that the industry is not growing that much, and the biggest reason for the growth of systems management in this industry is still regulatory-related changes.

The usual pattern is that when some rule changes, banks and securities firms have to respond to the system, and such needs arise and sales increase.

Considering the current situation, such rule changes and other factors are now not very likely.

Also, the stock price has not been so good recently, It is also difficult for brokerage firms to make new investments.

Sales are expected to remain roughly the same in the next fiscal year and beyond.

On the other hand, we are now thinking about further improving the fund wrap system and strengthening our human resources for the future. We were able to put in a little bit of investment in that area, and the profit margin was quite good this quarter, but it may fall a little more.

The third one is about information security consulting.

As for this one, it is GSX's performance that I mentioned earlier. We were listed on the Tokyo Stock Exchange Mothers last December.

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GSX's earnings announcement is already out, so please refer to that for more details. Basically, the environment is very favorable, and we believe that we can continue to increase sales and profits.

The fourth is a PLM support solution.

This situation was influenced by the investment environment of certain customers, who are our main customers. The situation in the fiscal year under review was considerably affected by the investment environment of our customers.

Many of our customers are mainly in the mobility industry, and we had a rather difficult year due to the restructuring of that industry, the shortage of semiconductors, and other factors that restrained investment.

Sales decreased and profits also declined to a certain extent, but we managed to secure profits that were not as large as the decline in sales, thanks to collaboration within the group and other measures.

What we have been doing as countermeasures, the customer composition was quite centered in the mobility field, so we are now in the process of diversifying and expanding the number of customers, or rather the types of business, and so on.

Also, we would like to increase sales and profits for the fiscal year under review while expanding the number of solutions and products we handle.

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[Financial Highlights] Management Services (BPO) Business Details



	Revenue			Segment income		
	Year ended March 31, 2021	Year ended March 31, 2022	YoY Increase (decrease)	Year ended March 31, 2021	Year ended March 31, 2022	YoY Increase (decrease)
HR and payroll related outsourcing	3,272	3,243	-29 →	410	307	-103 →
Outsourcing for global companies	1,421	1,918	497 ↗	-62	143	205 ↗
Outsourcing for foreign companies	875	898	23 ↗	64	66	2 →
Onsite BPO	2,301	2,236	-65 →	102	116	14 →
(Adjustment)	-46	-105	-59	-12	-56	-44
Segment total	7,823	8,190	367 ↗	502	576	74 ↗

- **HR and payroll related outsourcing**
Profit declined due to some unprofitable projects. Sales remained flat due to the inability to expand sales by responding to unprofitable projects.
- **Outsourcing for global companies (supporting BPO for highly specialized business operations, etc.)**
Sales increased due to an increase in sales from under performing subsidiaries, full-year contributions and scale expansion of projects acquired in the previous fiscal year, and other sales activities steadily increased, and profits also increased significantly due to unprofitable PJ processing in the previous fiscal year and improvement of under performing subsidiaries.
- **On-site BPO**
Although the special demand from major clients in the previous fiscal year ran its course, the sales contraction was controlled by strengthened sales efforts, and profits remained mostly flat due to cost containment such as encouraging telework.

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Next, I would like to explain our management services (BPO) business.

The first is the HR payroll-related outsourcing business.

Unfortunately, as I mentioned in the interim period, there were some unprofitable projects, and as a result, sales did not increase, and profits decreased. It has been a difficult year. In the first half of the year and again in the second half, it was unprofitable.

However, we are on track to deal with these unprofitable projects, and we expect sales and profit margins to recover in the next fiscal year. We see a lot of potential, and we hope that once these operational obstacles are removed, we will be able to return to our original growth.

Below that is the outsourcing business for global companies.

As for this one, it is the best performing of the BPOs.

In terms of content, the underperforming subsidiaries that were included here has turned from a negative to a positive figure because There has been an increase in sales and profits, partly due to special demand.

In addition, we eliminated various unprofitable businesses in the previous fiscal year, so the negative factors in these areas have been eliminated.

Furthermore, customers acquired in the previous fiscal year have contributed to the BPO business throughout the year. In addition, the work of these customers has expanded, and this virtuous cycle has resulted in an increase in revenues.

We are honestly concerned that the growth in the next fiscal year will be a little difficult, as we feel that the current fiscal year has been quite good.

