October 31, 2023

Consolidated Financial Results for the First Six Months of Fiscal Year Ending March 31, 2024 (Under IFRS)

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Listing: Tokyo Stock Exchange
Securities code: 2130
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Scheduled date to file quarterly securities report: November 6, 2023
Scheduled date to commence dividend payments: —
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes(for analysts and institutional investors)

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

1. Consolidated financial results for the first six months of fiscal year ending March 31, 2024 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	9,616	17.1	(551)	—	(562)	—	(398)	—
September 30, 2022	8,213	20.9	288	(21.2)	237	(34.9)	157	(39.3)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
September 30, 2023	(398)	—	(398)	—	(30.37)	(30.37)
September 30, 2022	157	(39.3)	157	(39.3)	11.90	11.79

Note: Due to the application of IAS 12 “Income Taxes” (amended in May 2021), results for the first six-month period of the fiscal year ended March 31, 2023, have been retrospectively restated.

(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
As of	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2023	10,625	5,653	5,653	53.2
March 31, 2023	11,305	6,366	6,366	56.3

Note: Due to the application of IAS 12 “Income Taxes” (amended in May 2021), figures as of March 31, 2023, have been retrospectively restated.

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 March 31, 2023	—	0.00	—	30.00	30.00
Fiscal year ending March 31, 2024	—	0.00			
Fiscal year ending March 31, 2024 (Forecast)			—	31.00	31.00

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

3. Consolidated earnings forecast 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	20,000	13.2	200	(86.1)	190	(86.4)	130	(87.1)

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Full year	130	(87.1)	9.81

(Note) Changes from the latest financial forecast: None
1. The above consolidated earnings forecast is based on IFRS.
2. “Basic earnings per share” was calculated based on the average number of shares in FY 3/2023 (13,246,173).
3. Due to the application of IAS 12 “Income Taxes” (amended in May 2021), the percentage of change from the same period of the previous year has been calculated using retrospectively restated figures.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: —

Excluded: —

(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 other reasons: None

(iii) Changes in accounting estimates: None

Note: Please refer to “2. Summary of Consolidated Financial Statements and Major Notes (6) Notes to Summary of Consolidated Financial Statements (Changes in Accounting Policies)” on page 12 for details.

(3) Number of issued shares (ordinary shares)

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

As of September 30, 2023	13,421,700 shares
As of March 31, 2023	13,363,700 shares

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

As of September 30, 2023	275,696 shares
As of March 31, 2023	277,518 shares

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

Six months ended September 30, 2023	13,128,285 shares
Six months ended September 30, 2022	13,250,391 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

(Notes regarding the description, etc. related to the future)

The descriptions about the future, such as the business forecast, in this document are based on the information the company has obtained so far and certain assumptions that are considered reasonable, and our company does not guarantee that the results will be as forecasted. There is a possibility that actual business performance, etc. will be considerably different from the forecast due to various factors. For the assumptions for the earnings forecast, notes for the use of the forecast, etc., please refer to “1, Qualitative Information Regarding the Financial Results for the Current Quarter, (3) Explanation Regarding the Future Forecast Information such as Consolidated Earnings Forecast” on page 5 of the Appendix.

(How to obtain the material for supplementary explanations on financial results and the contents of the session for briefing financial results)

The material for supplementary explanations on financial results will be uploaded to the website of our company on Tuesday, October 31, 2023.

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1. Qualitative Information Regarding the Financial Results for the Current Quarter

From the first three months of Fiscal Year ending March 31, 2024, IAS 12 “Income Taxes” (amended in May 2021) has been applied and comparative analysis with the same period of the previous fiscal year has been made using retrospectively restated figures. The application of this standard did not have a material impact on this Summary of Consolidated Financial Statements. The details of the changes in accounting policies are stated in “(6) Notes to Summary of Consolidated Financial Statements (Changes in Accounting Policies)” in “2. Summary of Consolidated Financial Statements and Major Notes.”

(1) Explanation Regarding Business Results

Management’s Explanation and Analysis of Business Results

Due to the climate change caused by global warming, severe natural disasters have been occurring frequently all over the world. An increasing number of countries and regions are declaring carbon neutrality, meaning that emissions of greenhouse gases such as carbon dioxide, which are the main cause of global warming, are virtually zero. As it is believed that the success or failure of efforts toward GX(*1) is directly linked to the competitiveness of companies and, by extension, the nation, in Japan, based on the GX Promotion Act, we aim to achieve three things at the same time: decarbonization, stable energy supply, and economic growth, and are implementing initiatives such as switching to carbon-free power sources and making GX investments of 150 trillion yen in the public and private sectors. We are expecting businesses, including their marketing activities, to transform into a model that facilitates decarbonization and resolution of societal issues by accelerating corporate transformations through the utilization of digital technologies for continuous value creation.

