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February 9, 2024

Consolidated Financial Results for the Six Months Ended December 31, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 3655
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 Scheduled date to file quarterly securities report: February 9, 2024
 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 analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended December 31, 2023 (from July 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate 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	%
Six months ended								
December 31, 2023	5,144	8.7	616	45.9	656	38.7	410	27.2
December 31, 2022	4,731	-	422	-	473	-	322	-

Note: Comprehensive income For the six months ended December 31, 2023: ¥412 million [34.4%]
 For the six months ended December 31, 2022: ¥306 million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2023	19.09	-
December 31, 2022	14.83	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	6,808	5,235	76.9
December 31, 2022	6,516	4,895	75.1

Reference: Equity
 As of December 31, 2023: ¥5,235 million
 As of December 31, 2022: ¥4,895 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	-	0.00	-	8.00	8.00
Fiscal year ending June 30, 2024	-	0.00			
Fiscal year ending June 30, 2024 (Forecast)			-	8.00	8.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending June 30, 2024 (July 1, 2023 - June 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	11,000	12.3	1,300 ~1,400	91.0 ~105.7	1,350 ~1,450	79.4 ~92.7	860 ~940	67.0 ~82.5	39.85 ~43.56

Note: Revisions to the forecast of 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

Newly included: - companies

Excluded: - companies

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

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of December 31, 2023	22,300,596 shares
As of June 30, 2023	22,300,596 shares

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

As of December 31, 2023	720,359 shares
As of June 30, 2023	826,604 shares

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

Three months ended December 31, 2023	21,511,226 shares
Three months ended December 31, 2022	21,764,264 shares

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

* Proper use of earnings forecasts, and other special matters

1. The forward-looking statements, including business forecasts, contained in this document are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and are not intended to be a promise by the Company that it will achieve them. Actual results may differ materially from these forecasts due to various factors. Please refer to "(3) Explanations on forward-looking statements, including earnings forecasts" on page 4 of the attached materials for the conditions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.
2. Supplementary material on quarterly financial results are disclosed on TDnet on the same day.

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Qualitative Information on Financial Results for the First Six Months of the Fiscal Year Ending June 30, 2024

(1) Explanation of Operating Results

During the first half of the current consolidated fiscal year, the Japanese economy has been experiencing a tailwind of economic recovery due to an increase in exports backed by the weak yen and a revival of inbound demand after the Corona disaster, while the downside risks of overseas economies, especially in the U.S., have been fading. On the other hand, the pace of economic recovery has remained moderate due to the cooling down of consumer confidence caused by upward pressure on prices and supply constraints caused by labor shortages, among other concerns. Amid the growing appetite for capital investment against the backdrop of improved corporate performance, the domestic ICT services market continues to grow solidly, with expanding demand related to the renewal of existing systems, migration to cloud computing, and the promotion of DX (Digital Transformation).

Under these circumstances, our group has made a major change in management policy and structure as of July 1, 2023, and is now implementing a three-year medium-term management plan (for the period ending June 30, 2024 to June 30, 2026), with the current consolidated fiscal year as the first year of the plan. The Group has positioned the three-year period of the plan as a "structural reform period" and is focusing on "rebuilding a foundation for growth through structural reforms and management evolution," and has set the recovery of the profit margin to 10% of operating income as the most important issue for the current consolidated fiscal year as it shifts its focus from achieving growth through the conventional expansion of organizational scale to profit-oriented management. In addition, the Company has set July 1, 2012, as the date of the Company's establishment. In addition, as of July 1 of this year, the Company has begun organizational management focused on improving the profit margin per customer in order to shift to a highly profitable structure by establishing new industry-specific organizations and transforming to a matrix-type organization.

During the first half of the consolidated fiscal year under review, sales were slightly below the initial plan. On the other hand, on the profit front, the operating profit margin remained steady at a level exceeding 10%, as it has been since the first quarter of the current consolidated fiscal year, due to the elimination of one-time expenses incurred in the previous consolidated fiscal year and the results of efforts to secure profits, including activities to improve the profitability of individual projects. In addition, the operating income ratio has remained steady at more than 10% since the first quarter of the fiscal year.

