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August 4, 2022

(Delayed) Consolidated Financial Results for the Three Months Ended June 30, 2022 (Japanese GAAP)

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Scheduled date of file quarterly securities report:	August 8, 2022
Scheduled date to commence dividend payment:	-
Preparation of supplementary materials on quarterly financial results:	Yes
Holding of financial results briefing:	Yes For institutional investors and analysts

(Yen amounts are rounded down to the nearest millions)

1. Consolidated financial results for the Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results (cumulative)

(Percentage indicate year-on-year changes.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended										
June 30, 2022	617	7.1	130	15.2	18	171.7	19	183.0	11	248.4
June 30, 2021	577	10.5	112	△7.3	6	△48.9	6	△46.4	3	△56.5

Note: Comprehensive Income For the Three months ended June 30, 2022 11Millions of yen (248.4%)
For the Three months ended June 30, 2021 3Millions of yen (△56.5%)

Note: EBITDA (operating profit+ depreciation expenses) is disclosed as a useful comparative indicator for our group's performance.

Notes

(1) Changes in significant subsidiaries during the cumulative period of the current quarter (changes in specified subsidiaries due to changes in the scope of consolidation): None

(2) Application of accounting treatment specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatements of accounting estimates.

1) Changes in accounting policies due to changes in accounting standards, etc.: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Modification and reappearance: None

(Note) For details, please refer to Appendix P.14 "2. Quarterly Consolidated Financial Statements and Major Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)."

(3) Number of Shares Issued (Common shares)

1) Number of shares outstanding at the end of the fiscal year (including treasury shares)

As of June 30,2022	7,280,700 Shares	As of March 31,2020	7,280,700 Shares
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2) Number of treasury stock at end of period

As of June 30,2022	379,299 Shares	As of March 31,2022	379,299 Shares
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3) Average number of shares outstanding during the period

Three months ended June 30,2022	6,901,401 Shares	Three months ended June 30,2021	6,901,401 Shares
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*Quarterly Financial Results are not subject to Quarterly Review by Certified Public Accountants or Auditing Corporations.

*Explanation of appropriate use of earnings forecasts and other special notes

Supplementary materials on quarterly financial results will be disclosed by TDnet on August 4, 2022, and will be posted on our website on the same day

Table of Contents of Attachments

1. Qualitative Information on Current Quarterly Financial Results	5
(1) Earnings	5
(2) Financial position	7
(3) Outlook	8
2. Quarterly Consolidated Financial Statements and Major Notes	9
(1) Quarterly Consolidated Balance Sheets	9
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	11
Quarterly Consolidated statements of income	11
Consolidated Year-to-Date	
Quarterly Consolidated Statement of Comprehensive Income	12
Consolidated Year-to-Date	
(3) Quarterly Consolidated Statement of Cash Flows	13
(4) Notes to Quarterly Consolidated Financial Statements	14
Notes on Assumptions of Continuing Enterprises	14
Notes in Cases of Significant Changes in the Amount of Shareholders' Equity	14
Changes in Significant Subsidiaries during the Year to Date of Consolidation	14
Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements	14
Change in Accounting Policy	14

1. Qualitative Information on Current Quarterly Financial Results

(1) Earnings

In the cumulative business results for the first quarter (April 1, 2022 to June 30, 2022), Net Sales was 617,995 thousand yen (a 7.1% increase in YOY), EBITDA was 130,022 thousand yen (a 15.2% increase in YOY), Operating profit was 18,227 thousand yen (a 171.7% increase in YOY), ordinary profit was 19,717 thousand yen (a 183.0% increase in YOY), and the profit attributable to owners of parent was 11,150 thousand yen (a 248.4% increase in YOY).

