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April 13, 2022

Consolidated Financial Results for FY2022 Q2 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4397
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 Scheduled date to file quarterly securities report: April 14, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of financial results briefing: Yes

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

1. Consolidated financial results for the six months ended February 28, 2022 (from September 1, 2021 to February 28, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
February 28, 2022	1,571	10.5	1	-99.4	-1	-101.0	-24	-124.2
February 28, 2021	1,421	22.6	191	48.5	195	53.1	102	79.1

Note: Comprehensive income For the six months ended February 28, 2022: ¥-22 million [-121.6%]
 For the six months ended February 28, 2021: ¥103 million [80.9%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
February 28, 2022	-1.53	-
February 28, 2021	6.33	6.32

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
February 28, 2022	3,335	1,592	47.7
August 31, 2021	3,171	1,577	49.7

Reference: Equity
 As of February 28, 2022: ¥1,592 million
 As of August 31, 2021: ¥1,577 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2021	-	0.00	-	0.00	0.00
Fiscal year ending August 31, 2022	-	0.00			
Fiscal year ending August 31, 2022 (Forecast)			-	0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending August 31, 2022 (from September 1, 2021 to August 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending August 31, 2022	3,300	13.9	-200	-218.3	-200	-214.5	-140	-214.0	-8.63
	to 3,350	to 15.6	to -150	to -188.7	to -150	to -185.9	to -105	to -185.5	to -6.47

Note: 1. Revisions to the earnings forecasts most recently announced: None

2. Consolidated earnings forecasts for the fiscal year ending August 31, 2022 are stated in range format considering impacts of changes in business environment.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of February 28, 2022	16,284,600 shares
As of August 31, 2021	16,227,600 shares

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

As of February 28, 2022	315 shares
As of August 31, 2021	315 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended February 28, 2022	16,260,452 shares
Six months ended February 28, 2021	16,221,578 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Statement regarding appropriate use of forward-looking statements and other notes

Forward-looking statements, including the consolidated earnings forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Thus, the Company does not intend to commit future accomplishment. Accordingly, actual business results may differ substantially from the Company's current assessment.

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1. Quarterly consolidated financial statements and primary notes

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of August 31, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	2,447,990	2,513,274
Accounts receivable - trade	22,804	-
Accounts receivable - trade and contact assets	-	20,821
Advance payments to suppliers	225,444	234,493
Other	57,720	119,445
Allowance for doubtful accounts	-17	-213
Total current assets	2,753,943	2,887,821
Non-current assets		
Property, plant and equipment	59,051	54,717
Intangible assets	145	115
Investments and other assets	358,833	392,408
Total non-current assets	418,029	447,241
Total assets	3,171,972	3,335,062
Liabilities		
Current liabilities		
Accounts payable - trade	14,622	11,273
Income taxes payable	103,570	69,397
Deferred revenue	1,193,715	1,369,623
Provision for bonuses	9,180	13,428
Other	273,515	279,196
Total current liabilities	1,594,603	1,742,920
Total liabilities	1,594,603	1,742,920
Net assets		
Shareholders' equity		
Share capital	802,288	813,375
Capital surplus	792,288	803,375
Retained earnings	-17,365	-27,226
Treasury shares	-509	-509
Total shareholders' equity	1,576,701	1,589,015
Accumulated other comprehensive income		
Foreign currency translation adjustment	667	3,127
Total accumulated other comprehensive income	667	3,127
Total net assets	1,577,369	1,592,142
Total liabilities and net assets	3,171,972	3,335,062

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

(Thousands of yen)

	Six months ended February 28, 2021	Six months ended February 28, 2022
Net sales	1,421,381	1,571,157
Cost of sales	574,296	1,035,393
Gross profit	847,084	535,763
Selling, general and administrative expenses	655,750	534,560
Operating profit	191,333	1,203
Non-operating income		
Subsidy income	5,475	-
Other	186	39
Total non-operating income	5,662	39
Non-operating expenses		
Foreign exchange losses	1,537	2,137
Share issuance costs	92	853
Other	4	193
Total non-operating expenses	1,634	3,183
Ordinary profit (loss)	195,362	-1,939
Profit (loss) before income taxes	195,362	-1,939
Income taxes - current	105,443	56,614
Income taxes - deferred	-12,836	-33,666
Total income taxes	92,607	22,948
Profit (loss)	102,755	-24,888
Profit (loss) attributable to owners of parent	102,755	-24,888

