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August 10, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4783
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 Scheduled date to file quarterly securities report: August 10, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(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	%
Three months ended								
June 30, 2023	5,774	8.8	252	20.4	258	19.7	166	18.9
June 30, 2022	5,309	16.7	210	23.9	216	22.5	140	25.8

Note: Comprehensive income For the three months ended June 30, 2023: ¥187 million [28.3%]
 For the three months ended June 30, 2022: ¥145 million [39.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2023	20.66	—
June 30, 2022	17.38	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2023	12,522	5,127	40.6
March 31, 2023	12,387	5,045	40.4

Reference: Equity
 As of June 30, 2023: ¥5,080 million
 As of March 31, 2023: ¥5,001 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	7.00	—	13.00	20.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Forecast)		16.00	—	16.00	32.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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 March 31, 2024	23,500	2.8	1,400	17.1	1,400	15.5	850	26.4	104.34

Note: Revisions to the forecast of consolidated financial results most recently announced: None

*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: Yes
- (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: None
 - (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 June 30, 2023	8,800,000 shares
As of March 31, 2023	8,800,000 shares

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

As of June 30, 2023	728,932 shares
As of March 31, 2023	728,932 shares

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

Three months ended June 30, 2023	8,071,068 shares
Three months ended June 30, 2022	8,071,068 shares

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

* Appropriate use of earnings forecasts, and other special matters

The forward-looking statements, such as the financial forecast, provided in this material are based on information currently available to the Company and certain assumptions that the Company believes are reasonable, and are not intended as a guarantee that the Company will achieve the same. In addition, actual results, including financial performance, may significantly differ due to various factors.

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1. Qualitative Information on Financial Results for the Quarter under Review

(1) Explanations for Operating Results

During the first three months of the fiscal year under review (from April 1, 2023 to June 30, 2023), the Japanese economy showed a moderate pick-up, with socioeconomic activity recovering due to the easing of various restrictions, including the lowering of the classification of COVID-19 from Class 2 to Class 5 under the Act on the Prevention of Infectious Diseases. However, the outlook is expected to remain uncertain due to concerns about the effects of the prolonged war in Ukraine, rising prices of raw materials, and rapid exchange rate fluctuations, among others.

In the information services industry, to which the Group belongs, efforts to modernize core systems (*1) and cloud migration (*2), among others, are expected to accelerate as DX makes progress. The Company's customers are also making progress in the renewal of core systems in anticipation of medium- to long-term business expansion and in the use of cloud services in response to heightened security awareness. In addition, IT investments are expected to grow in the future, as there is a movement to outsource system maintenance, operation and other works to solve the shortage of IT personnel and to work on BCP. The Group will continue to enhance its human capital by strengthening its human resource development and recruitment activities, and will work to expand the scope of existing customers and attract new customers by promoting full IT outsourcing as a key strategy under its new medium-term management plan, Vision 2026 (from fiscal year ending March 2024 to March 2026).

(*1) Replacing software and hardware that are running in the system with the latest products and designs while taking advantage of the assets in operation

(*2) Migrating the system operating environment from a physical base (on-premises environment) to a virtual base (cloud environment) on the Internet

In the bicycle-parking industry, people have more opportunities to go out due to the relaxation of various restrictions, and bicycle use has been on the rise. However, due to concerns about risks arising from the external environment, such as behavioral changes resulting from the diversification of working styles, it is necessary to shift to a business model that can respond flexibly to environmental changes and fluctuations in demand. In order to stabilize profitability, the Group will accelerate structural reforms of the business, such as further promotion of rate revisions and introduction of DX to bicycle parking operations. In addition, we will work to enhance the added value of our services by expanding the number of convenient unmanned bicycle parking lots that meet market needs and the number of next-generation bicycle parking lots that meet diverse mobility needs.

During the first three months of the fiscal year under review, sales and profit increased year on year mainly due to the expansion of business areas in the IT-related business (System Development Business, Support and Service Business) and the increase in the use of bicycle parking lots in the Parking System Business.

As a result, net sales for the first three months of the fiscal year under review were 5,774 million yen (up 8.8% year on year), operating profit was 252 million yen (up 20.4% year on year), ordinary profit was 258 million yen (up 19.7% year on year), and profit attributable to owners of parent was 166 million yen (up 18.9% year on year).

Results by segment for the first three months of the fiscal year under review are as follows.

System Development Business

Sales increased year on year mainly due to the expansion of business areas in system development projects for new products of insurance companies and core system renewal project of the client manufacturing company. On the profit side, we saw a year on year increase due to strong performance without any major unprofitable projects. As a result, net sales were 2,354 million yen (up 6.2% year on year) and segment profit was 304 million yen (up 13.7% year on year).

