

* Notes

- (1) Changes in significant subsidiaries during the six months of FYE March 31, 2023 (changes of specified subsidiaries with change of the scope of consolidation): No
(Note1) This does not correspond to a specified subsidiary, but from the July 1st of the FYE March 31, 2023, gig sales Co.,Ltd. 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 September 30, 2022: 16,154,597 shares
As of March 31, 2022: 15,937,237 shares
(ii) Number of treasury shares at end of the period
As of September 30, 2022: 173 shares
As of March 31, 2022: 173 shares
(iii) Average number of shares during the period
The six months of FYE March 2023: 16,135,506 shares
The six months of FYE March 2022: 15,524,866 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 its achievement. A variety of factors could cause actual results to differ materially from forecasts.

(Availability of earnings supplementary explanatory documents and information on earnings results briefings)

The Company plans to hold a briefing on financial results (online conference) for institutional investors and analysts on November 1, 2022 (Tuesday). The Company plans to disclose the supplementary explanatory documents used on the day of the financial results briefing via TDnet on October 31, 2022 (Monday) as well as publishing them on the Company's website.

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1. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated balance sheets

(Unit: Thousand yen)

| | As of March 31, 2022 | As of September 30, 2022 |
|---|----------------------|--------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | 2,999,148 | 3,091,778 |
| Accounts receivable – trade and contract assets | 411,868 | 661,591 |
| Operating investments in capital | 649,696 | 642,071 |
| Inventories | 15,813,956 | 15,410,804 |
| Others | 390,538 | 313,075 |
| Less - allowance for doubtful accounts | (1,196) | (1,196) |
| Total current assets | 20,264,011 | 20,118,125 |
| Non-current assets: | | |
| Property, plant and equipment | 615,358 | 535,963 |
| Intangible assets: | | |
| Software | 605,052 | 599,986 |
| Goodwill | 151,339 | 759,954 |
| Others | 29,536 | 21,261 |
| Total intangible assets | 785,929 | 1,381,202 |
| Investments and other assets | 1,250,805 | 1,190,941 |
| Total non-current assets | 2,652,093 | 3,108,108 |
| Deferred Asset | | |
| Offering expenses | 102,798 | 77,423 |
| Total deferred Assets | 102,798 | 77,423 |
| Total assets | 23,018,904 | 23,303,657 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable – trade | 119,348 | 157,536 |
| Short-term borrowings | 3,797,090 | 5,587,140 |
| Accounts payable - other | 74,182 | 99,800 |
| Accrued expenses | 398,500 | 292,923 |
| Income taxes payable | 249,743 | 258,860 |
| Accrued compensation | 169,632 | 153,822 |
| Others | 332,827 | 339,085 |
| Total current liabilities | 5,141,325 | 6,889,169 |
| Non-current liabilities: | | |
| Long-term borrowings | 7,844,000 | 5,465,821 |
| Liability for retirement benefits | 60,688 | 63,795 |
| Others | 174,557 | 124,258 |
| Total non-current liabilities | 8,079,246 | 5,653,874 |
| Total liabilities | 13,220,571 | 12,543,044 |
| NET ASSETS | | |
| Shareholders' equity: | | |
| Capital stock | 4,088,600 | 4,142,778 |
| Capital surplus | 4,088,600 | 4,142,778 |
| Retained earnings | 1,554,424 | 2,194,500 |
| Treasury stock, at cost | (1,233) | (1,233) |
| Total shareholders' equity | 9,730,392 | 10,478,824 |
| Unrealized holding losses on securities | (686) | (1,264) |
| Total accumulated other comprehensive losses | (686) | (1,264) |
| Stock acquisition rights | 68,626 | 83,601 |
| Non-controlling shareholder equity | - | 199,451 |
| Total net assets | 9,798,332 | 10,760,613 |
| Total liabilities and net assets | 23,018,904 | 23,303,657 |

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

(Unit: Thousand yen)

| | For the six months ended September 30, 2021 | For the six months ended September 30, 2022 |
|---|--|--|
| Net sales | 3,408,682 | 6,517,340 |
| Cost of sales | 1,895,108 | 3,953,078 |
| Gross profit | 1,513,574 | 2,564,262 |
| Selling, general and administrative expenses | 1,189,904 | 1,803,073 |
| Operating income | 323,670 | 761,188 |
| Non-operating income: | | |
| Interest income | 3 | 28 |
| Share of profit of entities accounted for using equity method | - | 2,964 |
| Dividend income | 149 | 203 |
| Other non-operating income | 1,069 | 1,066 |
| Total non-operating income | 1,222 | 4,263 |
| Non-operating expenses: | | |
| Interest expenses | 17,947 | 45,231 |
| Offering expenses | - | 25,825 |
| Share of losses of entities accounted for using equity method | 208 | - |
| Other non-operating expenses | 1,110 | 1,253 |
| Total non-operating expenses | 19,267 | 72,310 |
| Ordinary income | 305,625 | 693,141 |
| Extraordinary income: | | |
| Gain on step acquisitions | - | 280,841 |
| Total extraordinary income | - | 280,841 |
| Extraordinary losses: | | |
| Losses on disposals of fixed assets | - | 62,557 |
| Office relocation related losses | - | 104,266 |
| Total extraordinary losses | - | 166,824 |
| Income before income taxes | 305,625 | 807,157 |
| Income taxes: | | |
| Current | 77,574 | 214,129 |
| Deferred | 24,804 | (69,597) |
| Total income taxes | 102,378 | 144,532 |
| Net income | 203,246 | 662,625 |
| Net income attributable to non-controlling interests | - | 22,548 |
| Net income attributable to owners of the parent | 203,246 | 640,076 |

