

Translation

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Summary of Consolidated Financial Results for the Fiscal Year Ended February 2024 (Based on Japanese GAAP)

April 10, 2024

Company name: baudroie inc.

Listing exchange: Tokyo Stock Exchange

Securities code: 4413

URL: <https://www.baudroie.jp/>

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Scheduled date for next ordinary general meeting of shareholders: May 23, 2024

Scheduled date for filing securities report: May 23, 2024

Scheduled date for commencing dividend payments: -

Preparation of supplementary materials on financial results: Yes

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

(Amounts are rounded down to the nearest million yen, unless otherwise noted)

1. Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (March 1, 2023 to February 29, 2024)

(1) Consolidated Operating Results

(Percentage figures represent 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	%
Fiscal year ended February 29, 2024	7,330	39.8	1,567	60.7	1,558	50.8	1,171	47.6
Fiscal year ended February 28, 2023	5,244	-	975	-	1,033	-	793	-

(Note) Comprehensive income

Fiscal year ended February 29, 2024: 1,171 million yen [47.6%]
Fiscal year ended February 28, 2023: 793 million yen [- %]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended February 29, 2024	74.09	73.37	29.7	27.1	21.4
Fiscal year ended February 28, 2023	50.55	49.63	21.4	19.8	18.6

(Reference) Share of profit (loss) of entities accounted for using equity method

Fiscal year ended February 29, 2024: - million yen Fiscal year ended February 28, 2023: - million yen

(Note) The Company conducted a one-to-two stock split of its common shares as of November 1, 2023. In accordance with this, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2023.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 29, 2024	6,259	4,197	66.9	267.32
As of February 28, 2023 (end of previous fiscal year)	5,227	3,714	71.0	234.37

(Reference) Total shareholders' equity

As of February 28, 2024: 4,188 million yen As of February 28, 2023: 3,712 million yen

(Note) The Company conducted a one-to-two stock split of its common shares as of November 1, 2023. Net assets per share is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2023.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended February 29, 2024	1,191	(331)	(534)	4,250
Fiscal year ended February 28, 2023	852	(107)	196	3,925

2. Cash Dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended February 28, 2023	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended February 29, 2024	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending February 28, 2025 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Forecast of Financial Results for the Fiscal Year Ending February 28, 2025 (from March 1, 2024 to February 28, 2025)

(Percentage figures indicate year-on-year changes)

	Net sales		Operating profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	9,900	—	2,130	—	1,540	—	98.29

(Note) Since the Company will voluntarily adopt IFRS from the first quarter of the fiscal year ending February 28, 2025, the consolidated earnings forecast is calculated based on IFRS. Therefore, the percentage change from the consolidated results for the fiscal year ended February 29, 2024, when Japanese GAAP was applied, is not shown.

* Explanatory notes

(1) Changes in significant subsidiaries during the fiscal year: No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2) Changes in accounting policies other than those in 1) above: No

3) Changes in accounting estimates: No

4) Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)

As of February 29, 2024	15,892,600 shares	As of February 28, 2023	15,841,000 shares
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2) Number of treasury shares at the end of the period

As of February 29, 2024	224,768 shares	As of February 28, 2023	190 shares
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3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Fiscal year ended February 29, 2024	15,814,710 shares	Fiscal year ended February 28, 2023	15,706,797 shares
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(Note) The Company conducted a one-to-two stock split of its common shares as of November 1, 2023. Total number of issued shares at the end of the period, number of shares of treasury stock at the end of the period, and average number of shares during the period are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2023.

