

Note: This is an English translation of the Quarterly Financial Summary in Japanese and is for reference purposes only. In the event of any discrepancy between the translation and the original Japanese text, the latter will prevail.



Consolidated Financial Results for the Three Months Ended June 30, 2022 (IFRS)

August 12, 2022

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 Supplemental materials prepared for financial results: Yes
 Earnings briefing for financial results: Yes (for institutional and individual investors)

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results

(Millions of yen, % indicate year-on-year changes)

	Revenue		Operating income		Income before income tax		Net income		Net income attributable to owners of the parent		Comprehensive net income	
	Millions of yen	% change	Millions of yen	% change	Millions of yen	% change	Millions of yen	% change	Millions of yen	% change	Millions of yen	% change
Three Months ended June 30, 2022	803	17.9	77	-14.7	388	287.9	235	207.5	231	196.8	872	—
Three Months ended June 30, 2021	681	1.0	90	-43.0	100	-38.6	77	-33.0	78	-32.0	32	-56.4

(yen)

	Basic earnings per share		Diluted earnings per share	
	Millions of yen	% change	Millions of yen	% change
Three Months ended June 30, 2022	13.75		13.75	
Three Months ended June 30, 2021	4.72		4.72	

Note: Basic earnings per share and diluted earnings per share based on net income attributable to owners of the parent.

(2) Consolidated Financial Position

(Millions of yen)

	Total assets		Total equity		Total equity attributable to owners of parent		Ratio of equity attributable to owners of parent	
	Millions of yen	% change	Millions of yen	% change	Millions of yen	% change	Ratio	% change
As of June 30, 2022	13,681		9,779		9,078		66.4	
As of March 31, 2022	12,595		8,981		8,357		66.3	

2. Dividends

(Yen)

	Annual dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
Fiscal Year Ended March 31, 2022	—	0.00	—	4.50	4.50
Fiscal Year Ending March 31, 2023	—				
Fiscal Year Ending March 31, 2023 (forecast)		0.00	—	—	—

Note: Revisions to the forecast of dividends since the last announcement: None
 Year-end dividend for the fiscal year ending March 31, 2023 currently undetermined.

3. Forecast of Consolidated Results for Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicate year-on-year changes)

	Revenue		Operating income		Income before income tax		Net income attributable to owners of the parent		Basic earnings per share
	Millions of yen	% change	Millions of yen	% change	Millions of yen	% change	Millions of yen	% change	Yen
Full year	3,700	24.7	1,400	-59.4	1,400	-64.9	800	-68.1	47.64
			~5,100	~48.0	~5,100	~28.0	~3,200	~27.5	~190.56

Note: Revisions to the forecast of consolidated results most recently announced: Yes

* Notes

(1) Changes in significant subsidiaries during the fiscal period
(Changes in specified subsidiaries that caused a change in the scope of consolidation): None

(2) Changes in accounting policies/changes in accounting estimation
 a) Changes in accounting policies due to IFRS requirements: None
 b) Changes in accounting policies other than (2) a) above: None
 c) Changes in accounting estimation: None

(3) Number of issued shares (Common Stock)

a) Total number of issued shares at the end of the period (including treasury stock)	As of June 30, 2022	17,491,265 shares	As of March 31, 2022	17,491,265 shares
b) Number of shares of treasury stock at the end of the period	As of June 30, 2022	698,084 Shares	As of March 31, 2022	699,092 shares
c) Average number of shares during the period	Three Months ended June 30, 2022	16,792,184 shares	Three Months ended June 30, 2021	16,470,143 shares

* This release is outside the scope of the quarterly review by certified public accountants and audit firms.

* Cautionary statement on appropriate use of business results forecasts and other matters.

(Note on forward-looking statements)

This report contains forward-looking statements on future performance and other matters that are based on information currently available to the company and certain reasonable assumptions. These forward-looking statements are not guarantees of future performance. A variety of factors may cause actual performance to be materially different from that expressed or implied by these forward-looking statements. For notes on the assumptions used in business forecasts and use of these forecasts, please refer to “1. Qualitative Information for Business Results, (3) Outlook for consolidated business results, etc.”