Summary of Consolidated Results	Three months ended June 30, 2021	Three months ended June 30, 2022	Year-on-year period	
	(thousand yen)	(thousand yen)	Difference (thousand yen)	Rate of change (%)
Net sales	577,174	617,995	40,820	7.1
EBITDA	112,862	130,022	17,160	15.2
Operating profit	6,708	18,227	11,518	171.7
Ordinary profit	6,967	19,717	12,749	183.0
Profit attributable to owners of parent	3,200	11,150	7,950	248.4

With the aim of realizing our mission of making the real estate market better through IT, we have established a vision of becoming an information infrastructure indispensable to the real estate market. Based on this vision, we develop systems and applications to resolve various issues in the real estate business and the real estate market, and offer these systems as SaaS, a subscription-based service. Through this, we are developing businesses that support digital transformation (DX) in the real estate business.

For the first quarter of fiscal 2023 ended June 30, 2022, sales were 617,995 thousand yen (up 7.1% year-over-year), an increase of 40,820 thousand yen from the same period last year. This is because acquisition of new customers and up-selling/cross-selling to existing customers performed well.

The number of subscription customers reached 1,455 as of the end of the first quarter (1,440 in the same period of the previous year), and the ARPU (*1) in June was approximately 121,700 yen (115,700 yen in the same period of the previous year). The subscription gross profit margin (*2) for the quarter was about 59.9% (about 59.3% for the same period last year).

(*1) "the average revenue per user" Current month subscription sales is divided by the number of subscription customers for the current month, and the figures are rounded down to the nearest 100 yen.

(*2) "the subscription gross margin" The gross margin for subscription sales only.

The breakdown of net sales is as follows.

Item details	Three months ended June 30, 2021		Three months ended June 30, 2022		Year-on-year period	
	Sales (thousands of yen)	Percentage of total	Sales (thousands of yen)	Percentage of total	Difference (thousand yen)	Percentage change (%)
Subscription (Note 1)	505,322	87.6	527,028	85.3	21,705	4.3
Solution (Note 2)	71,851	12.4	90,966	14.7	19,115	26.6
Total	577,174	100.0	617,995	100.0	40,820	7.1

(Note 1). Subscription: Revenue earned continuously on a monthly basis unless customers apply for cancellation, including monthly charges for cloud and SaaS service. They are our Monthly Recurring Revenue (MRR).

(Note 2). Solutions: Revenue earned from other services, including fees for initial setting, system installation, and operation support (BPO) for cloud and SaaS service, commissioned development of system, and sale or introduction of other companies' services as an agency.

We conduct transactions denominated in US dollars with vendors that provide IaaS, which is the service infrastructure platform for operating our SaaS, and usage fees have increased due to the recent depreciation of the yen. In addition, labor costs related to development activities increased due to an increase in personnel, mainly new graduates. As a result, the cost of sales was 258,264 thousand yen (up 5.7% year-over-year).

Personnel expenses related to sales activities increased due to the expansion of marketing, sales and support activities through active hiring of new graduates. In addition, in preparation for business expansion, we are promoting a project to renovate core business systems such as sales and customer management. As a result, selling, general and administrative expenses amounted to 341,503 thousand yen (up 4.7% year-over-year).

As a result, EBITDA for the quarter was 130,022 thousand yen (up 15.2% year-over-year), an increase of 17,160 thousand yen from the same period last year. Operating income was 18,227 thousand yen (up 171.7% year-over-year), an increase of 11,518 thousand yen.

Since the Group's reporting segment is the single segment of the "Cloud Solution Business," segment performance is omitted.

(2) Financial Position

① Assets

The Assets as of the end of the first quarter were 2,106,804 thousand yen, a decrease of 80,738 thousand yen from the end of the previous consolidated fiscal year.

The Current Assets balance was 727,125 thousand yen, a decrease of 105,972 thousand yen from the end of the previous consolidated fiscal year. This is attributable to a decrease in cash and deposits of 104,712 thousand yen.

The balance of Non-Current Assets increased by 25,233 thousand yen from the end of the previous consolidated fiscal year to 1,379,678 thousand yen. The main factors behind this increase were an increase of 26,146 thousand yen in software in progress due to investments in To stir additional demand, such as the strengthening of functions related to in-house developed Cloud services.