As a result, consolidated business results for the first half of the current fiscal year were as follows: net sales of 5,144,587 thousand yen (up 8.7% year-on-year), operating income of 616,865 thousand yen (up 45.9% year-on-year), ordinary income of 656,864 thousand yen (up 38.7% year-on-year), and net income attributable to parent company shareholders of 410,619 Net income attributable to owners of the parent amounted to 410,619 thousand yen (up 27.2% from the same period of the previous year).

The following is a summary of results by reportable segment for the first half of the fiscal year under review.

(Professional Services Business)

The professional services business provides support for the use of data by client companies through data analysis, consulting including system development, and human resources support.

In the current fiscal year, the highest priorities for this business were to restore sales growth and improve paid-in utilization. In the first half of the current fiscal year, sales grew 8.3% y-o-y, slightly below the initial plan. The profit margin continued to improve moderately following the first quarter, as a result of a gradual recovery in the paid utilization ratio and a focus on the establishment and penetration of new management methods, such as a review of project income/expense management methods. In addition, the Company continued to make upfront investments in verification and development activities for generated AI to strengthen its ability to generate projects in the future.

As a result, net sales amounted to 3,539,207 thousand yen (up 8.3% year on year) and segment income amounted to 1,317,224 thousand yen (up 13.9% year on year).

(Product business)

The product business supports client companies in their use of data through the provision of in-house and third-party products.

In the current consolidated fiscal year, the key tasks of this business are to improve the profit margin of Brainpad on a non-consolidated basis and to grow sales through "Ligla," a product developed and offered by consolidated subsidiary Time Technologies, Inc. Sales in the first half of the period under review were generally in line with the Company's forecast at the beginning of the period. In addition, the segment profit

margin improved compared to the same period of the previous fiscal year, mainly due to the elimination of one-time expenses incurred in the previous fiscal year, in addition to the establishment of a structure without a significant increase in the number of employees by reallocating personnel within this business to operate Time Technologies, Inc. In addition, the segment profit margin improved compared with the same period of the previous fiscal year.

As a result, net sales amounted to 1,605,379 thousand yen (up 9.8% year on year) and segment income amounted to 360,615 thousand yen (up 51.9% year on year).

(2) Explanation of Financial Condition

(1) Analysis of Financial Condition

(Assets)

Current assets at the end of the second quarter of the current consolidated fiscal year totaled 4,346,580 thousand yen, an increase of 205,114 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 219,625 thousand yen in cash and deposits.

The balance of noncurrent assets totaled 2,462,022 thousand yen, an increase of 87,221 thousand yen from the end of the previous fiscal year. This was due to a decrease of 65,538 thousand yen in goodwill, 45,634 thousand yen in property, plant and equipment, 42,059 thousand yen in other intangible assets, and 28,775 thousand yen in software, while there was an increase of 269,230 thousand yen in investments and other assets.

As a result, total assets increased 292,335 thousand yen from the end of the previous fiscal year to 6,808,602 thousand yen.

(Liabilities)

Current liabilities at the end of the second quarter amounted to 1,349,713 thousand yen, down 32,456 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 61,359 thousand yen in contract liabilities, a decrease of 23,316 thousand yen in accounts payable-other and a decrease of 15,964 thousand yen in allowance for loss on orders received, while there was an increase of 77,202 thousand yen in allowance for bonuses.

The balance of noncurrent liabilities was 223,433 thousand yen, a decrease of 15,116 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 15,264 thousand yen in other long-term liabilities.

As a result, total liabilities decreased 47,572 thousand yen from the end of the previous fiscal year to 1,573,147 thousand yen.

(Net assets)

Total net assets as of September 30, 2012 amounted to 5,235,455 thousand yen, an increase of 339,908 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 186,895 thousand yen in retained earnings and an increase of 151,126 thousand yen from the disposal of treasury stock.

