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November 9, 2023

(Delayed) Consolidated Financial Results for the Six Months Ended September 30, 2023 (Japanese GAAP)

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Securities code: 3796	URL: https://www.e-seikatsu.info/
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Scheduled date of file quarterly securities report:	November 9, 2023
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 Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(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	%
Six months ended										
September 30, 2023	1,338	3.9	277	△9.7	41	△52.6	72	△18.5	45	△17.8
September 30, 2022	1,287	10.2	307	23.4	86	163.1	88	164.2	55	202.9

Note: Comprehensive Income For the Six months ended September 30, 2023 45Millions of yen (△17.8%)
For the Six months ended September 30, 2022 55Millions of yen (202.9%)

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

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	6.65	-
September 30, 2022	8.09	-

(2) Consolidated Financial Position

	Total assets	Net Assets	Equity-to-asset ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2023	2,451	1,846	75.3	267.56
As of March 31, 2023	2,357	1,835	77.9	265.90

Reference: Equity As of September 30, 2023 1,846 Millions of yen
As of March 31, 2023 1,835 Millions of yen

2.Cash dividends

	Dividend 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	-	0.00	-	5.00	5.00
Fiscal Year Ended March 31, 2024	-	0.00			
Forecast for Fiscal Year Ended March 31, 2024			-	5.00	5.00

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

3.Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Percentage indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share attributable to owners of the parent
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	2,950	9.4	300	28.1	308	30.4	204	29.3	29.63

Reference: EBITDA 785 Millions of yen (YoY +15.1%)

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

Note: Revisions to the consolidated earnings forecasts most recently announced: None.

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.: None

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

3) Changes in accounting estimates: None

4) Modification and reappearance: None

(4) Number of Shares Issued (Common shares)

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

As of September 30,2023	7,280,700 Shares	As of March 31,2023	7,280,700 Shares
As of September 30,2023	379,299 Shares	As of March 31,2023	379,299 Shares
Six months ended September 30,2023	6,901,401 Shares	Six months ended September 30,2022	6,901,401 Shares

2) Number of treasury stock at end of period

3) Average number of shares outstanding during the period

*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 November 9, 2023, and will be posted on our website on the same day

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1. Qualitative Information on Current Quarterly Financial Results

(1) Earnings

In the cumulative business results for the second quarter (April 1, 2023 to September 30, 2023), Net Sales was 1,338,502 thousand yen (a 3.9% increase in YOY), EBITDA was 277,284 thousand yen (a 9.7% decrease in YOY), operating profit was 41,192 thousand yen (a 52.6% decrease in YOY), ordinary profit was 72,463 thousand yen (a 18.5% decrease in YOY), and the profit attributable to owners of parent was 45,921 thousand yen (a 17.8% decrease in YOY).

Summary of Consolidated Results	Six months ended September 30, 2022	Six months ended September 30, 2023	Year-on-year change	
	(thousand yen)	(thousand yen)	Difference (thousand yen)	Rate of change (%)
Net sales	1,287,736	1,338,502	50,765	3.9
EBITDA	307,193	277,284	△29,909	△9.7
Operating profit	86,919	41,192	△45,726	△52.6
Ordinary profit	88,925	72,463	△16,462	△18.5
Profit attributable to owners of parent	55,849	45,921	△9,928	△17.8

With the aim of realizing our mission of "Create many 'good life' for others with technology and heart.", we have established a vision of "Create society where comfortable life circulates.". 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.

During the second quarter of the current consolidated cumulative period, the acquisition of new SaaS customers and upselling/cross-selling to existing customers, which make up subscription sales, continued to be strong. Solution sales decreased compared to the same period of the previous year, as the scale of implementation support projects that make up solution sales grew larger and their terms tended to lengthen, resulting in a shift in the scheduled timing of recording sales to the second half of the year. As a result, sales were 1,338,502 thousand yen (up 3.9% year-over-year), an increase of 50,765 thousand yen from the same period last year.

The number of subscription customers reached 1,493 as of the end of the second quarter (1,476 in the same period of the previous year), and the ARPU (*1 & *2) in September was approximately 134,400 yen (129,800 yen in the same period of the previous 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 : Recurring sales based on the operation support contract after the introduction of SaaS will be presented as "subscription sales" instead of "solution sales" from the fiscal year ending March 31, 2024. In accordance with this change, the average average revenue per user for past fiscal years has been recalculated based on the same policy.

The breakdown of net sales is as follows.