Profit growth will also decline because the special demand of the subsidiary I mentioned earlier will return to normal level.

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In addition, as I mentioned earlier in the Topics section, we have opened a new BPO center in Kagoshima, which will increase our cost burden, so I believe there is a slight negative trend.

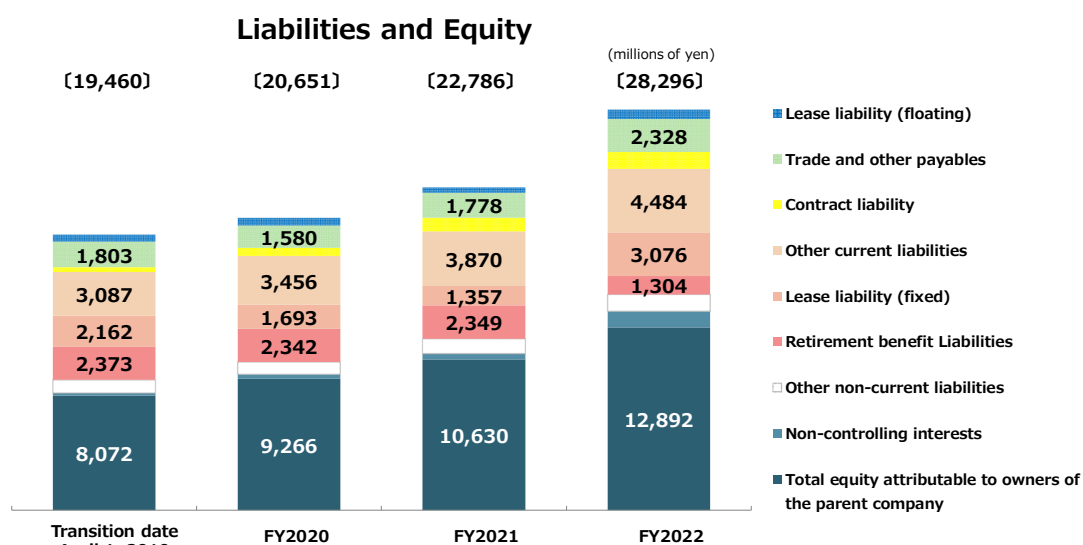
Outsourcing for foreign companies.

The contents are accounting-related and personnel-related, but revenue has increased due to the expansion of personnel-related activities. However, basically, when we look at the coronavirus and the Japanese economy, I don't think we are yet in an environment where foreign companies are likely to increase their presence in Japan in the future. I think the situation is generally this stay.

On-site BPO also saw a slight decline in sales, but this was due to special demand in the previous fiscal year, which has now run its course.

I thought it might decrease more, but I think we were able to cover a lot of that by strengthening our sales force. Profits are also expected to remain roughly the same, and we expect this trend to continue for the next fiscal year.

[Financial Highlights] Consolidated B/S [Liabilities and Equity] (IFRS) **BBS**



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I will continue with the balance sheet. I will skip the assets section and explain only the liabilities section.

The dark pink area in the middle shows liabilities for retirement benefits, which decreased from JPY2.3 billion in the previous year to JPY1.3 billion.

I will try to explain this reason here, since it is something that has not been disclosed.

We have established a retirement benefit trust for the fiscal year under review. We have set aside approximately JPY900 million. By its establishment, the retirement benefit trust can be set up in the form of a pension asset, like a pension account, so that the trust can be set off against the liability for retirement benefits.

The offsetting of the JPY900 million has resulted in a JPY1 billion decrease in the balance, including various other payments.

This is a topic here, so I have explained it to you.

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[Financial Highlights] Consolidated Operating Results

Steady increase in sales and profit is forecast to realize the medium-term management plan, reflecting the recovery of the order environment.

(millions of yen)

	Fiscal year ended March 2022 (actual)	Fiscal year ending March 2023 (forecast)	Difference	YoY change
Orders received	33,647	40,000	6,353	+18.9%
Revenue	32,346	36,000	3,654	+11.3%
Operating profit	2,745	3,000	255	+9.3%
Ratio of Operating profit	8.5%	8.3%	-0.2%	-
Profit before tax	2,792	3,000	208	+7.4%
Ratio of Profit before tax	8.6%	8.3%	-0.3%	-
Profit	1,810	2,000	190	+10.5%
Profit attributable to owners of parent	1,764	1,800	36	+2.0%
Dividends per share	45 yen	45 yen	-	-

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I would like to continue by discussing our earnings forecast.