(Reference) Overview of Non-consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (March 1, 2023 to February 29, 2024)

(1) Non-Consolidated Operating Results

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended February 29, 2024	6,061	25.4	1,499	56.0	1,491	48.4	1,146	46.5
Fiscal year ended February 28, 2023	4,832	23.2	961	41.4	1,004	46.1	782	44.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended February 29, 2024	72.48	71.78
Fiscal year ended February 28, 2023	49.81	48.90

(Note) The Company conducted a one-to-two stock split of its common shares as of November 1, 2023. In accordance with this, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2023.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 29, 2024 (end of current fiscal year)	5,938	4,160	69.9	264.96
As of February 28, 2023 (end of previous fiscal year)	5,100	3,703	72.6	223.63

(Reference) Total shareholders' equity

As of February 29, 2024: 4,151 million yen As of February 28, 2023: 3,700 million yen

(Note) The Company conducted a one-to-two stock split of its common shares as of November 1, 2023. Net assets per share is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2023.

* This summary of financial results is not subject to audit procedures by a public accountant or audit corporation.

* Explanation regarding appropriate use of earnings forecasts, and other notes

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Actual results, etc., may materially differ from the forecast due to various factors. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc., please refer to "1. Overview of Consolidated Results of Operations, etc.;" (4) Future Outlook" on page 2 of the Attachment.

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1. Overview of Consolidated Results of Operations, etc.

(1) Overview of Results of Operations

Forward-looking statements in this document were determined by baudroie inc. (“the Company”) as of the date of the filing of this summary of financial results.

During the fiscal year that ended February 2024 (March 1, 2023 to February 29, 2024), the Japanese economy saw progress made in the normalization of socio-economic activities due to relaxation of restrictions on activities and overseas business travel under the impact of COVID-19, among other factors, and witnessed a moderate recovery trend despite a standstill observed in some areas.

On the other hand, there is a growing concern underway about inflation for the moment due to such factors as prolonged geopolitical risks associated with the situation in Ukraine and soaring raw material and energy prices. Because of this, the outlook for the financial and capital markets as well as the economy remains uncertain.

Under such circumstances, the IT society has continued to develop, and, in line with the progress and popularization of digital technologies, the IT- and DX-related needs of companies are growing as they aim to enhance productivity and reinforce competitiveness. Accordingly, demand for IT investments is growing strongly. On these backgrounds, the Company and its group of companies (“the Group”), which conduct businesses specializing in IT infrastructure, have promoted operations by expanding and deepening the base of enterprise clients and focusing on advanced technology areas.

As a result, for the fiscal year under review, the Group posted net sales of 7,330,186 thousand yen (up 39.8%), operating profit of 1,567,382 thousand yen (up 60.7%), ordinary profit of 1,558,439 thousand yen (up 50.8%), and profit attributable to owners of parent of 1,171,690 thousand yen (up 47.6%), all on a year-on-year basis.

(2) Overview of Financial Position

(Assets)

Total assets at the end of the current fiscal year amounted to 6,259,712 thousand yen, an increase of 1,032,128 thousand yen from the end of the previous fiscal year. This was mainly attributable to an increase of 324,644 thousand yen in cash and deposits, an increase of 257,188 thousand yen in accounts receivable - trade and contract assets, and an increase of 256,308 thousand yen in goodwill.

(Liabilities)

Total liabilities at the end of the current fiscal year amounted to 2,061,866 thousand yen, an increase of 548,966 thousand yen from the end of the previous fiscal year. This was mainly attributable to an increase of 280,267 thousand yen in long-term borrowings (including current portion of long-term borrowings), an increase of 139,800 thousand yen in accrued expenses and an increase of 103,282 thousand yen in income taxes payable.

(Net assets)

Net assets at the end of the current fiscal year amounted to 4,197,845 thousand yen, an increase of 483,161 thousand yen from the end of the previous fiscal year. This was mainly attributable to retained earnings increasing by 1,171,690 thousand yen due to recording of profit attributable to owners of parent, while decreasing by 700,082 thousand yen due to purchase of treasury shares.