Item details	Six months ended September 30, 2022		Six months ended September 30, 2023		Year-on-year change	
	Sales (thousands of yen)	Percentage of total	Sales (thousands of yen)	Percentage of total	Difference (thousand yen)	Percentage change (%)
Subscription (Note 1)	1,100,359	85.4	1,198,523	89.5	98,163	8.9
Solution (Note 2)	187,377	14.6	139,978	10.5	△47,398	△25.3
Total	1,287,736	100.0	1,338,502	100.0	50,765	3.9

(Note 1). Subscription: Revenue earned continuously on a monthly basis unless customers apply for cancellation, including monthly charges for SaaS service and Recurring sales based on the operation support contract after the introduction of SaaS. 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 on spot, commissioned development of system, and sale or introduction of other companies' services as an agency.

(Note 3). Recurring sales based on the operation support contract after the introduction of SaaS will be presented as "subscription sales" instead of "solution sales" from the fiscal year ending March 31, 2024. In accordance with this change, Sales figures for past years have also been rearranged based on the same policy.

We conduct transactions denominated in US dollars with vendors that provide IaaS (Infrastructure as a Service), 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, Personnel, recruiting, and training expenses related to development activities increased due to investments in human capital, mainly new graduates. As a result, the cost of sales was 578,567 thousand yen (up 11.0% year-over-year).

By expanding our marketing, sales and support systems through active hiring of new graduates, investments in human capital have increased. As a result, selling, general and administrative expenses amounted to 718,742 thousand yen (up 5.8% year-over-year).

As a result, EBITDA for the quarter was 277,284 thousand yen (down 9.7% year-over-year), a decrease of 29,909 thousand yen from the same period last year. Operating profit was 41,192 thousand yen (down 52.6% year-over-year), a decrease of 45,726 thousand yen.

In addition, forward exchange contracts are used to reduce foreign exchange risks associated with transactions denominated in U.S. dollars, and the recent depreciation of the yen resulted in foreign exchange gains related to these contracts as non-operating income. As a result, ordinary profit was 72,463 thousand yen (down 18.5% year-on-year), a decrease of 16,462 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 second quarter were 2,451,263 thousand yen, an increase of 94,204 thousand yen from the end of the previous consolidated fiscal year.

The Current Assets balance was 910,772 thousand yen, a decrease of 16,940 thousand yen from the end of the previous consolidated fiscal year. This is attributable to a decrease in cash and deposits of 106,450 thousand yen.

The balance of Non-Current Assets increased by 111,144 thousand yen from the end of the previous consolidated fiscal year to 1,540,491 thousand yen. The main factors behind this increase were an increase of 74,636 thousand yen in software and an increase of 29,297 thousand yen in software in progress.

② Liabilities

Total liabilities at the end of the second quarter were 604,753 thousand yen, an increase of 82,789 thousand yen from the end of the previous consolidated fiscal year.

The balance of current liabilities was 601,943 thousand yen, an increase of 82,789 thousand yen from the end of the previous consolidated fiscal year. The main factors behind the increase were a increase of 82,799 thousand yen increase in advances received due to increased subscription sales, etc..

The balance of long-term liabilities was 2,809 thousand yen, unchanged from the end of the previous consolidated fiscal year.

③ Net assets

The balance of net assets at the end of the second quarter of were 1,846,509 thousand yen, a decrease of 11,414 thousand yen from the end of the previous consolidated fiscal year. This is attributable to an increase of 45,921 thousand yen due to the recording of Net income attributable to the shareholders of the parent company, and a decrease in retained earnings of 34,507 thousand yen due to the implementation of dividends.

④ Cash Flow

The balance of cash and cash equivalents as of the end of the second quarter of the current consolidated fiscal year was 700,521 thousand yen, a decrease of 106,450 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 was 268,842 thousand yen, (224,754 thousand yen in the same period of the previous year). The main sources of income are depreciation of 236,091 thousand yen, increase in advances received of 82,799 thousand yen, profit before income taxes of 72,463 thousand yen. The main expenditure factors were foreign exchange gains of 23,040 thousand yen, and increase in inventories of 18,704 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities was 342,571 thousand yen, (260,651 thousand yen in the same period of the previous year). The main expenditure was 334,340 thousand yen for purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 34,443 thousand yen, (34,353 thousand yen in the same period of the previous year). Cash dividends paid amounted to 34,443 thousand yen.

(3) Outlook

Consolidated Forecast for the fiscal year ending March 31, 2024 has remained unchanged from the figures published on May 11, 2023.

The Group's consolidated business outlook for the fiscal year ending March 2024 is as follows.

