

KEYWARE TIMES

Annual Report 2022

57th Term Business Report
Year Ended March 31, 2022

Special feature

**Interview with President Masahiro Mita
on the Medium-term
Management Plan “Vision 2026” and
the Keyware Group’s future outlook**



IT can create it.

Keyware Solutions Inc.

TSE Standard Market Stock Code: 3799

Message from the President

Aiming for further enhancement of corporate value under the new Medium-term Management Plan “Vision 2026”

Dear Stakeholders,

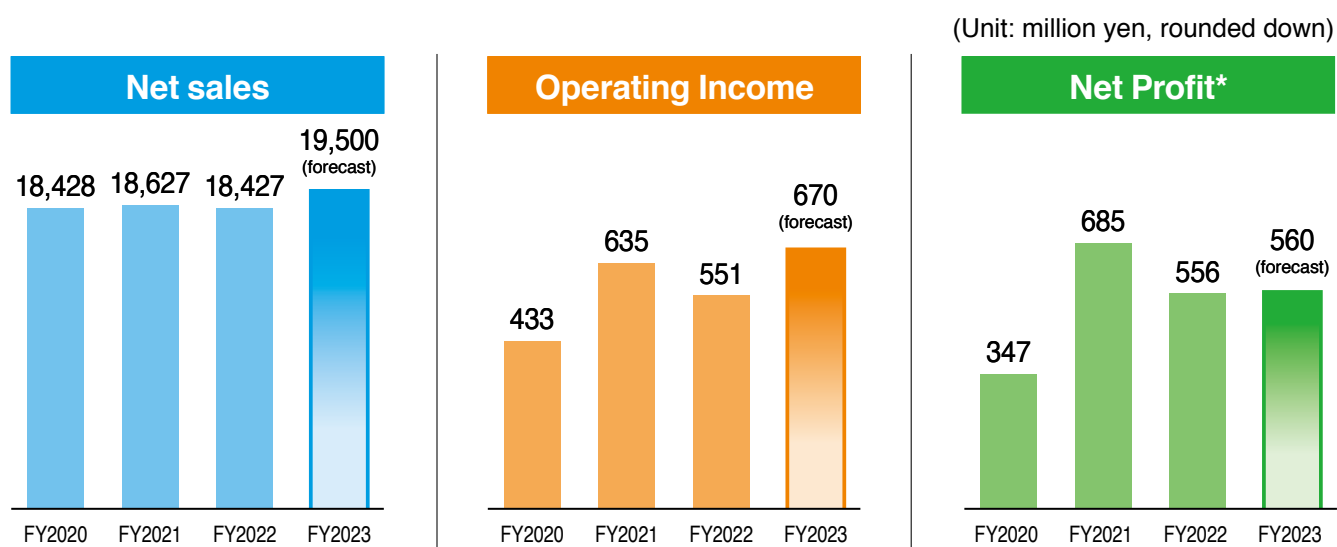
In the fiscal year ended March 31, 2022, the Keyware Group proceeded with efforts in our core strategy, namely expanding our foundational businesses* and raising profitability, generating and developing new businesses, and improving the rewarding nature of work for employees.

In our foundational businesses, we expanded project orders for highly profitable large outsourcing projects and primary outsourcing projects, engaging in proposal activities to harness corporate customer demand for digital transformation (DX).

Further, we entered a capital and business alliance with Kanematsu Electronics Ltd. and Canon Marketing Japan Inc. in May 2021 and JR East Japan Information Systems Company in November 2021, continuing our efforts to create synergies.

Among new businesses, in August 2021, we established subsidiary OGAL Inc. , which specializes in ICT for the agricultural industry, while also focusing efforts on health management solutions and services to support DX for our customers.

Highlights of consolidated business performance



* Refers to net profit attributable to owners of parent.

- ▶ More detailed information on our consolidated financial results is presented in our results briefing video. Please use the QR code on the back cover of this pamphlet to access the video.

