



Non-Consolidated Financial Results for the Second Quarter Ended September 30, 2023

October 25, 2023

Name of Listed Company: Bengo4.com, Inc.

Listed Stock Exchange: Tokyo Stock Exchange

Securities Code: 6027

URL <https://www.bengo4.com/corporate/>

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Scheduled date to submit quarterly report: November 14, 2023

Scheduled date to commence dividend payments: –

Preparation of supplementary materials on financial results: Yes

Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Million yen with fractional amounts rounded down)

1. Financial results for the second quarter ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Operating results (cumulative totals)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter ended								
September 30, 2023	4,945	22.2	550	48.2	555	47.3	337	44.8
September 30, 2022	4,045	27.2	371	-18.1	377	-17.9	232	-18.2

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Second quarter ended				
September 30, 2023	15.15		14.81	
September 30, 2022	10.51		10.23	

(2) Financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of						
September 30, 2023	5,803		3,532		60.2	
March 31, 2023	4,410		3,167		71.3	

Reference: Equity capital As of September 30, 2023: 3,492 million yen

As of March 31, 2023: 3,143 million yen

2. Cash dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	Yen				
Fiscal year ended March 31, 2023	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2024	–	0.00	–	–	–
Fiscal year ending March 31, 2024 (Forecast)	–	–	–	0.00	0.00

(Note) Revision to dividend forecasts published most recently: No

3. Earnings forecasts 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		Basic earnings per share	
	Million yen	%	million yen or more		million yen or more		million yen or more		yen or more	
Fiscal year ending										
March 31, 2024	10,730	23.2	1,200 million yen or more		1,200 million yen or more		740 million yen or more		33.28 yen or more	

(Note) Revisions to earnings forecasts published most recently: No

In our earnings forecasts for the fiscal year ending March 31, 2024, the Company aims to maintain positive operating profit and has a policy not to disclose concrete forecasts for all profit items from operating profit onwards, from the viewpoint that agile investment judgment responding to rapid changes in the market environment is needed.

* Notes

(1) Application of particular accounting treatment concerning preparation of quarterly financial statements: None

(2) Changes in accounting policies and changes or restatement of accounting estimates

- a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
- b. Changes in accounting policies other than a: None
- c. Change in accounting estimates: None
- d. Restatement: None

(3) Number of shares issued (common stock)

- a. Total number of shares issued at the end of the period (including treasury shares)
 - As of September 30, 2023 22,368,700 shares As of March 31, 2023 22,329,500 shares
- b. Number of treasury shares at the end of the period
 - As of September 30, 2023 101,363 shares As of March 31, 2023 101,289 shares
- c. Average number of shares during the period
 - Second quarter ended September 30, 2023 22,259,755 shares Second quarter ended September 30, 2022 22,168,912 shares

* Quarterly financial results are outside the scope of the quarterly review by certified public accountants or audit corporations.

* Proper use of earnings forecasts, and other special matters

- 1. The forward-looking statements such as earnings forecasts stated in this document are based on the information currently available to the Company and certain assumptions that the Company judges as rational. These statements are not guarantees of future performance. Actual results may differ substantially from the forecasts due to various factors. For the assumptions underlying the forecasts and precautions when using the forecasts, please refer to “1. Qualitative Information on Financial Results for the Second Quarter Ended September 30, 2023, (3) Explanation regarding earnings forecasts and other forward-looking statements” on page 3 of the supplementary materials.
- 2 As described in “2. Significant subsequent events,” the Company plans to shift to consolidated accounting from the third quarter of the current fiscal year. The Company plans to announce its consolidated earnings forecast at a later date.

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1. Qualitative Information on Financial Results for the Second Quarter Ended September 30, 2023

(1) Summary of operating results

During the first six months under review, the Japanese economy was affected by high resource prices, but economic activity continued to recover moderately with continued growth that exceeds the potential growth rate. However, the outlook remains uncertain given overseas economic and price trends, resource price trends, and corporate wages and pricing behavior.