(Access to supplementary materials for results and content from the results briefing)

The company plans to hold an online result briefing from 6 p.m. (JST) on Friday, August 12, 2022. The materials used in the briefing will be posted on our official website, and the briefing video itself will be streamed live on YouTube Live and will also be available on our website at a later date.

○ Index of attached materials

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1. Qualitative Information for Business Results

(1) Explanation of Business Results

The consolidated results for the three months ended June 30, 2022 (April 1, 2022 - June 30, 2022, hereinafter Q1 FY2022) saw year-over-year (hereinafter YoY) 17.9% increase in revenue. This was due to an 11.9% YoY increase in the Software business, which continued to perform well, and a 53.0% YoY increase in the Design business due to revenue growth driven by the acquisition of new customers in the United States.

Regarding profits, in accordance with the Mid-Term Management Plan "STAR", which entered its second year, the company expanded its human resources, including the Chief Transformation Officer (CXO), and actively implemented marketing activities that led to revenue growth.

As a result, operating income amounted to Yen 76.8 mn (YoY -14.7%), income before income tax to Yen 388.1 mn (YoY +287.9%) and net income attributable to owners of the parent to ¥231.0 mn (YoY +196.8%).

<Group business initiatives>

The Group continues to proactively implement measures to prevent the spread of COVID-19. At all our offices, we continue company-wide teleworking in line with conditions in each operating region and ensure both the smooth running of the business and the safety of our employees.

In addition, we have moved all of our events and seminars for our products and services online to prevent the spread of the virus at client companies, while implementing initiatives for individual products and services. As we see the rapid shift toward digitalization caused by the global pandemic as an irreversible trend, we will focus our investments in the C.A.R. (Cloud, Automation and Remote) domain which is believed to grow significantly over the next few years.

Consolidated results for Q1 FY2022 were as follows:

(Millions of yen)

	Q1 FY2021	Q1 FY2022	YoY growth
Revenue	680.8	802.5	17.9%
Operating income	90.0	76.8	-14.7%
Income before income tax	100.1	388.1	287.9%
Net income attributable to owners of parent	77.8	231.0	196.8%

<<Reportable segments>>

For the purposes of deciding the allocation of Group resources and appraising performance, the Group split its businesses into two reportable segments: the “Software Business segment” and the “Investment Business segment”. The “Software Business segment” is made up of the corporate software product businesses the Group has been developing since its establishment as well as the design services business provided by This Place, which was acquired in 2017. The “Investment Business segment” is focused on corporate investments via Asteria Vision Fund (AVF)-1, which was launched in 2019.

<<Software Business segment>>

Software Business segment consists of two businesses, and the revenue of each were as follows:

<Software>

(Millions of yen)

	Q1 FY2021	Q1 FY2022	YoY growth
Revenue	580.9	649.7	11.9%

Revenue of data integration middleware “Warp” was strong in all series due to continued expansion of new demand for connecting cloud services and in-house systems in various industries, in line with IT investments made to improve operational efficiency and in response to the revised electronic books preservation act. Notably, revenue of its subscription version, “Core”, increased by approximately 30% YoY due to strong new customer acquisition.

AI-equipped IoT integration edgware “Gravio” is increasingly being introduced in public spaces such as large stadiums and accommodations, as well as in offices and restaurants as a result of active sales promotion and marketing activities in collaboration with sales partners.

Mobile app building tool “Platio” is attracting attention as a no-code tool that enables on-site DX and in-house production of various apps and receiving strong inquiries from the service industry that is highly motivated to improve operations through DX. In addition, the group is working to strengthen its product capabilities to add value by expanding its product line-up and templates designed to comply with changes in legislation.

