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July 27, 2023

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

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 Listing: Tokyo Stock Exchange
 Securities code: 4373
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 Scheduled date to file Quarterly Securities Report: July 27, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

(Amounts less than a million yen are rounded off to the nearest million yen.)

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.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	9,404	16.9	1,708	27.5	1,693	29.7	1,141	28.1
June 30, 2022	8,048	2.1	1,340	(27.2)	1,305	(27.3)	890	(22.1)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended June 30, 2023	1,141	28.1	1,069	13.9	19.90	19.07
June 30, 2022	890	(22.0)	938	(13.1)	16.02	14.98

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
June 30, 2023	70,289	41,695	41,695	59.3	726.12
March 31, 2023	70,266	41,984	41,984	59.7	733.34

2. Cash dividends

	Annual dividends per share				
	Q1-end	Q2-end	Q3-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	0.00	—	25.00	25.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Forecast)		0.00	—	30.00	30.00

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.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months	19,350	14.7	3,627	8.3	3,565	9.0	2,435	10.3	2,435	10.3	42.42
Fiscal year	40,000	14.5	8,800	18.1	8,667	18.8	5,920	9.0	5,920	9.0	102.64

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) Changes in accounting policies and changes in accounting estimates
 - (i) Changes in accounting policies required by IFRS: Yes
 - (ii) Changes in accounting policies due to reasons other than (i) above: None
 - (iii) Changes in accounting estimates: None
- (3) Number of shares issued (ordinary shares)

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

As of June 30, 2023	57,421,525 shares
As of March 31, 2023	57,250,675 shares

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

As of June 30, 2023	113 shares
As of March 31, 2023	113 shares

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

Three months ended June 30, 2023	57,317,023 shares
Three months ended June 30, 2022	55,554,744 shares

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

*** Proper use of earnings forecast, and other special matters**

We calculated basic earnings per share for the first six months and fiscal year specified in the forecast of consolidated financial results for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024) based on the assumption that the average number of shares outstanding during the period will increase by 146,667 shares for the first six months and by 424,768 shares for the fiscal year from the total number of shares issued as of March 31, 2023 (excluding treasury shares) through the exercise of share acquisition rights.

The forward-looking statements including earnings forecast contained in this document are based on information currently available to us and certain assumptions that we believe to be reasonable. Accordingly, the Company does not guarantee the achievement of the forecast, and the actual results may differ materially due to various factors.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Operating results

Operating results for the three months ended June 30, 2023 (the period under review) are summarized as follows:

Revenue	9,404 million yen	(up 16.9% year-on-year)
Operating profit	1,708 million yen	(up 27.5% year-on-year)
Profit before tax	1,693 million yen	(up 29.7% year-on-year)
Profit attributable to owners of parent	1,141 million yen	(up 28.1% year-on-year)

Matters worthy of note with respect to earnings for the period under review are as follows:

- i) Revenue reached a record high of 9,404 million yen (up 16.9% from 8,048 million yen for the same period last year), driven by strong sales in System Integration and Operation Service and new contracts won by Strategy/DX Consulting.

Gross profit increased year-on-year to 4,154 million yen (up 23.7% from 3,357 million yen for the same period last year), significantly exceeding the results for the same period last year, with the gross profit margin of 44.2% (compared with 41.7% for the same period last year).

Selling, general and administrative expenses increased year-on-year to 1,915 million yen (up 25.0% from 1,532 million yen for the same period last year) due primarily to higher personnel expenses resulting from the increase in new graduate employees and increased costs for measures, such as enhancement of training. Research and development expenses increased year-on-year to 390 million yen (up 15.0% from 339 million yen for the same period last year).

In addition, we recognized 112 million yen in amortization of identifiable assets (unchanged year-on-year), 1 million yen in other income, and 30 million yen in other expenses.

As a result, operating profit amounted to 1,708 million yen (up 27.5% from 1,340 million yen for the same period last year), and the operating profit margin came in at 18.2% (compared with 16.7% for the same period last year). Profit before tax increased year-on-year to 1,693 million yen (up 29.7% from 1,305 million yen for the same period last year), with 23 million yen, 40 million yen, and 2 million yen recognized as finance income, finance costs, and share of profit of investments accounted for using equity method, respectively.

