

Consolidated Financial Results for the six months of the FYE March 31, 2024 (JGAAP)

October 31, 2023

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 Stock code: 2980
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Scheduled date of dividend payment: -
 Scheduled date to submit the Quarterly Report: November 14, 2023
 Earnings Supplementary Explanatory Documents: Yes
 Holding of financial results presentation meeting: Yes (for institutional investors, analysts)

(Figures of less than one million are rounded down.)

1. Consolidated Results for the six months of the FYE March 31, 2024 (April 1, 2023 – September 30, 2023)

(1) Consolidated operating results (% shows the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Quarterly Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
September 30, 2023	7,500	15.1	608	(20.1)	534	(22.9)	368	(42.5)
September 30, 2022	6,517	91.2	761	135.3	693	126.9	640	215.0

(Note) Comprehensive income: Six months ended September 30, 2023: ¥395 million (40.2%)
 Six months ended September 30, 2022: ¥662 million 226.4%

	Basic quarterly profit per share	Diluted quarterly profit per share
Six months ended	Yen	Yen
September 30, 2023	22.76	22.49
September 30, 2022	39.68	39.37

(Note) In the fiscal year ended March 31, 2023, the Company finalized the provisional accounting treatment for business combinations, and each figure for the second quarter of the fiscal year ending March 31, 2023 reflects the details of the finalization of the provisional accounting treatment.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
September 30, 2023	25,358	11,789	45.1
March 31, 2023	21,956	11,316	50.1

(Reference) Equity capital: As of September 30, 2023: ¥11,436 million As of March 31, 2023: ¥10,995 million

2. Dividends

	Annual dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2023	–	0.00	–	0.00	0.00
FYE March 31, 2024	–	0.00			
FYE March 31, 2024 (forecast)				0.00	0.00

(Note) Revision of the forecasts most recently announced: No

3. Consolidated Financial Forecasts for the FYE March 31, 2024 (April 1, 2023 to March 31, 2024)

(% shows the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	22,300	20.3	2,150	27.5	2,000	29.8	1,430	24.5	88.49

(Note) Revision of the forecasts most recently announced: No

* Notes

(1) Changes in significant subsidiaries during the six months of FYE March 31, 2024 (changes of specified subsidiaries with change of the scope of consolidation): No

(2) Adoption of accounting methods specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements

(i) Changes in accounting principles accompanying the amendment of accounting standards: None

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Number of shares outstanding at end of the period (including treasury shares)

As of September 30, 2023: 16,185,895 shares

As of March 31, 2023: 16,160,015 shares

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

As of September 30, 2023: 337 shares

As of March 31, 2023: 297 shares

(iii) Average number of shares during the period

The six months of FYE March 2024: 16,169,387 shares

The six months of FYE March 2023: 16,135,506 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 supplementary financial results materials and the contents of the financial results presentation meeting)

The Company plans to hold a briefing on financial results (online conference) for institutional investors and analysts on November 1, 2023 (Wednesday). The Company plans to disclose the supplementary explanatory documents used on the day of the financial results briefing via TDnet on October 31, 2023 (Tuesday) 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, 2023	As of September 30, 2023
ASSETS		
Current assets:		
Cash and deposits	3,837,535	1,966,235
Accounts receivable – trade and contract assets	636,267	840,556
Operating investments in capital	1,395,931	918,758
Inventories	12,200,552	17,707,176
Others	542,240	447,038
Less - allowance for doubtful accounts	(1,196)	(453)
Total current assets	18,611,330	21,879,312
Non-current assets:		
Property, plant and equipment	686,184	720,093
Intangible assets:		
Software	697,434	718,790
Goodwill	726,372	782,696
Others	15,853	12,625
Total intangible assets	1,439,661	1,514,112
Investments and other assets	1,167,638	1,219,091
Total non-current assets	3,293,484	3,453,297
Deferred Asset		
Offering expenses	51,615	25,807
Total deferred Assets	51,615	25,807
Total assets	21,956,430	25,358,417
LIABILITIES		
Current liabilities:		
Accounts payable – trade	94,322	254,628
Short-term borrowings	4,281,440	4,214,658
Accounts payable - other	243,431	75,406
Accrued expenses	557,008	515,985
Income taxes payable	324,588	188,662
Accrued compensation	177,184	177,432
Others	284,743	335,378
Total current liabilities	5,962,719	5,762,152
Non-current liabilities:		
Long-term borrowings	4,389,671	7,351,834
Liability for retirement benefits	66,782	54,735
Others	220,994	400,664
Total non-current liabilities	4,677,447	7,807,233
Total liabilities	10,640,167	13,569,386
NET ASSETS		
Shareholders' equity:		
Capital stock	4,147,654	4,182,449
Capital surplus	4,147,654	4,182,449
Retained earnings	2,702,637	3,070,317
Treasury stock, at cost	(1,733)	(1,900)
Total shareholders' equity	10,996,213	11,433,315
Unrealized holding losses on securities	(989)	2,870
Total accumulated other comprehensive losses	(989)	2,870
Stock acquisition rights	99,226	106,981
Non-controlling shareholder equity	221,811	245,862
Total net assets	11,316,263	11,789,030
Total liabilities and net assets	21,956,430	25,358,417