As a result, the equity ratio was 76.9%.

(2) Analysis of Cash Flows

Cash and cash equivalents ("cash") at the end of the second quarter of the current consolidated fiscal year amounted to 2,726,181 thousand yen, up 219,625 thousand yen from the end of the previous consolidated fiscal year. Cash and cash equivalents (hereinafter referred to as "cash") at the end of the second quarter of the current consolidated fiscal year totaled 2,726,181 thousand yen, an increase of 219,625 thousand yen from the end of the previous consolidated fiscal year.

The status of each cash flow and their factors are as follows.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities amounted to 648,051 thousand yen (up 38.6% from the same period of the previous year). This was mainly due to income before income taxes and minority interests of 637,640 thousand yen, depreciation and amortization of 141,571 thousand yen, and an increase in allowance for bonuses of 77,202 thousand yen, while income taxes paid totaled 184,375 thousand yen.

(Net cash provided by (used in) investing activities)

Funds used in investing activities amounted to 257,661 thousand yen, down 68.9% from the same period last year. This was mainly due to purchase of investment securities of 240,000 thousand yen and purchase of intangible fixed assets of 17,812 thousand yen.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities amounted to 170,763 thousand yen (down 43.5% year-on-year). This was due to dividend payments of 170,763 thousand yen.

(3) Explanation of consolidated earnings forecasts and other forward-looking information

The "Basic Policies for Economic and Fiscal Management and Reform 2023" announced by the Japanese government in June 2023 calls for "Acceleration of New Capitalism" and includes as measures to support capacity building through reskilling to strengthen investment in people and to respond to DX and generative AI for the formation of a digital society. The background to this is the lack of IT human resources in Japan. Behind this is the worsening shortage of IT human resources in Japan, and the reality is that many Japanese companies are facing a major dilemma: the more they rush into DX, the more dependent they are on external human resources, and the more they try to bring IT in-house, the more difficult it is to recruit human resources.

In light of this market environment and the Group's recent business conditions, the Group has announced its medium-term management plan (for the period ending June 30, 2024 to June 30, 2026), with the current consolidated fiscal year as the first year. Under the plan, the Group has shifted its focus from achieving growth through expansion of the organizational scale to profit-oriented management, with the emphasis on "rebuilding the foundation for growth through structural reforms and management evolution," and has revised its initial full-year consolidated forecasts for the fiscal year ending June 30, 2024, to net sales of 11,000 million yen, operating income of 1,100 million yen, ordinary income of 1,100 million yen, and net income of 1,000 million yen. The initial consolidated forecasts for the fiscal year ending June 30, 2024 were net sales of 11,000 million yen, operating income of 1,100 million yen, ordinary income of 1,140 million yen, and net income attributable to shareholders of the parent company of 750 million yen.

While sales for the first half of the current fiscal year were slightly below the plan at the beginning of the period, profits improved at a faster pace than expected at the beginning of the period. The Group has revised its profit forecast upward in the "Notice of Revision of Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2024" released on February 5, 2024. Since it is difficult to make a specific numerical forecast at this time, the Company has disclosed the forecast in a range format.

(The forecasts are based on information available at the time of preparation and are subject to uncertainties. Therefore, actual results may differ from these forecasts due to changes in various factors, including the economic environment.)

Quarterly consolidated financial statements and major notes

(1) Quarterly Consolidated Balance Sheets

(Unit: thousand yen)

	As of June 30, 2023	As of December 31, 2023
Assets		
current assets		
cash on hand and in banks	2,506,556	2,726,181
Notes and accounts receivable-trade	1,285,911	1,217,817
work in progress	29,224	61,011
prepaid expenses	318,584	335,414
Other	1,188	6,154
Total current assets	4,141,465	4,346,580
fixed assets		
property, plant and equipment	535,471	489,836
Intangible fixed assets		
software	145,700	116,925
goodwill	557,079	491,541
Other	316,600	274,540
Total intangible fixed assets	1,019,380	883,006
Investments and other assets	819,948	1,089,178
Total fixed assets	2,374,800	2,462,022
total assets	6,516,266	6,808,602