Net Sales:	2,950 million yen (+9.4% YOY)
Operating profit:	300 million yen (+28.1% YOY)
Ordinary profit:	308 million yen (+30.4% YOY)
Profit attributable to owners of parent:	204 million yen (+29.3% YOY)

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	806,971	700,521
Notes and accounts receivable - trade, and contract assets	58,496	73,423
Work in process	11,827	30,532
Prepaid expenses	49,114	78,465
Forward exchange contracts	1,248	22,566
Other	1,560	7,451
Allowance for doubtful accounts	△1,507	△2,190
Total current assets	927,712	910,772
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	56,565	56,565
Accumulated depreciation	△43,733	△44,739
Facilities attached to buildings, net	12,832	11,826
Tools, furniture and fixtures	167,236	160,077
Accumulated depreciation	△139,390	△132,325
Tools, furniture and fixtures, net	27,846	27,751
Construction in progress	—	424
Total property, plant and equipment	40,678	40,002
Intangible assets		
Trademark right	—	1,105
Software	1,072,452	1,147,088
Software in progress	140,318	169,616
Total intangible assets	1,212,771	1,317,810
Investments and other assets		
Golf club membership	42,000	42,000
Leasehold and guarantee deposits	74,976	73,949
Long-term prepaid expenses	33,568	35,000
Deferred tax assets	25,351	31,727
Total investments and other assets	175,896	182,677
Total non-current assets	1,429,346	1,540,491
Total assets	2,357,059	2,451,263

(Thousands of yen)

As of March 31, 2023 As of September 30, 2023

Liabilities		
Current liabilities		
Accounts payable - other	104,154	118,917
Income taxes payable	60,401	44,540
Advances received	257,320	340,119
Deposits received	12,506	14,559
Provision for bonuses	48,731	60,113
Other	36,039	23,692
Total current liabilities	519,154	601,943
Non-current liabilities		
Guarantee Deposited	2,809	2,809
Total non-current liabilities	2,809	2,809
Total liabilities	521,964	604,753
Net assets		
Shareholders' equity		
Share capital	628,411	628,411
Capital surplus	718,179	718,179
Retained earnings	627,104	638,519
Treasury shares	△ 138,600	△ 138,600
Total shareholders' equity	1,835,094	1,846,509
Total net assets	1,835,094	1,846,509
Total liabilities and net assets	2,357,059	2,451,263

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

(Quarterly Consolidated Statement of Income)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	1,287,736	1,338,502
Cost of sales	521,335	578,567
Gross profit	766,400	759,934
Selling, general and administrative expenses	679,481	718,742
Operating profit	86,919	41,192
Non-operating income		
Interest income	4	5
Foreign exchange gains	—	30,966
Commission income	1,996	322
Gain on forfeiture of unclaimed dividends	309	277
Total non-operating income	2,310	31,572
Non-operating expenses		
Interest expenses	2	0
Commission expenses	300	300
Total non-operating expenses	303	301
Ordinary profit	88,925	72,463
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	88,925	72,463
Income taxes - current	33,135	32,918
Income taxes - deferred	△59	△6,376
Total income taxes	33,075	26,541
Profit	55,849	45,921
Profit attributable to owners of parent	55,849	45,921

(Quarterly Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	55,849	45,921
Comprehensive income	55,849	45,921
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	55,849	45,921

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	88,925	72,463
Depreciation	220,274	236,091
Loss on retirement of non-current assets	0	0
Foreign exchange losses (gains)	—	△23,040
Increase (decrease) in allowance for doubtful accounts	△218	683
Increase (decrease) in provision for bonuses	4,872	11,382
Interest and dividend income	△4	△5
Interest expenses	2	0
Decrease (increase) in trade receivables	17,917	△14,927
Decrease (increase) in inventories	△11,170	△18,704
Increase (decrease) in accounts payable - other	61	14,963
Increase (decrease) in advances received	△16,251	82,799
Increase (decrease) in accrued consumption taxes	△19,306	△12,150
Increase (decrease) in guarantee deposits received	52	—
Other, net	△11,135	△31,297
Subtotal	274,019	318,257
Interest and dividends received	4	5
Interest paid	△2	△0
Income taxes paid	△49,266	△49,420
Net cash provided by (used in) operating activities	224,754	268,842
Cash flows from investing activities		
Purchase of property, plant and equipment	△2,095	△8,231
Purchase of intangible assets	△258,556	△334,340
Net cash provided by (used in) investing activities	△260,651	△342,571
Cash flows from financing activities		
Dividends paid	△34,353	△34,443
Net cash provided by (used in) financing activities	△34,353	△34,443
Effect of exchange rate change on cash and cash equivalents	—	1,722
Net increase (decrease) in cash and cash equivalents	△70,249	△106,450
Cash and cash equivalents at beginning of period	731,644	806,971
Cash and cash equivalents at end of period	661,394	700,521

(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)

There are no applicable items.