② Liabilities

Total liabilities at the end of the first quarter were 418,709 thousand yen, a decrease of 57,381 thousand yen from the end of the previous consolidated fiscal year.

The balance of current liabilities was 415,808 thousand yen, a decrease of 57,411 thousand yen from the end of the previous consolidated fiscal year. The main factors behind the decrease were a decrease of 54,547 thousand yen in income taxes payable due to the payment of income taxes for the previous consolidated fiscal year and a decrease of 32,589 thousand yen in the allowance for bonuses due to the payment of bonuses.

The balance of long-term liabilities was 2,901 thousand yen, an increase of 30 thousand yen from the end of the previous consolidated fiscal year.

③ Net assets

The balance of net assets at the end of the first quarter of were 1,688,094 thousand yen, a decrease of 23,356 thousand yen from the end of the previous consolidated fiscal year. This is attributable to a decrease in retained earnings of 34,507 thousand yen due to the implementation of dividends and an increase of 11,150 thousand yen due to the recording of Net income attributable to the shareholders of the parent company.

④ Cash Flow

The balance of cash and cash equivalents as of the end of the first quarter of the current consolidated fiscal year was 626,932 thousand yen, a decrease of 104,712 thousand yen from the end of the previous consolidated fiscal year. Cash flows and their major factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities increased 72,359 thousand yen, (a increase 69,602 thousand yen in the same period of the previous year). Depreciation and amortization amounted to 111,795 thousand yen, Major expenditures included income tax payments of 49,266 thousand yen and bonus payments of 32,589 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities decreased 144,845 thousand yen, (a decrease 102,080 thousand yen in the same period of the previous year). The main expenditure was 143,022 thousand yen for acquisitions of intangible Non-Current Assets.

(Cash flows from financing activities)

Net cash used in financing activities decreased by 32,225 thousand yen, (a decrease 32,412 thousand yen in the same period of the previous year). Cash dividends paid amounted to 32,225 thousand yen.

(3) Outlook

Consolidated Forecast for the fiscal year ending March 31, 2023 has remained unchanged from the figures published on May 12, 2022, as the results for the first quarter of the current consolidated fiscal year are generally in line with expectations.

The Group's consolidated business outlook for the fiscal year ending March 2023 is as follows.

Net Sales:	2,653 million yen (+9.0% YOY)
Operating profit:	180 million yen (+8.9% YOY)
Ordinary profit:	180 million yen (+8.5% YOY)
Profit attributable to owners of parent:	112 million yen (+4.9% YOY)

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	731,644	626,932
Notes and accounts receivable - trade, and contract assets	48,228	20,302
Work in process	2,669	3,578
Prepaid expenses	51,066	74,185
Other	1,584	3,842
Allowance for doubtful accounts	△2,095	△1,716
Total current assets	833,097	727,125
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	55,148	55,148
Accumulated depreciation	△41,780	△42,263
Facilities attached to buildings, net	13,367	12,885
Tools, furniture and fixtures	156,489	158,313
Accumulated depreciation	△124,983	△128,306
Tools, furniture and fixtures, net	31,506	30,007
Total property, plant and equipment	44,873	42,892
Intangible assets		
Software	995,054	1,003,940
Software in progress	167,542	193,688
Total intangible assets	1,162,596	1,197,628
Investments and other assets		
Golf club membership	42,000	42,000
Leasehold and guarantee deposits	77,125	76,611
Long-term prepaid expenses	3,870	3,662
Deferred tax assets	23,978	16,882
Total investments and other assets	146,973	139,157
Total non-current assets	1,354,444	1,379,678
Total assets	2,187,542	2,106,804