(Unit: thousand yen)

	As of June 30, 2023	As of December 31, 2023
Liabilities		
current liabilities		
accounts payable	130,525	119,590
arrears	193,570	170,254
accrued expenses	204,637	227,957
Accrued income taxes	223,433	284,704
contract liabilities	194,618	133,259
Allowance for bonuses	109,564	186,767
Allowance for loss on orders received	17,926	1,962
Allowance for loss on contracts	64,714	49,605
Other	243,178	175,613
Total current liabilities	1,382,169	1,349,713
fixed liabilities		
Asset retirement obligations	147,965	148,113
Other	90,584	75,320
Total long-term liabilities	238,550	223,433
total liabilities	1,620,720	1,573,147
Total net assets		
capital stock		
capital stock	597,809	597,809
Capital surplus	574,509	574,509
Retained earnings	4,801,394	4,988,290
treasury stock	△1,078,764	△927,637
Total shareholders' equity	4,894,950	5,232,972
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	596	2,482
Total accumulated other comprehensive income	596	2,482
Total net assets	4,895,546	5,235,455
Total liabilities and net assets	6,516,266	6,808,602

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the six-month period ended September 30, 2012)

(Unit: thousand yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Net sales	4,731,632	5,144,587
cost of sales	2,805,310	2,955,539
Gross profit	1,926,322	2,189,048
Selling, general and administrative expenses	1,503,508	1,572,183
Operating income	422,813	616,865
Non-operating income		
Interest and dividend income	6	7
Sales incentives received	5,479	6,906
Subsidy income	33,154	32,253
Equity in earnings of affiliates	18,020	-
Other	5,795	7,518
Total non-operating income	62,456	46,685
Non-operating expenses		
foreign exchange loss	841	-
Loss on investment partnership management	8,744	1,892
Fees and commissions	2,008	9
Equity in losses of affiliated companies	-	4,783
Other	54	0
Total non-operating expenses	11,649	6,685
Ordinary income	473,620	656,864
Extraordinary loss		
Loss on valuation of investment securities	-	19,192
Loss on sales of fixed assets	-	32
Total extraordinary loss	-	19,224
Income before income taxes and minority interests	473,620	637,640
Corporate, inhabitant and enterprise taxes	146,087	246,896
Income taxes-deferred	4,845	△19,875
Total income taxes	150,932	227,020
Net income	322,688	410,619
Net income attributable to noncontrolling interests	-	-
Net income attributable to owners of the parent	322,688	410,619

(Quarterly Consolidated Statements of Comprehensive Income)
(For the six-month period ended September 30, 2012)

(Unit: thousand yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Net income	322,688	410,619
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	△15,727	1,886
Total other comprehensive income	△15,727	1,886
Comprehensive income	306,960	412,505
(Breakdown)		
Comprehensive income attributable to owners of the parent	306,960	412,505
Comprehensive income attributable to noncontrolling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Cash flows from operating activities		
Income before income taxes and minority interests	473,620	637,640
Depreciation and amortization	141,116	141,571
Amortization of goodwill	32,769	65,538
Increase (decrease) in accrued bonuses	37,597	77,202
Increase (decrease) in allowance for loss on orders received	-	△15,964
Increase (decrease) in allowance for loss on contracts	-	△15,109
Interest and dividend income	△6	△7
Equity in (earnings) losses of affiliated companies	△18,020	4,783
Loss (gain) on sales of fixed assets	-	32
(Gain) loss on investments in partnership	8,744	1,892
Decrease (increase) in trade receivables	△157,443	68,094
(Increase) decrease in inventories	26,802	△31,787
Increase (decrease) in notes and accounts payable-trade	53,634	△11,171
Increase (decrease) in accrued liabilities	△67,808	△30,688
Increase (decrease) in accrued expenses	44,635	22,970
Increase (decrease) in contract liabilities	△113,786	△61,359
Other	80,469	△21,219
subtotal	542,327	832,418
Interest and dividends received	6	7
Income taxes paid	△74,679	△184,375
Cash flows from operating activities	467,654	648,051
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	-	250
Purchases of property, plant and equipment	△79,351	△99
Payments for acquisition of intangible assets	△30,800	△17,812
Payments for purchase of investment securities	-	△240,000
Purchase of investments in subsidiaries resulting in change in scope of consolidation	△894,145	-
Proceeds from collection of guarantee deposits	199,995	-
Payments for fulfillment of asset retirement obligations	△23,920	-
Cash flows from investing activities	△828,221	△257,661
Cash flows from financing activities		
Payments for purchase of treasury stock	△301,999	-
Dividends paid	-	△170,763
Other	△4	-
Cash flows from financing activities	△302,003	△170,763
Effect of exchange rate changes on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	△662,571	219,625
Cash and cash equivalents at beginning of year	2,908,239	2,506,556
Cash and cash equivalents at end of period	2,245,668	2,726,181