(Quarterly Consolidated statements of comprehensive income)

(Unit: Thousand yen)

| | For the six months ended September 30, 2021 | For the six months ended September 30, 2022 |
|--|--|--|
| Net income | 203,246 | 662,625 |
| Other comprehensive income: | | |
| Unrealized holding losses on securities | (343) | (578) |
| Total accumulated other comprehensive losses | (343) | (578) |
| Comprehensive income | 202,902 | 662,047 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 202,902 | 639,498 |
| Non-controlling interests | - | 22,548 |

(4) Consolidated statements of cash flows

(Unit: Thousand yen)

| | For the six months ended September 30, 2021 | For the six months ended September 30, 2022 |
|--|---|---|
| Cash flows from operating activities | | |
| Income before income taxes | 305,625 | 807,157 |
| Depreciation | 123,366 | 135,581 |
| Amortization of goodwill | 6,879 | 18,053 |
| Increase (decrease) in accrued compensation | (3,472) | (15,809) |
| Increase (decrease) in liability for retirement benefits | (3,668) | 3,106 |
| Offering expenses | - | 25,825 |
| Gain on step acquisitions | - | (280,841) |
| Losses on disposals of fixed assets | - | 62,557 |
| Office relocation related losses | - | 104,266 |
| Interest income | (3) | (3) |
| Dividend income | (149) | (203) |
| Interest expenses | 17,947 | 45,231 |
| Share of (profit) loss of entities accounted for using equity method | 208 | (2,964) |
| Decrease (increase) in accounts receivable - trade | (22,799) | - |
| Decrease (increase) in accounts receivable - trade and contract assets | - | (57,182) |
| Decrease (increase) in operating investments in capital | (553,740) | 7,624 |
| Decrease (increase) in inventories | (3,589,176) | 403,151 |
| Increase (decrease) in accounts payable - trade | (8,081) | (54,734) |
| Increase (decrease) in accounts payable - other and accrued expenses | (154,553) | (132,204) |
| Other, net | 72,042 | 145,908 |
| Subtotal | (3,809,575) | 1,214,521 |
| Interest income received | 3 | 3 |
| Dividend income received | 149 | 203 |
| Interest expenses paid | (17,947) | (45,231) |
| Income taxes paid | (273,474) | (202,111) |
| Net cash provided by (used in) operating activities | (4,100,844) | 967,386 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (4,838) | (18,871) |
| Purchase of intangible assets | (135,869) | (205,555) |
| Purchase of shares of affiliates | - | (58,500) |
| Purchase of securities | (107,500) | (30,000) |
| Proceeds for the acquisition of shares of a subsidiary with a change in the scope of consolidation | - | 351,361 |
| Expenditures for the acquisition of shares of a subsidiary with a change in the scope of consolidation | (130,545) | - |
| Other, net | (21,914) | (174,503) |
| Net cash provided by (used in) investing activities | (400,667) | (136,070) |

(Unit: Thousand yen)

| | For the six months ended September 30, 2021 | For the six months ended September 30, 2022 |
|--|---|---|
| Cash flows from financing activities | | |
| Increase in short-term borrowings | (232,000) | (411,411) |
| Proceeds from long-term borrowings | 4,051,000 | 1,518,344 |
| Repayment of long-term borrowings | (489,489) | (1,940,807) |
| Proceeds from issuance of shares | 73,026 | 66,720 |
| Other, net | (599) | (1,532) |
| Net cash provided by (used in) financing activities | 3,401,937 | (768,686) |
| Net increase (decrease) in cash and cash equivalents | (1,099,574) | 62,630 |
| Cash and cash equivalents at the beginning of the year | 2,637,195 | 2,999,148 |
| Cash and cash equivalents at the end of the year | 1,537,621 | 3,061,778 |

(3) Notes to Quarterly 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 "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, September 17, 2021. Hereafter "Guidance of Accounting Standard for Measurement of Fair Value") has been applied since the beginning of FYE March 2023, and the new accounting policy prescribed by the "Guidance of Accounting Standard for Measurement of Fair Value" is applied prospectively in accordance with the transitional treatment prescribed in paragraph 27-2 of the "Guidance of Accounting Standard for Measurement of Fair Value".

This change has no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. For the six months ended September 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 third parties | 635,655 | 2,773,027 | 3,408,682 | - | 3,408,682 |
| Inter-segment sales and transfers | 177,573 | - | 177,573 | (177,573) | - |
| Total | 813,229 | 2,773,027 | 3,586,256 | (177,573) | 3,408,682 |
| Segment profit | 344,094 | 27,154 | 371,248 | (47,578) | 323,670 |

(Notes) 1. The adjustment to segment profit of (47,578) 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 six months ended September 30, 2022

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 third parties | 1,075,390 | 5,441,949 | 6,517,340 | - | 6,517,340 |
| Inter-segment sales and transfers | 319,502 | 21,848 | 341,351 | (341,351) | - |
| Total | 1,394,893 | 5,463,798 | 6,858,691 | (341,351) | 6,517,340 |
| Segment profit | 557,630 | 279,215 | 836,845 | (75,657) | 761,188 |

(Notes) 1. The adjustment to segment profit of (75,657) 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.

2. Significant fluctuations in the amount of goodwill

In the "AI Cloud & Consulting", due to the additional acquisition of shares of gig sales Co.,Ltd. and included in the scope of the consolidation, the amount of goodwill has increased by 614,615 thousand yen. The amount of goodwill is tentatively calculated since the allocation of the acquisition cost has not been completed as of September 30, 2022.