(3) Overview of Cash Flows

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 1,191,040 thousand yen (852,193 thousand yen in the previous fiscal year). This was mainly attributable to the recording of profit before income taxes of 1,622,010 thousand yen and increase in accrued expenses of 98,811 thousand yen, against income taxes paid of 356,754 thousand yen and increase in accounts receivable trade and contract assets of 181,250 thousand yen, among other factors.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 331,578 thousand yen (107,006 thousand yen in the previous fiscal year). This was mainly attributable to an expenditure of 256,148 thousand yen for the acquisition of shares of a subsidiary involving a change in the scope of consolidation and plant and equipment in the amount of 165,736 thousand yen.

(Cash flows from financing activities)

Funds used in financing activities amounted to 534,816 thousand yen (196,674 thousand yen earned in the previous year). This was mainly attributable to proceeds from long-term loans payable of 400,000 thousand yen and short-term loans payable of 100,000 thousand yen, while there were purchases of treasury stock of 700,082 thousand yen and repayment of long-term loans payable of 216,854 thousand yen.

(4) Future Outlook

The Company will voluntarily adopt International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending February 28, 2025, so the forecast is calculated based on IFRS.

Looking ahead, the Company expects its financial results to grow strongly, as it endeavors to expand and deepen projects for enterprise clients and in advanced technology areas by continuously increasing the ratio of specialized talents and highly specialized talents among its employees.

For the fiscal year ending February 28, 2025, the Company projects net sales of 9,900 million yen, operating profit of 2,130 million yen, and profit attributable to owners of parent of 1,540 million yen on a consolidated basis.

2. Basic view on the Selection of Accounting Standard

The Group plans to adopt International Financial Reporting Standards (IFRS) on a voluntary basis beginning in the first quarter of the fiscal year ending February 28, 2025, in order to improve the international comparability of financial information in the capital markets.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	Previous fiscal year (As of February 28, 2023)	Current fiscal year (As of February 29, 2024)
Assets		
Current assets		
Cash and deposits	3,925,835	4,250,479
Accounts receivable - trade and contract assets	731,990	989,179
Prepaid expenses	85,879	91,640
Other	3,775	5,621
Total current assets	4,747,481	5,336,920
Non-current assets		
Property, plant and equipment		
Buildings	44,447	144,760
Accumulated depreciation	(22,939)	(6,442)
Buildings, net	21,507	138,318
Tools, furniture and fixtures	12,290	42,276
Accumulated depreciation	(8,297)	(14,067)
Tools, furniture and fixtures, net	3,992	28,208
Total property, plant and equipment	25,499	166,527
Intangible assets		
Goodwill	215,484	471,792
Other	72	—
Total intangible assets	215,556	471,792
Investments and other assets		
Investment securities	3,000	3,000
Deferred tax assets	35,956	50,079
Other	200,089	231,392
Total investments and other assets	239,046	284,471
Total non-current assets	480,102	922,791
Total assets	5,227,584	6,259,712

(Thousands of yen)

	Previous fiscal year (As of February 28, 2023)	Current fiscal year (As of February 29, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	10,498	15,610
short-term borrowings	—	17,000
Current portion of bonds payable	39,000	14,000
Current portion of long-term borrowings	137,274	202,163
Accounts payable - other	57,271	63,506
Accrued expenses	463,404	603,204
Income taxes payable	227,690	330,973
Contract liabilities	-	453
Provision for bonuses	6,811	15,304
Provision for loss on order received	-	2,797
Other	186,809	211,334
Total current liabilities	1,128,758	1,476,347
Non-current liabilities		
Bonds payable	23,000	9,000
Long-term borrowings	361,141	576,519
Total non-current liabilities	384,141	585,519
Total liabilities	1,512,900	2,061,866
Net assets		
Shareholders' equity		
Share capital	599,361	601,421
Capital surplus	554,782	556,842
Retained earnings	2,558,702	3,730,393
Treasury shares	(272)	(700,355)
Total shareholders' equity	3,712,574	4,188,302
Share acquisition rights	2,109	9,543
Total net assets	3,714,683	4,197,845
Total liabilities and net assets	5,227,584	6,259,712

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Thousands of yen)