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of a going concern)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

The Company disposed of 116,700 shares of treasury stock as restricted stock compensation in accordance with a resolution of the Board of Directors meeting held on September 27, 2023. As a result, treasury stock decreased by 151,126 thousand yen in the first half of the current fiscal year, resulting in 927,637 thousand yen in treasury stock at the end of the second quarter of the current fiscal year.

(Segment Information, etc.)

Segment information

I Six months ended December 31, 2022 (July 1, 2022 - December 31, 2022)

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

(Unit: thousand yen)

	Reportable Segment			Adjustment (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Professional Services Business	Product Business	plan		
Net sales					
Sales to external customers	3,269,141	1,462,490	4,731,632	-	4,731,632
Intersegment sales and transfers	-	-	-	-	-
plan	3,269,141	1,462,490	4,731,632	-	4,731,632
Segment income	1,156,797	237,448	1,394,245	△971,431	422,813

(Adjustment of segment income includes corporate expenses of 971,431 thousand yen that are not allocated to each reportable segment. Corporate expenses mainly consist of selling, general and administrative expenses of the Group's sales and administrative departments, etc., which do not belong to any reportable segment.

2. Segment income is adjusted with operating income in the quarterly consolidated statements of income.

3. Segment information for the first half of the previous fiscal year 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 business combinations.

2. Information on Impairment Loss on Fixed Assets and Goodwill by Reportable Segment

(Significant impairment losses on fixed assets)

Not applicable.

(Significant changes in the amount of goodwill)

The amount of goodwill increased in the "product business" due to the acquisition of Time Technologies, Inc. and its inclusion in the scope of consolidation during the first quarter of the current consolidated fiscal year. The amount of increase in goodwill due to this event was 655,388 thousand yen in the first half of the current consolidated fiscal year.

The amount of goodwill is 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.

(Significant gain on negative goodwill)

Not applicable.

Current Consolidated Cumulative Second Quarter (July 1, 2023 - December 31, 2023)

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

(Unit: thousand yen)

	Reportable Segment			Adjustment (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Professional Services Business	Product Business	plan		
Net sales					
Sales to external customers	3,539,207	1,605,379	5,144,587	-	5,144,587
Intersegment sales and transfers	-	-	-	-	-
plan	3,539,207	1,605,379	5,144,587	-	5,144,587
Segment income	1,317,224	360,615	1,677,839	△1,060,974	616,865

(Adjustment of segment income includes corporate expenses of 1,060,974 thousand yen that are not allocated to each reportable segment. Corporate expenses mainly consist of selling, general and administrative expenses of the Group's sales and administrative departments, etc., which are not attributable to any reportable segment.

2. Segment income is adjusted with operating income in the quarterly consolidated statements of income.

2. Information on Impairment Loss on Fixed Assets and Goodwill by Reportable Segment

(Significant impairment losses on fixed assets)

Not applicable.

(Significant changes in the amount of goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

(Significant subsequent events)

Not applicable.