Income tax expense amounted to 552 million yen (compared with 414 million yen for the same period last year) and profit attributable to owners of parent increased year-on-year to 1,141 million yen (up 28.1% from 890 million yen for the same period last year).

- ii) By service category, revenue from Strategy/DX Consulting amounted to 809 million yen, (compared with 400 million yen for the same period last year), significantly exceeding the results for the same period last year, with the gross profit margin of 46.5% (compared with 44.3% for the same period last year), exceeding the results for the same period last year.

Revenue from System Integration amounted to 5,590 million yen (compared with 4,956 million yen for the same period last year), and the gross profit margin increased to 45.1% (compared with 42.3% for the same period last year).

Revenue from Operation Service amounted to 3,002 million yen (compared with 2,688 million yen for the same period last year), and the gross profit margin was 41.8% (compared with 40.2% for the same period last year), both having increased year-on-year.

(Reference)

Breakdown of revenue by service category

(Millions of yen, unless otherwise indicated)

	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)			Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)			
	Revenue	Percentage of total revenue (%)	Gross profit margin (%)	Revenue	Percentage of total revenue (%)	Gross profit margin (%)	YoY change
Strategy/DX Consulting	400	5.0	44.3	809	8.6	46.5	409
System Integration	4,956	61.6	42.3	5,590	59.4	45.1	633
Operation Service	2,688	33.4	40.2	3,002	31.9	41.8	314
Other	3	0.0	100.0	3	0.0	100.0	(0)
Total	8,048	100.0	41.7	9,404	100.0	44.2	1,356

(2) Financial position

(Assets)

As of the end of the period under review, total assets amounted to 70,289 million yen (up 23 million yen from the end of the previous fiscal year). This is primarily attributable to an increase in right-of-use asset of 853 million yen as a result of office relocation and space expansion, which was partially offset by a decrease in cash and cash equivalents of 891 million yen, mainly due to payments of bonuses and income taxes.

(Liabilities)

As of the end of the period under review, total liabilities amounted to 28,595 million yen (up 312 million yen from the end of the previous fiscal year). This is primarily attributable to increases in lease liabilities of 866 million yen due to an increase in right-of-use asset, as well as in other current liabilities of 613 million yen, which was partially offset by a decrease in provisions of 1,255 million yen due to bonus payments.

(Equity)

As of the end of the period under review, total equity amounted to 41,695 million yen (down 289 million yen from the end of the previous fiscal year) and the ratio of equity attributable to owners of parent came in at 59.3% (compared with 59.7% as of the end of the previous fiscal year).

(3) Cash flows

Cash and cash equivalents (“net cash”) as of the end of the period under review amounted to 11,941 million yen (up 2,328 million yen year-on-year). The status of cash flows and reasons for changes during the three months ended June 30, 2023 are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 1,084 million yen (compared with 2,307 million yen used for the same period last year). This is primarily attributable to an increase in cash flow resulting from the recording of profit before tax of 1,693 million yen and a decrease in trade and other receivables of 820 million yen due to the collection of payment for large projects, and a decrease in cash flow resulting from a decrease in provisions of 1,255 million yen due to bonus payments.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 275 million yen (compared with 471 million yen used for the same period last year). This is primarily attributable to payments of leasehold and guarantee deposits of 223 million yen resulting from office relocation and space expansion, and purchase of property, plant and equipment of 51 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 1,710 million yen (compared with 1,587 million yen used for the same period last year). This is primarily attributable to cash dividends paid of 1,431 million yen and repayments of lease liabilities of 354 million yen.

(4) Forward-looking information including consolidated earnings forecast

The consolidated earnings forecast announced on April 27, 2023 has remained unchanged. We will aim to achieve the published numerical targets by consistently implementing our management strategies.