Business negotiation support app “Handbook X”, which was launched in February 2022, has received wide range of needs, particularly from sales staff, and has been highly evaluated for its ease of introduction and access to various content.

<Design>

(Millions of yen)

	Q1 FY2021	Q1 FY2022	YoY growth
Revenue	99.9	152.8	53.0%

Revenue increased YoY due to the acquisition of new customers in the U.S. and additional orders from existing customers in the U.K. and the U.S.

<<Investment Business segment>>

The Investment Business segment includes corporate investments via AVF-1 (in the U.S.), which was established in 2019. AVF-1 invests based on “4D strategy” (Data, Device, Decentralized, Design), and the results of its operations on investment valuation change is booked in accordance with IFRS.

(Millions of yen)

	Q1 FY2021	Q1 FY2022	YoY growth
Investment valuation change	-1.0	60.0	-

The increase was mainly due to an increase in the valuation of space venture Space X (U.S.).

“Investment valuation change” is included in “Other Income” or “Other Expenses” in the Condensed Quarterly Consolidated Statement of Profit or Loss.

For more information on the listing of portfolio company Gorilla Technology Inc, see P.13 (Significant subsequent events).

(2) Explanation of financial position

[1] Explanation of Financial Position

(Assets)

Total assets as of June 30, 2022, were Yen 13,680.6mn, up Yen 1,085.8mn compared to March 31, 2022. This owed mainly to increase of Yen 1,104.3mn in other financial assets (mainly investment securities).

(Liabilities)

Total liabilities were Yen 3,901.2mn, up Yen 287.8mn compared to March 31, 2022. This owed mainly to decreases of Yen 248.5mn in trade and other payables against increase of Yen 236.5mn in other current liabilities and Yen 227.8mn in deferred tax liabilities.

(Equity)

Total equity was Yen 9,779.4mn, up Yen 798.0mn compared to March 31, 2022. This owed mainly to an increase of Yen 564.9mn in other equity components, Yen 155.3mn in retained earnings and 76.6 mn in non-controlling interests.

[2] Explanation of cash flows

The balance of cash and cash equivalents (hereafter "cash") as of June 30, 2022, was Yen 1,496.0mn, down Yen 320.2mn compared to March 31, 2022.

Change in each cash flow item during the period and the reasons for the changes were as follows:

(Cash flow from operating activities)

Net cash provided by operating activities was Yen 80.0mn (compared to cash created of Yen 51.1mn in the same period in FY2021). This was due mainly to the booking of Yen 388.1mn in income before income tax and a decrease of Yen 255.3mn in trade and other payables.

(Cash flow from investment activities)

Net cash used by investment activities was Yen 311.0mn (compared to cash used of Yen 110.2mn in the same period in FY2021). This owed mainly to Yen 307.2mn used for purchase of property, plant, and equipment.

(Cash flow from financial activities)

Net cash used by financial activities was Yen 121.6mn (compared to cash used of Yen 122.3mn in the same period in FY2021). This owed mainly to Yen 72.6mn used for payment of dividends and Yen 35.7mn used for repayment of long-term borrowings.

(3) Outlook for consolidated business results, etc.

Although the Group had not disclosed our earnings forecast for the fiscal year ending March 31, 2023, we have calculated and announced it based on current information and estimations.

For details, please refer to the "Notice of Revisions to Earnings Forecasts" released today.

2. Condensed Quarterly Consolidated Financial Statements and Main Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	1,816,106	1,495,955
Trade and other receivables	391,602	329,976
Inventories	4,211	—
Other financial assets	375,804	419,602
Other current assets	234,898	265,317
Total current assets	<u>2,822,621</u>	<u>2,510,850</u>
Non-current assets		
Property, plant and equipment	503,157	806,283
Goodwill	449,860	463,446
Intangible assets	94,117	108,634
Investments accounted for using the equity method	352,009	355,290
Other financial assets	8,217,730	9,278,182
Other non-current assets	155,224	157,876
Total non-current assets	<u>9,772,098</u>	<u>11,169,712</u>
Total assets	<u>12,594,718</u>	<u>13,680,562</u>