Support and Service Business

Sales increased year on year due to the expansion of business areas such as outsourcing projects for the information systems division of the major company and cloud-related projects for insurance companies. On the profit side, we saw a slight year-

on-year increase due to upfront costs such as personnel expenses incurred in acquiring new customers. As a result, net sales were 1,769 million yen (up 11.3% year on year) and segment profit was 153 million yen (up 0.2% year on year).

Parking System Business

As a result of the easing of various restrictions, people now have more opportunities to go out, and bicycle use has been on the rise. In addition, the effect of the rate revision has contributed, resulting in bicycle parking fee revenues exceeding the pre-COVID-19 level. As a result, sales increased year on year. Profit increased year on year as, in addition to the effect of increased sales, the profitability of the directly-operated bicycle parking lots improved mainly due to the rate revisions and efforts were made to promote insourcing of outsourced operations by using Group subsidiaries. As a result, net sales were 1,648 million yen (up 10.0% year on year) and segment profit was 230 million yen (up 44.7% year on year).

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	3,913,476	4,449,832
Notes and accounts receivable - trade, and contract assets	3,608,452	3,183,764
Securities	-	200,334
Merchandise and finished goods	150,613	194,453
Work in process	112,706	155,754
Other	794,741	782,636
Allowance for doubtful accounts	(832)	-
Total current assets	8,579,158	8,966,775
Non-current assets		
Property, plant and equipment	1,486,419	1,485,276
Intangible assets	239,082	228,989
Investments and other assets	2,082,861	1,841,708
Total non-current assets	3,808,363	3,555,974
Total assets	12,387,522	12,522,749
Liabilities		
Current liabilities		
Accounts payable - trade	1,010,312	855,150
Short-term borrowings	807,368	705,000
Accounts payable - other	277,676	1,344,018
Income taxes payable	202,865	113,552
Provision for bonuses	928,640	319,434
Provision for share-based payments	125,148	-
Other	1,533,529	1,642,785
Total current liabilities	4,885,542	4,979,940
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	46,753	49,179
Provision for share-based payments	-	6,799
Retirement benefit liability	1,224,320	1,234,178
Asset retirement obligations	205,205	208,975
Other	980,384	916,277
Total non-current liabilities	2,456,662	2,415,409
Total liabilities	7,342,205	7,395,350

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	438,750	438,750
Capital surplus	954,989	954,989
Retained earnings	3,842,025	3,903,890
Treasury shares	(269,509)	(269,509)
Total shareholders' equity	4,966,255	5,028,120
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	50,492	63,330
Foreign currency translation adjustment	1,948	2,686
Remeasurements of defined benefit plans	(17,674)	(13,256)
Total accumulated other comprehensive income	34,766	52,760
Non-controlling interests	44,295	46,518
Total net assets	5,045,317	5,127,398
Total liabilities and net assets	12,387,522	12,522,749

(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, 2022	Three months ended June 30, 2023
Net sales	5,309,439	5,774,984
Cost of sales	4,408,004	4,731,396
Gross profit	901,435	1,043,587
Selling, general and administrative expenses	691,331	790,627
Operating profit	210,103	252,959
Non-operating income		
Interest income	33	1,164
Dividend income	2,729	3,188
Rental income from buildings	3,861	4,270
Other	5,374	4,517
Total non-operating income	11,997	13,140
Non-operating expenses		
Interest expenses	5,788	6,068
Other	254	1,354
Total non-operating expenses	6,042	7,423
Ordinary profit	216,058	258,677
Profit before income taxes	216,058	258,677
Income taxes	75,190	89,665
Profit	140,867	169,012
Profit attributable to non-controlling interests	574	2,223
Profit attributable to owners of parent	140,293	166,788

Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	140,867	169,012
Other comprehensive income		
Valuation difference on available-for-sale securities	(711)	12,837
Foreign currency translation adjustment	1,584	737
Remeasurements of defined benefit plans, net of tax	3,970	4,418
Total other comprehensive income	4,843	17,993
Comprehensive income	145,710	187,005
(Breakdown)		
Comprehensive income attributable to owners of parent	145,136	184,782
Comprehensive income attributable to non-controlling interests	574	2,223

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Assumptions for Going Concerns)

Not applicable.

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

Not applicable.

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

Calculation of Tax Expense

For tax expense, the Company reasonably estimates the effective tax rate after tax effect accounting is applied to profit before income taxes for the consolidated fiscal year including the first quarter of the fiscal year under review, and calculates the tax expense by multiplying quarterly profit before income taxes or quarterly loss before income taxes by the estimated effective tax rate.

However, if the calculation of tax expense using the estimated effective tax rate leads to significantly irrational results, the statutory effective tax rate is used.