I have explained them together by multiplying each business segment with the segment for the next fiscal year, but the overall figures are as you can see in terms of monetary amounts.

We expect net sales of JPY36 billion or 11% YoY and operating income of JPY3 billion or 9% YoY.

This 20% difference is subtracted from the amount attributable to the parent company, which is the difference between the growth rate of operating income and the growth rate of profit attributable to owners of parent.

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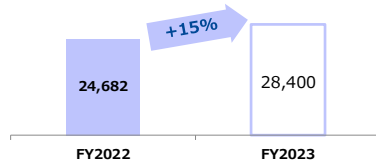
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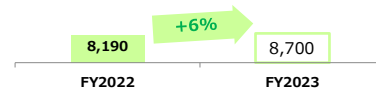
1. Increase in revenue 11.3%

Consulting and system development business



- Continued expansion of information security is expected.
- Accounting systems is also expected to grow steadily, and JW and BSC will contribute to the full year.
- PLM solutions to recover

Management services (BPO) business



- Expansion is expected in the future with the prospect of handling unprofitable HR payroll outsourcing projects in sight.
- Increased capacity for outsourcing to global companies with the opening of the new Kagoshima Center.
- Basically, a stock-type business that is stable

2. Strategic investments 300 million yen

- Secure core human resources - Actively recruit PMs and other mid-level employees, strengthen digital transformation training
- Quality improvement - Establish a quality control system with emphasis on quality in advance
- New Kagoshima BPO Center opened

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By segment, first, in the consulting and system development business, we expect continued growth in the information security field and steady expansion in accounting systems, as I mentioned earlier. In addition, sales from acquired subsidiaries will contribute to the full year, and we expect a 15% increase in sales here over the fiscal year under review.

On the other hand, in the Management Services segment, we expect the revenue base for personnel and payroll outsourcing to recover. In the outsourcing business for global companies, as I mentioned earlier, we expect the pace of revenue growth to slow slightly, but we believe we can achieve an overall revenue increase of about 6%.

In terms of expenses, we plan to make a strategic investment of JPY300 million in the fiscal year under review, as described above.

As I have mentioned earlier, the shortage of human resources has become a considerable bottleneck to growth.

In particular, I have written core human resources here, which may be a unique term for our company. In my image, there is a shortage of project managers, mid-level employees, and people who can organize and lead the work site.

Without these people, it is difficult to get work, and we are in a difficult situation to grow beyond that. We are planning to spend this fiscal year on recruiting activities focusing especially on these people.

Furthermore, the DX was mentioned here today, and that is the kind of response we are looking for.

I'm talking about DX-related education, One is security-related, we have a security company called GSX.

Since that company has a sign saying that it is an education company and is focusing on security education, we will have our engineers receive such education to develop IT consultants and IT engineers who can deal with security.

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In addition, we would like to provide training in RPA, AI-OCR, and other technologies, and we would like to spend money on training employees to be able to use these technologies in an ordinary way.

Second is quality, and I mentioned earlier that there have been quality problems at BPO as well.

Quality issues are very important to us as well, and when quality problems occur, not only for that project, but also for other projects that take up a lot of resources, so the opportunity loss can be very large.

Because of these factors, we would like to spend more money to further strengthen our quality control system.

Regarding the expansion of the BPO center, until now we have been expanding the BPO center at the same time as our sales activities, and when sales activities yielded results, we rented space and expanded the center without taking too many risks.

This would inevitably have meant that the center would have been launched later in the process, which would have slowed the speed of growth and delayed the timing of commercialization, or profit generation.

This time, we took a risk and opened a new center in Kagoshima ahead of the others. Moreover, we have rented a fairly large space and have made an upfront investment only in the location, which will increase our costs in the form of additional expenses, depending on how many projects we win.

The human resource and BPO issues do not necessarily appear just because of how much is spent here. Naturally, as hiring progresses, so do costs, and if BPOs are successful in getting the job, the upfront investment can be reversed to return on the investment.

We are thinking of a JPY300 million limit, but we would like to use the funds dynamically within that limit while keeping an eye on the situation.

Taking these factors into account, we are projecting net sales of JPY36 billion and operating income of JPY3 billion for the next fiscal year.