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To support the growth and performance of our employees, we further implemented health management and workstyle innovations that enable each employee to exercise their talents and work comfortably.

For the consolidated fiscal year ended March 31, 2022, the Keyware Group was able to bring in orders of ¥18,888 million (up ¥390 million or 2.1% from the previous fiscal year) and to achieve net sales of ¥18,427 million (down ¥200 million or 1.1%), operating income of ¥551 million (down ¥83 million or 13.2%), and net profit attributable to owners of the parent of ¥556 million (down ¥129 million or 18.9%).

In the information services industry that the Group operates in, demand for IT investment against a backdrop of DX is expected to continue to grow.

IT technologies also continue to constantly evolve, with significant change taking place in the social environment and needs of customers.

To realize sustainable growth in this type of business environment, we have formulated the Five-year Medium-term Management Plan “Vision 2026.”

Going forward, we will further enhance our corporate value by engaging in a range of initiatives to achieve this plan.

President & CEO

Masahiro Inata



* The System Development and System Integration Business, which comprises most of the net sales in the Keyware Group, is positioned as a foundational business.

The Medium-term Management Plan “Vision 2026” and the Keyware Group’s future outlook

We interviewed President Masahiro Mita about the Five-year Medium-term Management Plan “Vision 2026,” which commenced in FY2023.

Q/ Why was the current Medium-term Management Plan established as a five-year plan and what are its basic policies?

In the information services industry that the Company operates in, IT investment demand for DX promotion and core system upgrades is expected to continue until roughly 2027.

In the five years until then, under the plan the Group will work to increase profitability by refining the strengths that we have cultivated until now, while also focusing on change in the future business environment to drive reforms.

To this end, we have set forth the vision to “Continue to be the company of choice for the next 100 years,” and have formulated three basic policies: “Qualitative Transformation of Foundational Businesses,” “Expansion of Primary Contract Businesses,”* and “Taking on New Domains.”

To achieve the plan, we have designated roughly the first three years for strengthening and restructuring the business foundation, and the latter half of the plan period for expanding growth.

The consolidated financial targets we are aiming for in the fiscal year ending March 31, 2027, are net sales of ¥24,000 million, operating income of ¥1,400 million, and an operating margin of 6%.

Q/ Please tell us about the specific initiatives.

With the acceleration of DX, customer needs are changing, leading to a demand for speedy, high-quality, and low-cost development.

To meet these needs, we will shift our focus from a method of developing from scratch to a development method that utilizes products, cloud services, and various development tools to build efficient systems in shorter time frames while ensuring high quality.

With the first basic policy, “Qualitative Transformation of Foundational Businesses,” we will raise profitability by increasing development methods and contracted development projects based on this approach, while also strengthening initiatives aimed at reducing or preventing unprofitable projects.

In addition, we will work to create new synergies and reinforce ties with each of the three companies we entered a capital and business alliance with in the fiscal year ended March 31, 2022: Kanematsu Electronics Ltd., Canon Marketing Japan Inc., and JR East Japan Information Systems Company.

To realize the second basic policy, “Expansion of Primary Contract Businesses,” we will aim to be an IT partner that can continuously support the DX needs of our customers, strengthening the training and recruitment of consultants capable of proposing work process improvements and optimal solutions. Alongside this, we will boost our ability to deliver competitive software packages, including ERPs, which we are particularly strong in.

With the third basic policy, “Taking on New Domains,” we will lay the foundation for our future, expanding our earnings base so that it is stronger in five years through measures such as entering new domains and creating new services.

In the first year of the plan, we began to examine entry into the domain of cybersecurity, which is becoming critical for preventing digital attacks, and the digital finance domain, which is projected to grow in the future.

Further, as a company-wide management infrastructure strategy for supporting these basic policies, we will continue to contribute to achieving the SDGs and promote various initiatives, such as creating a comfortable workplace that encourages employee engagement and strengthening relationships with business partners to secure engineers.

Q/ Lastly, do you have a message for shareholders?