	Previous fiscal year (March 1, 2022 – February 28, 2023)	Current fiscal year (March 1, 2023 – February 29, 2024)
Net sales	5,244,343	7,330,186
Cost of sales	3,368,682	4,585,700
Gross profit	1,875,660	2,744,486
Selling, general and administrative expenses	900,256	1,177,103
Operating profit	975,404	1,567,382
Non-operating income		
Interest income	32	39
Subsidy income	62,065	2,440
Other	705	13
Total non-operating income	62,804	2,492
Non-operating expenses		
Interest expenses	3,746	7,207
Loss on investments in silent partnerships	767	354
Commission expenses	-	2,678
Other	31	1,195
Total non-operating expenses	4,545	11,435
Ordinary profit	1,033,662	1,558,439
Extraordinary income		
Surrender value of insurance policies	55,460	63,544
Gain on sale of fixed assets	-	389
Gain on reversal of asset retirement obligations	-	29,893
Total extraordinary income	55,460	93,828
Extraordinary losses		
Office relocation expenses	-	30,257
Total extraordinary losses	-	30,257
Profit before income taxes	1,089,123	1,622,010
Income taxes - current	304,743	455,584
Income taxes - deferred	(9,591)	(5,264)
Total income taxes	295,152	450,319
Profit	793,970	1,171,690
Profit attributable to owners of parent	793,970	1,171,690

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous fiscal year (March 1, 2022 – February 28, 2023)	Current fiscal year (March 1, 2023 – February 29, 2024)
Profit	793,970	1,171,690
Comprehensive income	793,970	1,171,690
Comprehensive income attributable to Comprehensive income attributable to owners of parent	793,970	1,171,690

(3) Consolidated Statements of Changes in Equity

Previous fiscal year (March 1, 2022 to February 28, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	592,800	548,221	1,764,732	-	2,905,753
Changes of items during period					
Issuance of new shares (Exercise of share acquisition rights)	6,561	6,561			13,122
Profit attributable to owners of parent			793,970		793,970
Purchase of treasury shares				(272)	(272)
Net changes in items other than shareholders' equity					
Total changes during period	6,561	6,561	793,970	(272)	806,820
Balance at end of period	599,361	554,782	2,558,702	(272)	3,712,574

	Share acquisition rights	Total net assets
Balance at beginning of period	-	2,905,753
Changes of items during period		
Issuance of new shares (Exercise of share acquisition rights)		13,122
Profit attributable to owners of parent		793,970
Purchase of treasury shares		(272)
Net changes in items other than shareholders' equity	2,109	2,109
Total changes during period	2,109	808,930
Balance at end of period	2,109	3,714,683

Current fiscal year (March 1, 2023 to February 29, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	599,361	554,782	2,558,702	(272)	3,712,574
Changes of items during period					
Issuance of new shares (Exercise of share acquisition rights)	2,059	2,059			4,119
Profit attributable to owners of parent			1,171,690		1,171,690
Purchase of treasury shares				(700,082)	(700,082)
Net changes in items other than shareholders' equity					
Total changes during period	2,059	2,059	1,171,690	(700,082)	475,727
Balance at end of period	601,421	556,842	3,730,393	(700,355)	4,188,302

	Share acquisition rights	Total net assets
Balance at beginning of period	2,109	3,714,683
Changes of items during period		
Issuance of new shares (Exercise of share acquisition rights)		4,119
Profit attributable to owners of parent		1,171,690
Purchase of treasury shares		△700,082
Net changes in items other than shareholders' equity	7,433	7,433
Total changes during period	7,433	483,161
Balance at end of period	9,543	4,197,845