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Six months ended February 28, 2021	Six months ended February 28, 2022
Profit (loss)	102,755	-24,888
Other comprehensive income		
Foreign currency translation adjustment	1,223	2,459
Total other comprehensive income	1,223	2,459
Comprehensive income	103,978	-22,429
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	103,978	-22,429

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

	Six months ended February 28, 2021	Six months ended February 28, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	195,362	-1,939
Depreciation and amortization	14,096	5,592
Increase (decrease) in allowance for doubtful accounts	-4	195
Increase (decrease) in provision for bonuses	1,844	4,248
Interest and dividend income	-11	-12
Subsidy income	-5,475	-
Share issuance costs	92	853
Decrease (increase) in trade receivables	3,745	-
Decrease (increase) in trade receivables and contract assets	-	2,374
Decrease (increase) in advance payments to suppliers	3,592	-9,049
Decrease (increase) in prepaid expenses	-41,628	-46,342
Increase (decrease) in trade payables	17,659	-3,348
Increase (decrease) in deferred revenue	142,100	191,696
Other, net	8,792	18,950
Subtotal	340,165	163,219
Interest and dividends received	11	12
Subsidies received	4,131	-
Income taxes paid	-45,041	-103,452
Net cash provided by (used in) operating activities	299,266	59,779
Cash flows from investing activities		
Purchase of property, plant and equipment	-	-2,056
Net cash provided by (used in) investing activities	-	-2,056
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	7,423	5,356
Other, net	-83	-
Net cash provided by (used in) financing activities	7,339	5,356
Effect of exchange rate change on cash and cash equivalents	1,223	2,203
Net increase (decrease) in cash and cash equivalents	307,829	65,283
Cash and cash equivalents at beginning of period	2,173,924	2,447,990
Cash and cash equivalents at end of period	2,481,754	2,513,274

(4) Notes to the quarterly consolidated financial statements

(Notes regarding going concern assumption)

Not applicable.

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

For the first six months of the current fiscal year, share capital and capital surplus increased by ¥11,087 thousand respectively due to the issuance of new stocks as restricted stock compensation, and the issuance of new stocks by exercising of stock acquisition rights. As a result, share capital and capital surplus amounted to ¥813,375 thousand and ¥803,375 thousand, respectively as of the end of the consolidated six months.

(Changes in accounting policies)

1. Application of "Accounting Standard for Revenue Recognition", etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result of this application, for revenue of spot support etc. where the Company previously recognized revenue at the time the provision of the service based on the contracts is completed, it has recognized revenue at over a certain period of time with satisfying of performance obligation.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the first quarter of the current fiscal year, was added to or subtracted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance.

As a result, Net sales and Operating profit for the first six months of the current fiscal year increased by ¥14,636 thousand respectively, and Ordinary loss and Loss before income taxes for the first six months of the current fiscal year decreased by ¥14,636 thousand, respectively. Also, the opening balance of retained earnings for the current fiscal year increased by ¥15,789 thousand.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "Accounts receivable - trade" which was previously stated in "Current assets" at the consolidated balance sheet of previous consolidated fiscal year has been stated in "Accounts receivable - trade and contract assets" since the first quarter of the current fiscal year, and "Decrease (increase) in trade receivables" which was previously stated in "Cash flows from operating activities" at the quarterly consolidated statement of cash flows for the first six months of the previous fiscal year has been stated in "Decrease (increase) in trade receivables and contract assets" since the first six months of the current fiscal year. Furthermore, the Company has not reclassified previous consolidated fiscal year by new representation, subject to the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition. Additionally, the information on disaggregation of revenue from contracts with customers during the first six months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

2. Application of "Accounting Standard for Fair Value Measurement", etc.

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

The application of the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations has no effect on the quarterly consolidated financial statements for the first six months of the current fiscal year.