Under the mission “Be the Professional-Tech Company,” the Company has been operating the Internet media business through portal sites such as Bengoshi.com for legal consultation and zeirishi.com for tax consultation, while also providing IT and solution services including CloudSign, a contract management platform.

As a result of the above, net sales reached 4,945 million yen, up 22.2% year on year, operating profit amounted to 550 million yen, up 48.2% year on year, ordinary profit was 555 million yen, up 47.3% year on year, and profit came to 337 million yen, up 44.8% from a year earlier.

Operating results by business segment are as follows.

(Media business)

In the Media business, the Company engages in the Internet media business through the legal consultation portal site Bengoshi.com and the tax consultation portal site zeirishi.com.

In the Bengoshi.com business, the Company focused on providing content that is helpful for users and improving usability. It also sought to increase recognition through the distribution of articles of Bengoshi.com news, an owned media channel which lawyers use to explain familiar topics from a legal perspective. Consequently, monthly site visitors decreased 30.1% year on year, to 9.86 million in September 2023. The number of registered lawyers as of the end of the second quarter under review rose 3.9% year on year, to 23,805, of which the number of lawyers with paid member subscriptions to the lawyer support service stood at 5,330 (an increase of 2.9% year on year). Meanwhile, the number of paid subscribers to Bengoshi.com paid services grew 0.4% year on year, to 188,533.

As a result, net sales increased 7.8% year on year to 2,128 million yen and segment profit decreased 10.9% year on year to 716 million yen in the first six months under review.

(IT/Solutions business)

In the IT/Solutions business, the Company provides IT and solution services including CloudSign, a contract management platform.

In the CloudSign service, the Company sought to reinforce its development and sales systems by actively recruiting human resources, while simultaneously improving usability, increasing recognition and expanding its customer base through the placement of advertisements in a range of media, among other efforts. As a result, the number of contracts transmitted increased 33.2% year on year, to 1,902,932 in the second quarter under review.

As a result, net sales and segment profit increased 36.0% and 559.0% year on year, to 2,816 million yen and 595 million yen, respectively, in the first six months under review.

(2) Summary of financial position

Total assets at the end of the second quarter under review stood at 5,803 million yen, rising 1,393 million yen from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits, investment securities, and short-term borrowings, while software in progress and accounts payable - other decreased.

(Current assets)

Current assets at the end of the second quarter under review stood at 4,225 million yen, rising 993 million yen from the end of the previous fiscal year. The main changes were increases of 755 million yen in cash and deposits, an increase of 115 million yen in accounts receivable, and an increase of 135 million yen in prepaid expenses.

(Non-current assets)

Non-current assets at the end of the second quarter under review climbed 399 million yen from the end of the previous fiscal year, to 1,577 million yen. The main changes were an increase of 173 million yen in software, and decreases of 53 million yen in software in progress and increase of 201 million yen in investment securities.

(Current liabilities)

Current liabilities at the end of the second quarter under review increased 1,027 million yen from the end of the previous fiscal year, to 2,270 million yen. This was chiefly attributable to an increase of short-term borrowings of 950 million yen from the end of the previous fiscal year, a decrease of 56 million yen in accounts payable - other, and increases of 45 million yen in accrued expenses and 83 million yen in income taxes payable.

(Net assets)

Net assets at the end of the second quarter under review stood at 3,532 million yen, rising 365 million yen from the end of the previous fiscal year. This mainly reflects an increase of 337 million yen in retained earnings.

(3) Explanation regarding earnings forecasts and other forward-looking statements

There is no change to the earnings forecasts for the fiscal year ending March 31, 2024 announced on May 12, 2023.