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities and Equity		
Liabilities		
Current liabilities		
Borrowings	242,800	242,800
Trade and other payables	530,308	281,765
Income taxes payable	—	108,299
Other financial liabilities	43,510	54,129
Other current liabilities	656,093	892,543
Total current liabilities	<u>1,472,711</u>	<u>1,579,536</u>
Non-current liabilities		
Provisions	9,341	9,348
Borrowings	500,200	464,500
Deferred tax liabilities	1,240,632	1,468,462
Other financial liabilities	385,824	373,929
Other non-current liabilities	4,648	5,398
Total non-current liabilities	<u>2,140,646</u>	<u>2,321,636</u>
Total liabilities	<u>3,613,357</u>	<u>3,901,173</u>
Equity		
Common stock	2,275,343	2,275,343
Capital surplus	2,457,037	2,458,292
Treasury stock	-538,012	-538,012
Other equity components	258,934	823,789
Retained earnings	3,903,237	4,058,559
Total equity attributable to owners of the parent	<u>8,356,539</u>	<u>9,077,971</u>
Non-controlling interests	<u>624,823</u>	<u>701,419</u>
Total equity	<u>8,981,362</u>	<u>9,779,389</u>
Total liabilities and equity	<u>12,594,718</u>	<u>13,680,562</u>

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

(Thousands of yen)

	Three Months ended June 30, 2021	Three Months ended June 30, 2022
Revenue	680,792	802,538
Cost of goods sales	115,978	160,633
Gross income	564,814	641,905
Selling, general and administrative expenses	501,125	630,113
Other income	27,897	65,028
Other expenses	1,587	64
Operating income	89,999	76,756
Finance income	13,147	353,737
Finance costs	1,764	42,296
Equity in earnings of affiliates (Figures in negative represent loss)	-1,328	-71
Income before income tax	100,053	388,126
Income tax expense	23,513	152,756
Net income	76,541	235,371
Attributable net income		
Net income attributable to owners of the parent	77,805	230,956
Attributable to non-controlling interests	-1,264	4,415
Net income	76,541	235,371
Earnings per share		
Basic earnings per share (Yen)	4.72	13.75
Diluted earnings per share (Yen)	4.72	13.75

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Three Months ended June 30, 2021	Three Months ended June 30, 2022
Net income	76,541	235,371
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets assessed by fair value from other comprehensive income	-43,126	154,325
Total items not transferrable to net income	-43,126	154,325
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-1,050	482,710
Total items transferrable to net income	-1,050	482,710
Total other comprehensive income	-44,177	637,036
Net comprehensive income	32,364	872,406
Attributable comprehensive net income		
Attributable to owners of the parent	34,907	795,810
Attributable to non-controlling interests	-2,543	76,596
Net comprehensive income	32,364	872,406

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

Attributable to owners of the parent

	Attributable to owners of the parent					
	Capital stock	Capital surplus	Treasury stock	Other equity components		
				Translation difference for overseas business units	Financial assets assessed by fair value from other comprehensive income	Total
Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	
Balance as of April 1, 2021	2,275,343	2,452,226	-532,437	119,415	-257,634	-138,219
Net income	—	—	—	—	—	—
Other comprehensive income	—	—	—	228	-43,126	-42,898
Total net comprehensive income	—	—	—	228	-43,126	-42,898
Dividends paid	—	—	—	—	—	—
Purchase of treasury stock	—	—	-4,971	—	—	—
Share-based payment transactions	—	-143	—	—	—	—
Transactions with non-controlling interests	—	—	—	—	—	—
Others	—	—	—	—	—	—
Change from transactions with owners	—	-143	-4,971	—	—	—
Balance as of June 30, 2021	2,275,343	2,452,083	-537,409	119,644	-300,761	-181,117