This is my explanation of the financial summary and forecast. Thank you very much.

Moderator: Thank you, Mr. Komiya and Mr. Uehara.

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Question & Answer

Moderator [M]: Okay, we will now go to the Q&A session.

Participant [Q]: Thank you for your explanation. I assume that you are planning for a relatively large increase in orders when comparing the last fiscal year with the fiscal year under review. How much of the increase of more than JPY6 billion is due to M&A and how much is due to the growth of existing businesses? The other question is whether the business environment still continues to be favorable as it has grown significantly. Can you tell us if there are any changes in the business environment?

Uehara [A]: Thank you very much. Uehara will answer you. Of the orders received, we expect the first effect from M&A to be roughly around JPY2 billion. The rest of the business is existing or growth from existing business. In terms of the environment, we see the overall environment as good, and we believe that growth will be centered especially in the areas of accounting system consulting or information security. Also, BPO orders are unique. Basically, we are now trying to get orders for one year as much as possible, but some customers may ask us to sign a three-year contract, for example. If so, three years' worth of orders could go up at once, so there is a big increase there, but for now we are assuming one year's worth, and we are looking at it as if it will grow a little more than it is now.

Participant [Q]: Thank you. Second point. Last term, I think it was the cost of relocation or some one-time expense that added. Taking this into account, we are afraid that the forecast for the fiscal year under review will be a little bit of a loss, in a sense, if we exclude one-time expenses. In the previous fiscal year, too, the forecast at the beginning of the fiscal year was made very conservatively, and it was raised in the middle of the fiscal year and has been raised at the end, so in that sense, are you putting together a somewhat conservative view? Or is there some kind of reality that is making it more difficult for our customers to meet their demands?

Uehara [A]: Sorry, that always happens. It is not easy to adjust with the field, and we have to come up with our projections by comparing them with the figures we have in mind. It is true that the site is taking a hard or rigid view and is inevitably drifting toward conservative view. We are trying to fix it little by little, but to be honest, some of the trends have not changed much. However, I am still somewhat concerned about the rising cost of living since the crisis in Ukraine and other factors, although I have not yet seen any impact on orders myself. There are quite a few of our customers who are experiencing poor performance or are moving to raise prices because of this, so we are concerned that this will eventually have some impact on our business. To be honest, we are a little restrained in this area. Also, as I mentioned earlier, we have put in about JPY300 million in investments that have not been made in previous years, and from the level of those one-time costs added back to the original last year's figures, I hope you understand that there is a negative factor in that amount.

Participant [Q]: One last point. In the last fiscal year, the company retired its treasury stock, reducing its treasury stock to zero, and looking at the current level of the stock price, I would say that the stock is left at a very low price, or in terms of dividend yield, I would say that the stock is left at a very low price.

In the future, of course, you are returning profits to shareholders by increasing dividends, so I have nothing to complain about, but could you tell me if you are considering some kind of share buyback for the low share price?

Uehara [A]: Regarding treasury stock, as well as the dividend payout ratio, we have received various comments at IR meetings, etc., and we have taken various measures to reflect such comments, or rather, accept them in our own way.

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To be honest, I had hoped that the share price would rise a little more, but unfortunately, it has not had much of an impact.

We don't have any concrete plans right now for share buybacks or anything like that, but in the future, as we move forward with various business plans, such things will become necessary, or cash will increase to some extent, so in that context, I would be happy to think about it in various phases.

On the other hand, although this has not been the case recently, our trading volume was very low in the first half of last fiscal year, and I was a little concerned that if we continued at this rate, we might violate the so-called prime daily trading volume maintenance standards.

I was wondering if there is any such thing, because I was concerned that reducing the number of shares in circulation by purchasing treasury stock would have a negative impact there.

We have been building quite a bit of volume over the past six months or so, so I have a bit of an idea now that if we continue to go this way, that is not necessarily a negative thing.

However, it is difficult to say whether we will do it in the near future or not, so we are not considering that far.

Participant [M]: Thank you very much.

Moderator [M]: Then, since there seem to be no questions, this concludes the IR meeting of Business Brain Showa-Ota Inc.

Thank you all very much for your participation today.

Komiya [M]: Thank you very much.

Uehara [M]: Thank you very much.

[END]

Document Notes

1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
2. *This document has been translated by SCRIPTS Asia.*

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