(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, 2022	For the six months ended September 30, 2023
Net sales	6,517,340	7,500,231
Cost of sales	3,953,078	4,486,844
Gross profit	2,564,262	3,013,387
Selling, general and administrative expenses	1,802,823	2,404,825
Operating income	761,438	608,561
Non-operating income:		
Interest income	28	7
Dividend income	203	160
Share of profit of entities accounted for using equity method	2,964	-
Insurance income	-	272
Other non-operating income	1,066	248
Total non-operating income	4,263	688
Non-operating expenses:		
Interest expenses	45,231	38,373
Share of loss of entities accounted for using equity method	-	6,349
Offering expenses	25,825	25,807
Other non-operating expenses	1,253	3,999
Total non-operating expenses	72,310	74,529
Ordinary income	693,391	534,721
Extraordinary income		
Gain on step acquisitions	280,841	-
Total extraordinary income	280,841	-
Extraordinary losses:		
Loss on sale of fixed assets	-	9,139
Losses on disposals of fixed assets	62,557	-
Office relocation related losses	104,266	-
Total extraordinary losses	166,824	9,139
Income before income taxes	807,407	525,581
Income taxes:		
Current	214,129	138,164
Deferred	(69,520)	(4,704)
Total income taxes	144,608	133,459
Net income	662,799	392,122
Net income attributable to non-controlling interests	22,548	24,050
Net income attributable to owners of the parent	640,250	368,072

(Quarterly Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net income	662,799	392,122
Other comprehensive income:		
Unrealized holding losses on securities	(578)	3,859
Total accumulated other comprehensive losses	(578)	3,859
Comprehensive income	662,220	395,982
Comprehensive income attributable to:		
Owners of the parent	639,671	371,931
Non-controlling interests	22,548	24,050

(4) Quarterly Consolidated statements of cash flows

(Unit: Thousand yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Income before income taxes	807,407	525,581
Depreciation	135,581	149,084
Amortization of goodwill	17,803	31,599
Increase (decrease) in allowance for doubtful accounts	-	(743)
Increase (decrease) in accrued compensation	(15,809)	(703)
Increase (decrease) in liability for retirement benefits	3,106	(12,047)
Interest income	(3)	(7)
Dividend income	(203)	(160)
Insurance income	-	(272)
Interest expenses	45,231	38,373
Share of (profit) loss of entities accounted for using equity method	(2,964)	6,349
Offering expenses	25,825	25,807
Gain on step acquisitions	(280,841)	-
Loss on sale of fixed assets	-	9,139
Losses on disposal of fixed assets	62,557	-
Office relocation related losses	104,266	-
Decrease (increase) in accounts receivable - trade and contract assets	(57,182)	(34,053)
Decrease (increase) in operating investments in capital	7,624	477,173
Decrease (increase) in inventories	403,151	(5,506,624)
Increase (decrease) in accounts payable - trade	(54,734)	100,483
Increase (decrease) in accounts payable - other and accrued expenses	(132,204)	(559,086)
Other, net	145,908	568,353
Subtotal	1,214,521	(4,181,754)
Interest income received	3	7
Dividend income received	203	160
Insurance income received	-	272
Interest expenses paid	(45,231)	(38,373)
Income taxes paid	(202,111)	(286,411)
Net cash used in operating activities	967,386	(4,506,098)
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,871)	(57,348)
Purchase of intangible assets	(205,555)	(153,993)
Purchase of investment securities	(30,000)	(0)
Purchase of shares of affiliates	(58,500)	-
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	-	(47,658)
Other, net	(174,503)	4,171
Net cash used in investing activities	(136,070)	(254,829)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from financing activities		
Increase(decrease) in short-term borrowings	(411,411)	104,542
Proceeds from long-term borrowings	1,518,344	5,202,544
Repayment of long-term borrowings	(1,940,807)	(2,459,545)
Proceeds from issuance of shares	66,720	12,261
Other, net	(1,532)	29,826
Net cash provided by financing activities	(768,686)	2,889,628
Net increase (decrease) in cash and cash equivalents	62,630	(1,871,299)
Cash and cash equivalents at the beginning of the year	2,999,148	3,807,535
Cash and cash equivalents at the end of the year	3,061,778	1,936,235

(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.

(Segment information, etc.)

[Segment information]

I. 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	Life & Property Solutions	Other	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	557,880	279,215	-	837,096	(75,657)	761,438

(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. (changed its name to DORIRU Co.,Ltd. on January 1, 2023) and included in the scope of the consolidation, the amount of goodwill has increased by 600,842 thousand yen. The amount of the goodwill is disclosed based on the amount after reflecting the significant revision of the initial allocation of acquisition cost due to the finalization of the provisional accounting treatment for the business combination.

II. For the six months ended September 30, 2023

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	Life & Property Solutions	Other	Total		
Net sales						
Sales to third parties	1,744,568	5,726,080	29,582	7,500,231	-	7,500,231
Inter-segment sales and transfers	389,451	75	-	389,526	(389,526)	-
Total	2,134,020	5,726,155	29,582	7,889,758	(389,526)	7,500,231
Segment profit	725,078	52,639	(80,040)	697,678	(89,116)	608,561

(Notes) 1. The adjustment to segment profit of (89,116) 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. Matters related to changes in reportable segments

Effective from the first quarter of the current fiscal year, the Company has changed its reportable segments from two segments, "AI Cloud & Consulting Business" and "Real Estate Tech Business," to three segments with the addition of "Other Businesses," in order to separate new business development in adjacent areas from each segment and to improve the resolution between existing businesses and new business development.

In addition, the name of the reportable segment that was previously "Real Estate Tech Business" was changed to "Life & Property Solutions Business" due to a change in the name of the organization, effective from the first quarter of the current fiscal year. This change is only a change in the name of the reportable segment and has no impact on segment information.

The segment information for the first half of the previous fiscal year is disclosed based on the reporting segment classification and name after the change.