

Consolidated Financial Results for the first three months of the FYE March 31, 2022 (JGAAP)

Aug 3, 2021

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 Stock code: 2980
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Scheduled date of dividend payment –
 Scheduled date to submit the Quarterly Report: August 6, 2021
 Earnings Supplementary Explanatory Documents: Yes
 Holding of financial results presentation meeting: No

(Figures of less than one million are rounded down.)

1. Consolidated Results for the first three months of the FYE March 31, 2022 (April 1, 2021 – June 30, 2021)

(1) Consolidated operating results (% shows the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Quarterly Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2021	1,782	71.4	175	42.6	168	34.7	115	88.0
June 30, 2020	1,040	–	123	–	125	–	61	–

(Note) Comprehensive income: Three months ended June 30, 2021: ¥115 million (88.0%)
 Three months ended June 30, 2020: ¥61 million (-%)

	Basic quarterly profit per share	Diluted quarterly profit per share
Three months ended	Yen	Yen
June 30, 2021	7.46	7.27
June 30, 2020	4.06	3.91

(Notes) Since the quarterly consolidated financial statements were not prepared for the first three months of the FYE March 2020, the rate of increase / decrease from the same quarter of the previous year for the first three months of the FYE March 2021 is not stated.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2021	13,710	8,054	58.4
March 31, 2021	12,341	7,879	63.5

(Reference) Equity capital: As of June 30, 2021: ¥8,009 million As of March 31, 2021: ¥7,842 million

2. Dividends

	Annual dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2021	–	0.00	–	0.00	0.00
FYE March 31, 2022	–				
FYE March 31, 2022 (forecast)		0.00	–	0.00	0.00

3. Consolidated Financial Forecasts for the FYE March 31, 2022 (April 1, 2021 to March 31, 2022)

(% shows the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	11,800	60.8	1,350	27.8	1,280	25.1	835	25.2	54.40

(Note) Revision of the forecasts most recently announced: No

* Notes

- (1) Changes in significant subsidiaries during the first three months of FYE March 31, 2022 (changes of specified subsidiaries with change of the scope of consolidation): No
(Note) This does not correspond to a specified subsidiary, but from the first three months of the FYE Mar 2022, Kyushu C & C Systems has been included in the scope of consolidation.
- (2) Changes in accounting principles, changes in accounting estimates, and retrospective restatements
(i) Changes in accounting principles accompanying the amendment of accounting standards: Yes
(ii) Changes in accounting policies other than (i): None
(iii) Changes in accounting estimates: None
(iv) Restatement: None
- (3) Number of issued shares (common shares)
(i) Number of shares outstanding at end of the period (including treasury shares)
As of June 30, 2021: 15,532,615 shares
As of March 31, 2021: 15,348,151 shares
(ii) Number of treasury shares at end of the period
As of June 30, 2021: 67 shares
As of March 31, 2021: 31 shares
(iii) Average number of shares during the period
The first three months of FYE Mar 2022: 15,508,665 shares
The first three months of FYE Mar 2021: 15,147,389 shares

* The results are not subject to an audit by a certified public accountant or an auditing firm.

* Explanation concerning the appropriate use of financial result forecasts and other special notes

(Note on forward-looking statements)

Forward-looking statements such as results forecasts provided in this document are prepared based on currently available information and assumptions that are deemed reasonable, but the Company does not intend to guarantee their achievement. A variety of factors could cause actual results to differ materially from forecasts.

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1. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated balance sheets

(Unit: Thousand yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	2,637,195	2,868,320
Accounts receivable - trade	164,220	195,024
Operating investments in capital	830,013	1,390,585
Inventories	7,268,908	7,697,864
Other	284,166	173,552
Allowance for doubtful accounts	(1,196)	(1,196)
Total current assets	11,183,308	12,324,151
Non-current assets		
Property, plant and equipment	152,969	150,027
Intangible assets		
Software	473,975	490,601
Goodwill	—	161,658
Other	53,315	47,221
Total intangible assets	527,290	699,480
Investments and other assets	477,955	536,373
Total non-current assets	1,158,214	1,385,881
Total assets	12,341,523	13,710,032
Liabilities		
Current liabilities		
Accounts payable - trade	58,368	69,328
Short-term loans payable	722,000	465,000
Accounts payable - other	102,360	81,008
Accrued expenses	284,572	218,081
Income taxes payable	309,734	38,967
Provision for bonuses	127,060	69,609
Other	239,499	258,171
Total current liabilities	1,843,595	1,200,167
Non-current liabilities		
Long-term loans payable	2,470,000	4,236,000
Liabilities related to retirement benefits	—	66,686
Other	148,040	152,578
Total non-current liabilities	2,618,040	4,455,265
Total liabilities	4,461,635	5,655,432
Net assets		
Shareholders' equity		
Capital stock	3,584,698	3,616,239
Capital surplus	3,584,698	3,616,239
Retained earnings	672,877	777,699
Treasury shares	(122)	(362)
Total shareholders' equity	7,842,152	8,009,814
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	(241)
Total accumulated other comprehensive income	—	(241)
Stock acquisition rights	37,735	45,026
Total net assets	7,879,887	8,054,600
Total liabilities and net assets	12,341,523	13,710,032