	Attributable to owners of the parent		Non-controlling interests	Total equity
	Retained earnings	Total		
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen
Balance as of April 1, 2021	1,486,814	5,543,727	177,559	5,721,286
Net income	77,805	77,805	-1,264	76,541
Other comprehensive income	—	-42,898	-1,278	-44,177
Total net comprehensive income	77,805	34,907	-2,543	32,364
Dividends paid	-75,639	-75,639	—	-75,639
Purchase of treasury stock	—	-4,971	—	-4,971
Share-based payment transactions	—	-143	—	-143
Transactions with non-controlling interests	—	—	1,106	1,106
Others	290	290	—	290
Change from transactions with owners	-75,349	-80,463	1,106	-79,357
Balance as of June 30, 2021	1,489,269	5,498,170	176,122	5,674,293

Attributable to owners of the parent

	Capital stock		Capital surplus	Treasury stock	Other equity components	
					Translation difference for overseas business units	Financial assets assessed by fair value from other comprehensive income
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen
Balance as of April 1, 2022	2,275,343	2,457,037	-538,012	414,921	-155,986	258,934
Net income	—	—	—	—	—	—
Other comprehensive income	—	—	—	410,529	154,325	564,854
Total net comprehensive income	—	—	—	410,529	154,325	564,854
Dividends paid	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—
Share-based payment transactions	—	1,255	—	—	—	—
Transactions with non-controlling interests	—	—	—	—	—	—
Others	—	—	—	—	—	—
Change from transactions with owners	—	1,255	—	—	—	—
Balance as of June 30, 2022	2,275,343	2,458,292	-538,012	825,450	-1,661	823,789

	Attributable to owners of the parent		Non-controlling interests	Total equity
	Retained earnings	Total		
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen
Balance as of April 1, 2022	3,903,237	8,356,539	624,823	8,981,362
Net income	230,956	230,956	4,415	235,371
Other comprehensive income	—	564,854	72,181	637,036
Total net comprehensive income	230,956	795,810	76,596	872,406
Dividends paid	-75,633	-75,633	—	-75,633
Purchase of treasury stock	—	—	—	—
Share-based payment transactions	—	1,255	—	1,255
Transactions with non-controlling interests	—	—	—	—
Others	—	—	—	—
Change from transactions with owners	-75,633	-74,379	—	-74,379
Balance as of June 30, 2022	4,058,559	9,077,971	701,419	9,779,389

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Three Months ended June 30, 2021	Three Months ended June 30, 2022
Cash flow from operating activities		
Income before income tax	100,053	388,126
Depreciation and amortization	56,412	31,288
Finance income	-13,147	-353,737
Finance expenses	1,764	42,296
Earnings from equity in affiliates (Figures in negative represent profit)	1,328	71
Other income	-27,897	-65,028
Other expenses	1,587	64
Change in operating receivables and other claims (Figures in negative represent increase)	-97,648	71,720
Change in operating payables and other payables (Figures in negative represent decrease)	5,959	-255,301
Others	123,546	226,669
Subtotal	151,958	86,169
Interest and dividends received	6,452	5,666
Interest paid	-2,080	-1,724
Corporate taxes paid	-105,190	-10,083
Cash flow from operating activities	51,141	80,028
Cash flow from investment activities		
Purchase of property, plant, and equipment	-1,764	-307,227
Proceeds from property, plant, and equipment sales	43	—
Purchase of Intangible assets	—	-218
Payments for investment purchases	-109,520	—
Others	1,003	-3,584
Cash flow from investment activities	-110,238	-311,029
Cash flow from financial activities		
Repayment of long-term borrowings	-35,700	-35,700
Repayment of lease liabilities	-14,310	-13,304
Dividends paid	-72,311	-72,642
Cash flow from financial activities	-122,321	-121,645
Net change in cash and cash equivalents (Figures in negative represent decrease)	-181,418	-352,646
Cash and cash equivalents at beginning of period	2,451,427	1,816,106
Effect of exchange rate changes on cash and cash equivalents	2,632	32,496
Cash and cash equivalents at end of period	2,272,641	1,495,955

- (6) Main Notes to Condensed Quarterly Consolidated Financial Statements
(Going concern assumption)
No matters to report.