2. Quarterly Condensed Consolidated Financial Statements and Major Notes**(1) Quarterly condensed consolidated statements of financial position**

(Millions of yen)

	Previous fiscal year (as of March 31, 2023)	Current quarter (as of June 30, 2023)
Assets		
Current assets		
Cash and cash equivalents	12,832	11,941
Trade and other receivables	8,820	8,000
Inventories	17	32
Other current assets	1,245	2,083
Total current assets	22,915	22,057
Non-current assets		
Property, plant and equipment	978	926
Right-of-use assets	3,327	4,179
Goodwill	36,476	36,476
Intangible assets	721	579
Investments accounted for using equity method	98	100
Other financial assets	4,465	4,572
Deferred tax assets	953	1,043
Other non-current assets	333	357
Total non-current assets	47,351	48,232
Total assets	70,266	70,289
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	2,335	2,664
Borrowings	1,140	1,140
Lease liabilities	1,249	1,597
Other financial liabilities	1	25
Income taxes payable	911	634
Provisions	2,610	1,283
Other current liabilities	956	1,569
Total current liabilities	9,203	8,913
Non-current liabilities		
Borrowings	16,858	16,870
Lease liabilities	2,009	2,526
Provisions	213	285
Total non-current liabilities	19,080	19,681
Total liabilities	28,282	28,595
Equity		
Share capital	1,013	1,051
Capital surplus	26,903	26,959
Retained earnings	13,587	13,296
Treasury shares	(0)	(0)
Other components of equity	481	388
Total equity attributable to owners of parent	41,984	41,695
Total equity	41,984	41,695
Total liabilities and equity	70,266	70,289

(2) Quarterly condensed consolidated statements of profit or loss and quarterly condensed consolidated statements of comprehensive income

Quarterly condensed consolidated statements of profit or loss

(Millions of yen)

	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)
Revenue	8,048	9,404
Cost of sales	(4,691)	(5,251)
Gross profit	3,357	4,154
Amortization of identifiable assets	(112)	(112)
Selling, general and administrative expenses	(1,532)	(1,915)
Research and development expenses	(339)	(390)
Other income	3	1
Other expenses	(37)	(30)
Operating profit	1,340	1,708
Finance income	7	23
Finance costs	(43)	(40)
Share of profit of investments accounted for using equity method	—	2
Profit before tax	1,305	1,693
Income tax expense	(414)	(552)
Profit	890	1,141
Profit attributable to:		
Owners of parent	890	1,141
Profit	890	1,141
Earnings per share		
Basic earnings per share (Yen)	16.02	19.90
Diluted earnings per share (Yen)	14.98	19.07

Quarterly condensed consolidated statements of comprehensive income

(Millions of yen)

	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)
Profit	890	1,141
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	35	(80)
Total of items that will not be reclassified to profit or loss	35	(80)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	13	8
Total of items that may be reclassified to profit or loss	13	8
Other comprehensive income, net of tax	48	(72)
Comprehensive income	938	1,069
Comprehensive income attributable to:		
Owners of parent	938	1,069
Comprehensive income	938	1,069

(3) Quarterly condensed consolidated statements of changes in equity
Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(Millions of yen)

	Equity attributable to owners of parent				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity
					Share acquisition rights
Balance at April 1, 2022	814	26,622	9,431	(0)	360
Profit	—	—	890	—	—
Other comprehensive income	—	—	—	—	—
Comprehensive income	—	—	890	—	—
Exercise and forfeiture of share acquisition rights	22	34	—	—	(12)
Dividends	—	—	(1,277)	—	—
Share-based payment transactions	—	—	—	—	(1)
Total transactions with owners	22	34	(1,277)	—	(14)
Balance at June 30, 2022	835	26,656	9,045	(0)	347

	Equity attributable to owners of parent			
	Other components of equity			Total
	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Total	
Balance at April 1, 2022	16	50	427	37,294
Profit	—	—	—	890
Other comprehensive income	13	35	48	48
Comprehensive income	13	35	48	938
Exercise and forfeiture of share acquisition rights	—	—	(12)	43
Dividends	—	—	—	(1,277)
Share-based payment transactions	—	—	(1)	(1)
Total transactions with owners	—	—	(14)	(1,235)
Balance at June 30, 2022	29	85	461	36,997

Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(Millions of yen)