2. Quarterly Financial Statements and Key Notes

(1) Quarterly balance sheet

(Thousand yen)

	Previous fiscal year (As of March 31, 2023)	Second quarter under review (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	1,646,591	2,401,755
Accounts receivable	1,301,775	1,417,721
Supplies	1,210	1,179
Prepaid expenses	274,487	410,344
Accounts receivable - other	23,104	6,661
Other	24,588	31,703
Allowance for doubtful accounts	-39,474	-43,397
Total current assets	3,232,284	4,225,968
Non-current assets		
Property, plant and equipment		
Buildings, net	42,483	88,713
Tools, furniture and fixtures, net	24,780	33,732
Total property, plant and equipment	67,264	122,445
Intangible assets		
Software	639,638	813,263
Software in progress	124,998	71,911
Patent right	4,207	6,016
Trademark right	3,594	3,537
Total intangible assets	772,439	894,728
Investments and other assets		
Investment securities	0	201,630
Shares of subsidiaries and associates	49,000	49,000
Distressed receivables	19,600	24,318
Leasehold and guarantee deposits	162,985	158,106
Long-term prepaid expenses	20,466	33,644
Deferred tax assets	105,597	117,531
Allowance for doubtful accounts	-19,600	-24,318
Total investments and other assets	338,049	559,912
Total non-current assets	1,177,753	1,577,086
Total assets	4,410,037	5,803,054
Liabilities		
Current liabilities		
Short-term borrowings	—	950,000
Accounts payable - other	615,330	559,324
Accrued expenses	78,103	123,373
Income taxes payable	173,173	256,857
Accrued consumption taxes	98,919	90,140
Advances received	188,906	214,619
Deposits received	88,300	75,929
Other	—	11
Total current liabilities	1,242,734	2,270,256
Total liabilities	1,242,734	2,270,256
Net assets		
Shareholders' equity		
Share capital	454,207	460,229
Capital surplus	419,901	425,923
Retained earnings	2,770,176	3,107,444
Treasury shares	-500,556	-500,777

(Thousand yen)

	Previous fiscal year (As of March 31, 2023)	Second quarter under review (As of September 30, 2023)
Total shareholders' equity	3,143,728	3,492,819
Share acquisition rights	23,574	39,978
Total net assets	3,167,303	3,532,798
Total liabilities and net assets	4,410,037	5,803,054

(2) Quarterly statement of income
First six-month period

(Thousand yen)

	Previous second quarter (from April 1, 2022 to September 30, 2022)	Second quarter under review (from April 1, 2023 to September 30, 2023)
Net sales	4,045,582	4,945,147
Cost of sales	649,055	902,066
Gross profit	3,396,527	4,043,081
Selling, general and administrative expenses	3,025,185	3,492,890
Operating profit	371,341	550,190
Non-operating income		
Interest income	6	34
Commission income	5,909	5,837
Proceeds from miscellaneous income	184	112
Total non-operating income	6,100	5,984
Non-operating expenses		
Interest expenses	—	25
Miscellaneous losses	59	156
Total non-operating expenses	59	182
Ordinary profit	377,382	555,992
Extraordinary losses		
Loss on valuation of investment securities	3,185	—
Total extraordinary losses	3,185	—
Profit before income taxes	374,197	555,992
Income taxes - current	130,261	230,659
Income taxes - deferred	10,960	-11,934
Total income taxes	141,222	218,725
Profit	232,974	337,267

(3) Quarterly statement of cash flows

(Thousand yen)

	Previous second quarter (from April 1, 2022 to September 30, 2022)	Second quarter under review (from April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	374,197	555,992
Depreciation	129,345	200,478
Share-based payment expenses	6,333	16,430
Increase (decrease) in allowance for doubtful accounts	7,232	8,640
Interest and dividend income	-6	-34
Interest expenses	—	25
Loss (gain) on valuation of investment securities	3,185	—
Decrease (increase) in trade receivables	-73,340	-115,945
Decrease (increase) in inventories	295	31
Decrease (increase) in prepaid expenses	-83,687	-135,857
Increase (decrease) in accounts payable - other	27,068	-53,489
Increase (decrease) in accrued expenses	-14,841	45,269
Increase (decrease) in accrued consumption taxes	-119,233	-8,778
Increase (decrease) in advances received	45,132	25,712
Other, net	-21,531	-11,161
Subtotal	280,149	527,314
Interest and dividends received	6	34
Interest paid	—	-25
Income taxes paid	-437,801	-151,845
Net cash provided by (used in) operating activities	-157,644	375,476
Cash flows from investing activities		
Purchase of property, plant and equipment	-6,916	-63,885
Purchase of investment securities	—	-201,630
Purchase of intangible assets	-205,189	-316,578
Payments of leasehold deposits	—	-110
Proceeds from refund of leasehold deposits	79	95
Net cash provided by (used in) investing activities	-212,026	-582,109
Cash flows from financing activities		
Proceeds from short-term borrowings	—	950,000
Proceeds from exercise of employee share options	26,904	12,018
Proceeds from issuance of share acquisition rights	58	—
Purchase of treasury shares	-127	-220
Net cash provided by (used in) financing activities	26,834	961,797
Net increase (decrease) in cash and cash equivalents	-342,837	755,164
Cash and cash equivalents at beginning of period	1,676,476	1,646,591
Cash and cash equivalents at end of period	1,333,639	2,401,755