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year (March 1, 2022 – February 28, 2023)	Current fiscal year (March 1, 2023 – February 29, 2024)
Cash flows from operating activities		
Profit before income taxes	1,089,123	1,622,010
Surrender value of insurance policies	(55,460)	(63,544)
Subsidy income	(62,065)	(2,440)
Depreciation	16,949	14,919
Amortization of goodwill	25,056	65,864
Share-based payment expenses	2,109	7,433
Increase (decrease) in allowance for doubtful accounts	(1,891)	-
Increase (decrease) in provision for bonuses	1,111	939
Increase (decrease) in provision for loss on orders received	(769)	2,797
Interest income	(32)	(39)
Interest expenses	3,746	7,207
Gain on reversal of asset retirement obligations	-	(29,893)
Gain on sale of fixed assets	-	(389)
Loss on retirement of fixed assets	-	74
Office relocation expenses	-	30,257
Loss (gain) on investments in silent partnerships	767	354
Decrease (increase) in accounts receivable and contract assets	(173,124)	(181,250)
Decrease (increase) in inventories	16,910	-
Decrease (increase) in prepaid expenses	17,057	(4,733)
Increase (decrease) in trade payables	61	3,716
Increase (decrease) in accounts payable - other	13,895	698
Increase (decrease) in accrued expenses	75,832	98,811
Other, net	47,867	3,322
Subtotal	1,017,143	1,576,431
Interest and dividends received	32	39
Interest paid	(3,746)	(7,207)
Subsidies received	62,065	2,440
Amount paid for office relocation expenses	-	(23,908)
Income taxes paid	(223,301)	(356,754)
Net cash provided by (used in) operating activities	852,193	1,191,040
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,066)	(165,736)
Proceeds from sale of property, plant and equipment	-	18,153
Payments of leasehold and guarantee deposits	(511)	(150,562)
Proceeds from refund of leasehold and guarantee deposits	765	91,822
Purchase of insurance funds	(2,294)	-
Proceeds from cancellation of insurance funds	101,500	130,830
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(203,242)	(256,148)
Other, net	(157)	63
Net cash provided by (used in) investing activities	(107,006)	(331,578)

	Previous fiscal year (March 1, 2022 – February 28, 2023)	(Thousands of yen) Current fiscal year (March 1, 2023 – February 29, 2024)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	100,000
Repayments of short-term borrowings	—	(83,000)
Proceeds from long-term borrowings	400,000	400,000
Repayments of long-term borrowings	(174,175)	(216,854)
Redemption of bonds	(42,000)	(39,000)
Purchase of treasury shares	(272)	(700,082)
Proceeds from exercise of employee share options	11,056	4,119
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,066	—
Net cash provided by (used in) financing activities	<u>196,674</u>	<u>(534,816)</u>
Net increase (decrease) in cash and cash equivalents	<u>941,861</u>	<u>324,644</u>
Cash and cash equivalents at the beginning of period	<u>2,983,973</u>	<u>3,925,835</u>
Cash and cash equivalents at the end of period	<u>3,925,835</u>	<u>4,250,479</u>

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in the Amounts of Shareholder's Equity)

The Company purchased 224,500 treasury shares based on the resolution made at the Board of Directors' meeting held on October 25, 2023. As a result, its treasury shares increased by 699,815 thousand yen in the current fiscal year, amounting to 700,355 thousand yen at the end of the said fiscal year.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Guidance No. 31, issued on June 17, 2021; the "Implementation Guidance") from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance, the new accounting policy stipulated by the Implementation Guidance is to be applied prospectively. Note that the application has not affected the quarterly consolidated financial statements.

(Segment Information, Etc.)

[Segment information]

The information is omitted as the Group has a single operating segment engaged only in the IT infrastructure business and the information lacks materiality.

(Per-share information)

	Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)	Fiscal year ended February 29, 2024 (From March 1, 2023 to February 29, 2024)
Net assets per share	¥234.37	¥267.32
Basic earnings per share	¥50.55	¥74.09
Diluted earnings per share	¥49.63	¥73.37

(Note) 1 The Company conducted a one-to-two stock split of its common shares as of November 1, 2023. In accordance with this, net assets per share, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2023.