	Equity attributable to owners of parent				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity
					Share acquisition rights
Balance at April 1, 2023	1,013	26,903	13,587	(0)	313
Profit	–	–	1,141	–	–
Other comprehensive income	–	–	–	–	–
Comprehensive income	–	–	1,141	–	–
Exercise and forfeiture of share acquisition rights	38	56	–	–	(18)
Dividends	–	–	(1,431)	–	–
Share-based payment transactions	–	–	–	–	(3)
Total transactions with owners	38	56	(1,431)	–	(21)
Balance at June 30, 2023	1,051	26,959	13,296	(0)	292

	Equity attributable to owners of parent			
	Other components of equity			Total
	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Total	
Balance at April 1, 2023	25	143	481	41,984
Profit	–	–	–	1,141
Other comprehensive income	8	(80)	(72)	(72)
Comprehensive income	8	(80)	(72)	1,069
Exercise and forfeiture of share acquisition rights	–	–	(18)	76
Dividends	–	–	–	(1,431)
Share-based payment transactions	–	–	(3)	(3)
Total transactions with owners	–	–	(21)	(1,358)
Balance at June 30, 2023	33	64	388	41,695

(4) Quarterly condensed consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)
Cash flows from operating activities		
Profit before tax	1,305	1,693
Depreciation and amortization	140	156
Amortization of identifiable assets	112	112
Amortization of right-of-use assets	345	366
Finance income	(7)	(23)
Finance costs	43	40
Share of loss (profit) of investments accounted for using equity method	-	(2)
Decrease (increase) in trade and other receivables	(749)	820
Decrease (increase) in inventories	(46)	(15)
Increase (decrease) in trade and other payables	310	329
Increase (decrease) in provisions	(1,883)	(1,255)
Decrease (increase) in other current assets	(706)	(838)
Increase (decrease) in other current liabilities	191	613
Other	121	(9)
Subtotal	(825)	1,987
Interest and dividends received	7	23
Interest paid	(4)	(3)
Income taxes paid	(1,484)	(923)
Net cash provided by (used in) operating activities	(2,307)	1,084
Cash flows from investing activities		
Purchase of property, plant and equipment	(156)	(51)
Purchase of intangible assets	(15)	-
Purchase of investment securities	(300)	-
Payments of leasehold and guarantee deposits	-	(223)
Net cash provided by (used in) investing activities	(471)	(275)
Cash flows from financing activities		
Repayments of lease liabilities	(354)	(354)
Proceeds from exercise of share acquisition rights	43	76
Cash dividends paid	(1,277)	(1,431)
Net cash provided by (used in) financing activities	(1,587)	(1,710)
Net increase (decrease) in cash and cash equivalents	(4,365)	(900)
Cash and cash equivalents at beginning of period	13,966	12,832
Effect of exchange rate changes on cash and cash equivalents	12	9
Cash and cash equivalents at end of period	9,613	11,941

(5) Notes to quarterly condensed consolidated financial statements

(Going concern assumption)

Not applicable

(Changes in accounting policies)

The Group's significant accounting policies applied in these quarterly condensed consolidated financial statements are the same as those for the previous fiscal year except for IAS 12 *Income Taxes* (clarification of accounting for deferred tax related to assets and liabilities arising from a single transaction). These accounting policies have no material impact on the Group's quarterly condensed consolidated financial statements.

(Segment information)

(1) Overview of reportable segments

The Group's business consists mainly of providing IT solutions related to system consulting, system development, and system operation and maintenance for success of our clients. Because there are no separate segments into which the business should be classified, there is only one reportable segment.

(2) Information concerning revenue and gross profit by service category

Our services are categorized into Strategy/DX Consulting, System Integration, and Operation Service. Revenue and gross profit from each of these services are as follows:

Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022) (Millions of yen)

	Service category				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	400	4,956	2,688	8,045	3	8,048
Gross profit	177	2,097	1,080	3,354	3	3,357

Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023) (Millions of yen)

	Service category				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	809	5,590	3,002	9,401	3	9,404
Gross profit	377	2,519	1,256	4,151	3	4,154

* System Integration includes system engineering and other services.

Operation Service includes operation and maintenance, common interests services, and licensing.

Other consists primarily of the sale of goods, such as hardware and middleware.