(Segment Information)

(1) Overview of reportable segments

The Group's organizational structure is split into two basic components "Software Business segment" and "Investment Business segment" as reportable segments.

The "Software Business segment" is made up of the corporate software product businesses the Group has been developing since its establishment as well as the design services business provided by This Place, which was acquired in 2017. The "Investment Business segment" is focused on corporate investments via AVF-1, which was launched in 2019.

(2) Information on revenue, profits and losses, and assets by reportable segment
Q1 FY2021 (April 1, 2021- June 30, 2021)

	Reportable segment			Adjustments*1 (Thousands of yen)	Consolidated (Thousands of yen)
	Software Business (Thousands of yen)	Investment Business (Thousands of yen)	Total (Thousands of yen)		
Revenue					
Sales to external customers	680,792	—	680,792	—	680,792
Inter-segment transactions	16	6,571	6,588	-6,588	—
Total	680,809	6,571	687,380	-6,588	680,792
Segment profit (Figures in negative represent loss) *2	73,531	-10,964	62,568	125	62,693
Other income and expenses					27,306
Finance income					13,147
Finance expenses					1,764
Equity in earnings of affiliates (Figures in negative represent loss)					-1,328
Income before income tax					100,053
Other items					
Depreciation and amortization expenses	56,325	87	56,412	—	56,412

(Notes) *1 "Adjustments" indicates mainly elimination of inter-segment transactions.

*2 Segment profit calculated by deducting Cost of goods sales and Sales, general and administrative expenses from Revenue.

Q2 FY2022 (April 1, 2022- June 30, 2022)

	Reportable segment			Adjustments ^{*1}	Consolidated
	Software Business	Investment Business	Total		
	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)
Revenue					
Sales to external customers	802,538	—	802,538	—	802,538
Inter-segment transactions	19	7,784	7,803	-7,803	—
Total	802,558	7,784	810,342	-7,803	802,538
Segment profit (Figures in negative represent loss) ^{*2}	17,351	54,886	72,238	-405	71,833
Other income and expenses					4,923
Finance income					353,737
Finance expenses					42,296
Equity in earnings of affiliates (Figures in negative represent loss)					-71
Income before income tax					388,126
Other items					
Depreciation and amortization expenses	31,185	103	31,288	—	31,288

(Notes) *1 "Adjustments" indicates mainly elimination of inter-segment transactions.

*2 Segment profit (figure in negative represent loss) calculated by deducting Cost of goods sales and Sales, general and administrative expenses from Revenue. Of other income and expenses, valuation gains / losses on investments measured at fair value through profits / losses held by AVF-1 are transferred to segment profits of the Investment Business.

(Significant subsequent events)

The merger of Gorilla Technology Group Inc. ("Gorilla"), a portfolio company of Asteria Vision Fund I,L.P. (AVF-1), and Global SPAC Partners Co. was approved at their respective extraordinary general meetings of shareholders held on 13 July (U.S. time), the merger was completed and Gorilla was listed on NASDAQ in the U.S. on 14 July 2022.

(1) Listing of Gorilla

As of August 12, the Group holds approximately 9.15 million shares in Gorilla. Of these, approximately 2.07 million shares are held in an escrow account until certain conditions, such as business performance, have been met. In addition, there is a lock-up period of up to one year from the listing date (with a shorter period depending on share price conditions).

(2) Fair value measurement

The fair value of Gorilla shares was calculated based on the discounted cash flow (DCF) method while the company was unlisted, but following its listing on NASDAQ in the U.S., the fair value will be measured at market price from the end of the second quarter of the financial year.

As the shares are classified as 'financial assets at fair value through profit or loss (FVTPL)', future changes in the share price and exchange rate fluctuations of the shares may affect the Group's performance.