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

(Unit: Thousand yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Net sales	1,040,312	1,782,910
Cost of sales	496,518	1,042,409
Gross profit	543,794	740,501
Selling, general and administrative expenses	420,412	564,589
Operating profit	123,382	175,911
Non-operating income		
Share of profit of entities accounted for using equity method	2,571	87
Other	5	38
Total non-operating income	2,576	125
Non-operating expenses		
Interest expenses	520	7,181
Other	327	347
Total non-operating expenses	848	7,529
Ordinary profit	125,110	168,508
Quarterly Profit before income taxes	125,110	168,508
Income taxes - current	31,606	22,456
Income taxes - deferred	31,960	30,368
Total income taxes	63,567	52,825
Quarterly Profit	61,542	115,682
Quarterly Profit attributable to owners of parents	61,542	115,682

(Quarterly Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Quarterly Profit	61,542	115,682
Other Comprehensive income		
Valuation difference on available-for-sale securities	—	(241)
Total other Comprehensive income	—	(241)
Quarterly comprehensive income	61,542	115,440
Comprehensive income attributable to		
Owners of parents	61,542	115,440
Non-controlling interests	—	—

(3) Notes to consolidated financial statements

(Note to going concern assumptions)

Not applicable.

(Notes on significant fluctuations in the amount of shareholders' equity)

Not applicable.

(Change in accounting policy)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter, "Accounting Standard for Revenue Recognition"), etc. has been applied since the beginning of the first three months of FYE March 2022. In accordance with this accounting standard, the Company recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer.

The application of the Accounting Standard for Revenue Recognition is pursuant to the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect when applying retrospectively the new accounting policy before the beginning of the first three months of FYE March 2022 is added to or subtracted from the retained earnings at the beginning of the first three months of FYE March 2022 and the new accounting policy has been applied from the beginning of the fiscal year balance.

The impact of these changes on profit or loss of the first three months of FYE March 2022 or the retained earnings at the beginning of FYE March 2022 is minor.

In accordance with the transitional treatment set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, previous consolidated fiscal year has not been reclassified following the new presentation method.

(Segment information, etc.)

[Segment information]

I. For the three months ended June 30, 2020

1. Information on net sales and profit or loss amounts by reportable segment

(Unit: Thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount on consolidated statement of income (Note 2)
	AI Cloud & Consulting	Real Estate Tech	Total		
Net sales					
Sales to external customers	136,980	903,332	1,040,312	—	1,040,312
Intersegment net sales or transfers	59,000	—	59,000	(59,000)	—
Total	195,980	903,332	1,099,312	(59,000)	1,040,312
Segment profit or loss	148,789	(9,251)	139,538	(16,156)	123,382

(Notes) 1. The adjustment to segment profit of (16,156) thousand yen represents the elimination of intersegment transactions.

2. The segment profit or loss has been adjusted to the operating profit stated in the quarterly consolidated income statement.

II. For the three months ended June 30, 2021

1. Information on net sales and profit or loss amounts by reportable segment

(Unit: Thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount on consolidated statement of income (Note 2)
	AI Cloud & Consulting	Real Estate Tech	Total		
Net sales					
Sales to external customers	314,518	1,468,392	1,782,910	—	1,782,910
Intersegment net sales or transfers	70,252	—	70,252	(70,252)	—
Total	384,771	1,468,392	1,853,163	(70,252)	1,782,910
Segment profit	156,300	38,590	194,890	(18,978)	175,911

(Notes) 1. The adjustment to segment profit of (18,978) thousand yen represents the elimination of intersegment transactions.

2. The segment profit has been adjusted to the operating profit stated in the quarterly consolidated income statement.

2. Change in measurement of profit or loss in a reportable segment

From the first three month of the FYE March 2022, to reflect more appropriately the operating results of each reporting segment, the method of allocating expenses of the indirect division has changed based on rational allocation standards that match the actual business conditions of each segment.

The impact of this change on segment profit for the first three months of FYE March 2022 is minor.

3. Significant fluctuations in the amount of goodwill

In the "AI Cloud & Consulting", due to the acquisition of all shares of Kyushu C&C Systems Co., Ltd., and included in the scope of the consolidation, the amount of goodwill has increased by 161,658 thousand yen.