(4) Notes to quarterly financial statements
 (Notes on going concern assumptions)
 Not applicable.

(Notes in the case of significant changes in shareholders' equity)
 Not applicable.

(Segment information)
 [Segment information]

I. Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segments			Adjustment (Note 1)	Amount posted in the quarterly statement of income (Note 2)
	Media	IT/Solutions	Total		
Net sales					
Net sales to external customers	1,974,654	2,070,928	4,045,582	—	4,045,582
Inter-segment sales or transfers	—	—	—	—	—
Total	1,974,654	2,070,928	4,045,582	—	4,045,582
Segment profit	803,747	90,393	894,140	-522,798	371,341

(Notes) 1. The adjustment for segment profit of negative 522,798 thousand yen includes corporate expenses in the amount of negative 522,798 thousand yen not previously allocated to the reportable segments. Corporate expenses consist primarily of general and administrative expenses that are not attributable to the reporting segments.
 2. Segment profit is adjusted to be consistent with the operating profit reported in the quarterly statements of income.

II. Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segments			Adjustment (Note 1)	Amount posted in the quarterly statement of income (Note 2)
	Media	IT/Solutions	Total		
Net sales					
Net sales to external customers	2,128,610	2,816,536	4,945,147	—	4,945,147
Inter-segment sales or transfers	—	—	—	—	—
Total	2,128,610	2,816,536	4,945,147	—	4,945,147
Segment profit	716,032	595,696	1,311,729	-761,538	550,190

(Notes) 1. The adjustment for segment profit of negative 761,538 thousand yen includes corporate expenses in the amount of negative 761,538 thousand yen not previously allocated to the reportable segments. Corporate expenses consist primarily of general and administrative expenses that are not attributable to the reporting segments.
 2. Segment profit is adjusted to be consistent with the operating profit reported in the quarterly statements of income.

(Significant subsequent events)

(Business combination through acquisition)

At a meeting of the Board of Directors held on October 2, 2023, the Company resolved to acquire all of the outstanding shares of LIC CO., Ltd to make it a subsidiary, entered into a share transfer agreement on the same date and acquired the shares.

1. Outline of the business combination

(1) Name and business of acquired company

Name of acquired company: LIC CO., Ltd

Business: Development and provision of a legal precedent database named Hanreihisho

(2) Main reasons for the business combination

The Company aims to enhance corporate value over the medium to long term under its mission: “creating the next common sense with professional tech.” One of its important strategies is building the Legal Brain, Japan’s first proprietary large language model (LLM) specializing in law and using every piece of legal data as knowledge. Under this strategy, the Company is developing unprecedented legal services. The Company believes that legal precedent data provide one of the most important datasets for the Legal Brain initiative. In this context, the case data held by the Hanreihisho are carefully selected important precedents in Japan from the 1900s to the present, and their value is incalculable. The Company and LIC will work as one team to expand legal precedent database services, while growing each other’s customer base. The fusion of each company’s expertise and technologies in the legal community will enable them to develop services that add value to Hanreihisho and drive the Legal Brain initiative.

(3) Date of the business combination

October 2, 2023

(4) Legal form of the business combination

Share acquisition in exchange for cash

(5) Name of the combined entity

No change

(6) Percentage share of voting rights acquired

100%

(7) Main reason for the decision to acquire the company

Availability to the Company of the method of share acquisition in exchange for cash