Going forward, the Keyware Group will expand its business and increase profitability by steadily capturing IT investment demand, which is expected to grow.

We will aim for sustainable growth and raise corporate value through continuing to implement reforms and take on challenges to align ourselves with the business environment and customer needs.

All Group employees will strive together to realize the Medium-term Management Plan “Vision 2026,” and for these efforts, we would like to request the continued support of our shareholders and investors.



President & CEO
Masahiro Mita

* Businesses that provide services and solutions through direct contracts with customers.

Keyware Up Close

Introducing business expansion and initiatives of the Keyware Group

>>> Brand-New Business

■ Entered a capital and business alliance with JR East Japan Information Systems Company

The Company entered a capital and business alliance with JR East Japan Information Systems Company (JEIS) in November 2021.

As the technical organization responsible for JR East Japan Group's ICT, JEIS supports social infrastructure through various services including the development and operation of systems for Suica, train stations services, railway operations, and other areas.

By combining the ability of JEIS to build systems that solve customers' issues and the system development capabilities of our different solutions, we will continue to drive DX, which is an area where demand is expected to grow, thus expanding our business and raising corporate value.

■ JR East Japan Information Systems Company

Representative	President Akiyoshi Hosokawa	Capital	¥500 million
Description of Business	1. Planning, proposal, design, development, and operation of information processing systems 2. Consulting concerning information processing systems 3. Development, manufacture, maintenance, and sales of ICT devices 4. Installation of ICT devices and subcontracting of related construction work		

>>> Brand-New Business

■ Keyware Kyusyu entered a business alliance with JRQSS

Keyware Kyusyu Inc. and JR Kyushu System Solutions Inc. (JRQSS) entered a business alliance in April 2022.

JRQSS provides data center services, such as data warehousing and surveillance, which leverage its experience gained through the implementation and operation of IT systems for JR Kyushu Group.

This alliance will enable us to harness the combined technologies and customer base of both Keyware Kyusyu and JRQSS to provide a cloud data center service for corporations in the Kyushu area, contributing to flexible and speedy business launches, enhanced security, and business continuity planning (BCP) measures.

■ JR Kyushu System Solutions Inc.

Representative	President Yuji Katsuki	Capital	¥97 million
Description of Business	Information systems consulting, contracted development and operations management, outsourcing operations, ASP service operations, data center operations, etc.		

>>> Brand-New Business

■ Release of new features for “Project Budget Management/ Service Procurement Integration Template for Biz ∫®.”

To strengthen its accounting management functionality, we have ensured that our core operations solution for IT businesses, “Project Budget Management/ Service Procurement Integration Template for Biz ∫ (Biz Integral),” provides support for version 3.0 of “Biz ∫,” the ERP package provided by NTT DATA BIZINTEGRAL Corporation.

We have also added a feature to the template that can assess investment for each business unit from multiple angles due to the increasing need for management judgment in regard to new business investment amid the rapid changes in social conditions and customer needs.

In addition to this template, we have strengthened our proposal activities for the industry-specialized, “Trading Company/Sales Company Trading Template for Biz ∫ ,” responding to increased demand for core operational systems renovations.

CSR Activities - Working with Communities -

The Keyware Group has annually conducted the “Hachimanyama Cleanup” since 2016 to contribute to efforts to enhance the natural beauty of the regional society and create a town which is easy to live in. The activity involves tidying the zelkova trees that line the Koshu-kaido Avenue in the area surrounding the Group’s main office.

Since mid-November 2021, we have conducted a leaf pickup on the Koshu-kaido Avenue 34 times over a six-week period, with a total of 158 officers and employees participating.

The Keyware Group plans to continue promoting activities which contribute to its society in order to treasure the connection between it and its local community.



Keyware issues the “CSR Report” every year. Please view this report from the Company website.