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - other	77,977	102,908
Income taxes payable	60,951	6,404
Advances received	228,866	219,244
Deposits received	11,804	35,727
Provision for bonuses	45,374	12,785
Other	48,245	38,737
Total current liabilities	473,220	415,808
Non-current liabilities		
Guarantee Deposited	2,870	2,901
Total non-current liabilities	2,870	2,901
Total liabilities	476,091	418,709
Net assets		
Shareholders' equity		
Share capital	628,411	628,411
Capital surplus	718,179	718,179
Retained earnings	503,460	480,103
Treasury shares	△ 138,600	△ 138,600
Total shareholders' equity	1,711,451	1,688,094
Total net assets	1,711,451	1,688,094
Total liabilities and net assets	2,187,542	2,106,804

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Statement of Income)

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	577,174	617,995
Cost of sales	244,299	258,264
Gross profit	332,875	359,730
Selling, general and administrative expenses	326,166	341,503
Operating profit	6,708	18,227
Non-operating income		
Interest income	1	0
Commission income	306	1,640
Total non-operating income	307	1,641
Non-operating expenses		
Interest expenses	—	1
Commission expenses	49	149
Total non-operating expenses	49	151
Ordinary profit	6,967	19,717
Extraordinary losses		
Loss on retirement of non-current assets	1,086	—
Total extraordinary losses	1,086	—
Profit before income taxes	5,881	19,717
Income taxes - current	2,442	1,471
Income taxes - deferred	238	7,095
Total income taxes	2,681	8,567
Profit	3,200	11,150
Profit attributable to owners of parent	3,200	11,150

(Quarterly Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	3,200	11,150
Comprehensive income	3,200	11,150
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,200	11,150

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	5,881	19,717
Depreciation	106,153	111,795
Loss on retirement of non-current assets	1,086	—
Increase (decrease) in allowance for doubtful accounts	△121	△379
Increase (decrease) in provision for bonuses	△30,049	△32,589
Interest and dividend income	△1	△0
Interest expenses	—	1
Decrease (increase) in trade receivables	6,347	27,926
Decrease (increase) in inventories	△1,280	△908
Increase (decrease) in accounts payable - other	△3,252	22,649
Increase (decrease) in advances received	6,276	△9,621
Increase (decrease) in accrued consumption taxes	△6,664	△9,505
Increase (decrease) in guarantee deposits received	△23	30
Other, net	△6,694	△7,489
Subtotal	77,659	121,626
Interest and dividends received	1	0
Interest paid	—	△1
Income taxes paid	△8,057	△49,266
Net cash provided by (used in) operating activities	69,602	72,359
Cash flows from investing activities		
Purchase of property, plant and equipment	△175	△1,823
Purchase of intangible assets	△101,998	△143,022
Proceeds from refund of leasehold and guarantee deposits	93	—
Net cash provided by (used in) investing activities	△102,080	△144,845
Cash flows from financing activities		
Dividends paid	△32,412	△32,225
Net cash provided by (used in) financing activities	△32,412	△32,225
Effect of exchange rate change on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	△64,890	△104,712
Cash and cash equivalents at beginning of period	529,739	731,644
Cash and cash equivalents at end of period	464,849	626,932

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Assumptions of Continuing Enterprises)

There are no applicable items.

(Notes in Cases of Significant Changes in the Amount of Shareholders' Equity)

There are no applicable items.

(Changes in Significant Subsidiaries during the Year to Date of Consolidation)

There are no applicable items.

(Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements)

There are no applicable items.

(Change in Accounting Policy)

(Application of the Accounting Standard for the Calculation of Market Value)

"Guidance on Accounting Standards for Current Value Calculation" (Accounting Standards No. 31, June 17, 2021; hereinafter referred to as "Guidance on Accounting Standards for Current Value Calculation") was adopted from the beginning of the current consolidated accounting period, and new accounting policies stipulated in the Guidance on Application of Accounting Standards for Current Value Calculation are to be applied in the future in accordance with the transitional treatment stipulated in Article 27-2 of the Guidance on Application of Accounting Standards for Current Value Calculation. The application of the guidance on application of current value accounting standards has no impact on the quarterly consolidated financial statements.