2 The basis for calculating basic earnings per share and diluted earnings per share is as follows.

	Fiscal year ended February 28, 2023(From March 1,2022 to February 28, 2023)	Fiscal year ended February 29, 2024(From March 1,2023 to February 29, 2024)
(1) Basic earnings per share		
(The basis for calculating)		
Profit attributable to owners of parent (Thousands of yen)	793,970	1,171,690
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent on common stock (Thousands of yen)	793,970	1,171,690
Average number of shares of common stock during the period (shares)	15,706,692	15,814,710
(2) Diluted earnings per share		
(The basis for calculating)		
Adjusted profit attributable to owners of parent (Thousands of yen)	—	—
Increase in common stock (shares)	291,148	154,860
(Of which, share acquisition rights [shares])	(291,148)	(154,860)
Potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect	The 4th series of stock acquisition rights Number of stock acquisition rights:168 common shares:33,600shares	—

(Significant Subsequent Events)

(Share Acquisition and Simplified Share Exchange for Full Ownership of a Company)

At the Board of Directors' meeting held on March 6, 2024, the Company resolved to acquire a part of the outstanding shares of FunClock Inc. (headquartered in Minato Ward, Tokyo; hereinafter "FunClock"), a company engaged in testing, verification, quality control and other services (the "Share Acquisition"), and subsequently conduct a simplified share exchange with the Company as the wholly-owning parent company in share exchange and FunClock as a wholly owned subsidiary in share exchange (the "Share Exchange"). The Company concluded a share transfer agreement and a share exchange agreement as of the same date. The Share Exchange will be conducted through a simplified share exchange procedure that does not require approval at a general meeting of shareholders of the Company, pursuant to Article 796, Paragraph 2 of the Companies Act.

1. Overview of the Share Acquisition and Share Exchange

(1) Name and description of business of the acquired company

Name of the acquired company: FunClock Inc.
Description of business: Testing, verification, quality control and other services

(2) Main reason for conducting business combination

The Company and its subsidiaries (the "Group") conduct business within the IT infrastructure field, with a main focus on advanced technology areas.

FunClock is a company with strengths in the testing area.

Currently, the Company's specialized and highly specialized talents are responsible for everything from planning and proposals to the operational phase, but the Company has decided to acquire FunClock as a wholly owned subsidiary in order to improve the efficiency of our services by applying FunClock's knowledge and resources to the testing and verification of our IT infrastructure.

(3) Date of business combination

Share acquisition date: March 7, 2024
Share exchange date: March 28, 2024

(4) Legal format of business combination

Share acquisition, and share exchange with the Company as the wholly-owning parent company in the share exchange and FunClock as a wholly owned subsidiary in the share exchange

(5) Company name after business combination

No change is made.

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately before the business combination	- %
Percentage of voting rights acquired with cash consideration	55.0%
Percentage of voting rights acquired through share exchange	45.0%
Percentage of voting rights after acquisition	100.0%

2. Acquisition cost of the acquired company and components of consideration by type

Consideration paid for the acquisition (cash):	385,000 thousand yen
Consideration paid for the acquisition (treasury shares):	385,992 thousand yen
Acquisition cost:	770,992 thousand yen

3. Details of allotments in connection with the Share Exchange

	The Company (wholly-owning parent company in the share exchange)	FunClock (wholly owned subsidiary in the share exchange)
Percentage of allotments in connection with the Share Exchange (Share exchange ratio)	1	110.6797
Number of shares to be delivered upon the Share Exchange	99,610 shares of the common stock of the Company	

- (Notes) 1. The Company will allot and deliver 110.6797 shares of its common stock for each share of FunClock common stock (excluding the shares of FunClock common stock held by the Company as of the effective date of the share exchange).
2. All of the Company's shares delivered through the Share Exchange are allocated from the treasury shares held by the Company.

4. Description and amount of major acquisition-related expenses

Due diligence expenses, etc.: 2,200 thousand yen

5. Goodwill generated by acquisition, reason, amortization method and period

Not yet finalized at this point in time.