▶ <https://www.keyware.co.jp/about/csr/report-index.html>



Financial Statements (Summary)

Unit: million yen, rounded down

Consolidated Balance Sheet

	Previous fiscal year As of March 31, 2021	Current fiscal year As of March 31, 2022
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(Assets)

Current assets	7,074	7,048
Non-current assets	3,236	3,696
Property, plant and equipment	94	88
Intangible assets	257	366
Investments and other assets	2,883	3,241
Total assets	10,310	10,745

POINT: Assets

While cash and deposits and works in progress decreased, assets were ¥10,745 million, up ¥434 million year over year due to increased accounts receivables, software in progress, and investment securities.

(Liabilities)

Current liabilities	4,148	3,167
Non-current liabilities	113	122
Total liabilities	4,261	3,290

POINT: Liabilities

While accounts payable - trade increased, liabilities were ¥3,290 million, down ¥971 million year over year due to a decrease in short-term borrowings.

(Net assets)

Shareholders' equity	5,931	7,372
Accumulated other comprehensive income	117	83
Total net assets	6,048	7,455
Total liabilities and net assets	10,310	10,745

POINT: Net assets

Net assets were ¥7,455 million, up ¥1,406 million year over year due to increases in capital surplus and retained earnings as well as a decrease in treasury shares. As a result, shareholders equity ratio became 69.4%.

Consolidated Income Statements

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022
Net sales	18,627	18,427
Cost of sales	15,650	15,466
Gross profit	2,977	2,961
Selling, general and administrative expenses	2,342	2,410
Operating income	635	551
Ordinary income	755	755
Profit attributable to owners of parent	685	556

POINT: Net sales

While the System Development Business performed strongly, net sales were ¥18,427 million, down ¥200 million due to a reactionary decline in the System Integration Business associated with large-scale projects in the previous fiscal year.

POINT: Operating income

Despite some impact due to unprofitable projects and the decline in net sales, ordinary income was ¥755 million due to share of profit of entities accounted for using equity the method.

Consolidated Statement of Cash Flows

	Previous fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2021 to March 31, 2022
Cash flows from operating activities	-193	552
Cash flows from investing activities	-82	-394
Cash flows from financing activities	153	-343
Net increase (decrease) in cash and cash equivalents	-122	-184
Balance of cash and cash equivalents at the beginning of year	1,218	1,095
Balance of cash and cash equivalents at the end of the fiscal year	1,095	910

POINT: Consolidated cash flow

In operating activities, there was a positive cash flow of ¥552 million due to booking a profit in net income before income taxes and an increase in trade payables. In investment activities, there was a negative cash flow of ¥394 million attributed to such factors as acquisition of intangible assets and investment securities. In financing activities, there was a negative cash flow of ¥343 million due to a decrease in short-term borrowings. As a result, the balance of cash and cash equivalents at the end of the fiscal year became ¥910 million, down ¥184 million year over year.

Stock Information (as of March 31, 2022) *Stock Information*

Stock Information

● Authorized shares 36,440,000	● Major shareholders HBA Corporation JR East Information Systems Company Kanematsu Electronics Ltd. Canon Marketing Japan Inc. Sumitomo Life Insurance Company Sumitomo Mitsui Banking Corporation
● Outstanding shares 9,110,000	
● Shareholders 4,176	

Notes for Shareholders

Fiscal year	April 1 to March 31
Date of general meeting of the shareholders	Every June
Shareholder registration date	Regular general meeting of the shareholders and fiscal year-end dividend: Every March 31 Interim dividend: Every September 30 If another date is necessary, the prescribed date notified in advance.
Shareholder's register manager and administrator of special account	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Shareholder's register manager administration office	Stock Transfer Agency Department Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
[Contact and postal address]	Stock Transfer Agency Department Sumitomo Mitsui Trust Bank, Limited 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan
[Phone]	(Toll-free in Japan) 0120-782-031
[Internet website URL]	https://www.smtb.jp/personal/agency/index.html
Method of public notice	The Company provides electronic public notices. However, notices shall be provided by publication in the Nihon Keizai Shimbun if an accident or other unavoidable circumstances prevent the use of electronic public notices.
Listing exchange	Tokyo Stock Exchange, Standard Market

Procedures concerning shares of stock

- **Notification and inquiry for address change**
Please contact the securities company which you use. Shareholders who do not use a securities company account should contact the phone number listed above for Sumitomo Mitsui Trust Bank.
- **Receipt of dividends payable**
Please apply to Sumitomo Mitsui Trust Bank, which is the administrator of the shareholder register.

Company Profile

Trade name	Keyware Solutions Inc.
Address	5-37-18, Kamikitazawa, Setagaya-ku, Tokyo 156-8588, Japan
Date of establishment	May 1965
Capital	¥1,737 million
Sales	¥18,427 million (Consolidated, fiscal year ended March 31, 2022)
Employees	1,158 (Consolidated, as of March 31, 2022)
Certifications	Registered as a Quality Management Systems Company Firm Permitted to use the JIPDEC Privacy Mark Registered as an Information Security Management Systems Company Registered as an Environmental Management Systems Company “Kurumin” Certification as a Company Supporting Childcare Certified as Health & Productivity Management Outstanding Organizations Recognition Program (the large enterprise category)

Executives

President & CEO	Masahiro Mita
Director	Shinichi Arakawa
Director	Toshikazu Ogawa
Director	Ikuo Saito
Director	Tetsuro Kato
Director	Takuya Suetsuna
Outside Director	Katsutoshi Okada
Outside Director	Makiko Noda
Outside Director	Stefan Gustafsson

Auditor	Shigeo Sasahara
Auditor	Nobuyuki Sawada
Outside Auditor	Hiroshi Takita
Outside Auditor	Kenichi Ota

* Directors Katsutoshi Okada, Makiko Noda, and Stefan Gustafsson are Outside Directors as provided in Article 2 Clause 15 of the Companies Act.

* Auditors Hiroshi Takita and Kenichi Ota are Outside Auditors as provided in Article 2 Clause 16 of the Companies Act.

* Directors Katsutoshi Okada, Makiko Noda, and Stefan Gustafsson, and Auditors Hiroshi Takita and Kenichi Ota are independent directors/auditors who do not have the potential to cause conflicts of interest against general shareholders, the designation of which is required by the Tokyo Stock Exchange.

■ Internet IR Information

Keyware Solutions aims to distribute timely and easy-to-follow information to shareholders and investors, and endeavors to improve its IR activities by enriching its company website.

Keyware IR English

Search

<https://www.keyware.co.jp/english/ir/index.html>

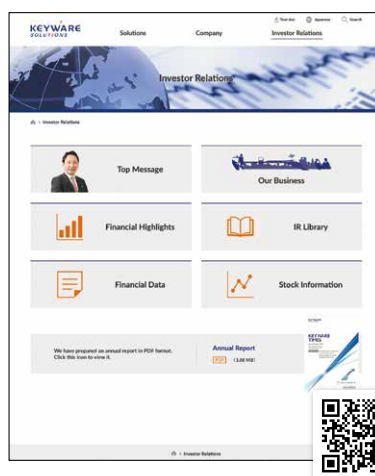
English language site

In English language site, information is provided in order to generate a deeper understanding of the operations of Keyware Group.



<https://www.keyware.co.jp/english/index.html>

IR Information



<https://www.keyware.co.jp/english/ir/index.html>

Results briefing (video dissemination)

A video of the results briefing is disseminated together with the results briefing documentation. The information contains explanations concerning the business report and future strategies of Keyware.



<https://irp-system.net/presenter/?conts=01fz748n4y3y sgmpth48fgcbg>

Keyware Solutions Inc.

5-37-18, Kamikitazawa, Setagaya-ku, Tokyo 156-8588, Japan
Corporate Planning Division, Public Relations & Investor Relations Office
<https://www.keyware.co.jp/english/>



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QMS, EMS, ISMS JUSE-EG-266
Registrations JUSE-IR-001

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