As the digital business becomes more active, each company is having difficulty to recruit and train creative personnel who are versed on the Internet and digital technology internally, and such personnel shortage is now a huge hurdle to digitalization. According to the DX (Digital Transformation) White Paper 2023, more than 80% of Japanese companies answered that they lack both the quality and quantity of human resources to promote DX (Incorporated Administrative Agency Information Technology Promotion Agency DX White Paper 2023, Issued March 16, 2023).

Under such circumstances, we uphold to create a spiritually rich society through “MEMBERSHIP” as our mission, and aim to convert our client companies’ management style, marketing activities, services, and products into “Sustainable Ones for the Earth and Society” through our support to clients’ digital business operation.

<Business Overview>

From the first quarter of this consolidated cumulative period, we started offering the “DGT (Digital Growth Team)” service that were created by integrating the EMC and the PGT businesses offered up to the previous fiscal year. The DGT service is a hands-on service that promotes and supports the digitalization of companies by a customer-dedicated team that consists of 3 or more digital creators with various specialized skills, including data analysis, UX(*2), and engineering. Digital creators directly pursue the improvement of digital business results of client companies, and continuously support their operation with hypothesis verification. In addition, in the future, we will support the improvement of carbon productivity (*3) of client companies through our digital business operation services and implement actions that lead to decarbonization in our daily operation work.

In this fiscal year ending March 31, 2024, we will further strengthen the sales structure through the separation of production and sales with the aim of establishing DGT service, and by increasing the number of clients we offer DGT models, we will steadily increase the operating rate of digital creators. To this end, we will attempt to accelerate the growth of non-web operation area and improve profitability by actively launching inhouse companies that specialize in high-value-added services with advanced technologies and increasing the number of digital creators belonging to those companies. Concurrently, we accelerate skill development and job transfer of all digital creators. In addition, we will strategically expand mid-career recruitment in order to improve the human resource portfolio of the entire group and build a foundation for enhancing service capabilities.

Since this corporate group has only one segment, “Internet business support business,” segment information is omitted.

<Overview of Consolidated Financial Statements>

For the second quarter of the current consolidated term, revenue was 9,616 million yen (up 17.1% from the same quarter of the previous fiscal year), operating loss was 551 million yen (operating profit of 288 million yen in the same quarter of the previous fiscal year), loss before income taxes was 562 million yen (profit before income taxes of 237 million yen in the same quarter of the previous fiscal year), and loss attributable to the owners of the parent was 398 million yen (profit attributable to the owners of the parent of 157 million yen in the same quarter of the previous fiscal year).

In order to establish the 10,000-employee organization structure set forth in VISION 2030, while aiming to increase added-value sales (sales by internal resources calculated as sales revenue minus costs for outsourcing and purchasing; which is an important indicator) by 25%, we have proactively made upfront investments in recruitment, with a focus on hiring new graduates, and in the current fiscal year we continued to hire new graduates at a rate that exceeded the growth rate of added-value sales. Therefore, we anticipated a loss in the first half of the year, and we planned to attain the full-year earnings growth by increasing the growth rate of added value sales to 25% in the second half through the integration of organizations and services. However, although sales revenue in the second quarter of the current consolidated cumulative period hit a new record high, there are not enough achievements in our efforts to increase the growth rate by strengthening service and sales capabilities through the integration of company-wide organizations in April 2023. As a result, we were unable to achieve the expected results and fell short of the initial business forecast announced on May 10, 2023.

Based on our original plan, 585 new graduate employees joined the company in April 2023, and the number of digital creators at the end of the current second quarter consolidated cumulative period increased by 26.3% compared to the end of the previous fiscal year, to 2,541.

The growth rate of added-value sales in the second quarter of the current consolidated cumulative period was 15.2% compared to the same period of the previous year. The added-value sales per client company that we offer DGT models increased by 0.5% compared to the same period of the previous year, and the number of companies we offer DGT models was 132 companies (+16 companies compared to the end of the previous fiscal year) and the number of all client customers was 385 companies (+35 companies compared to the end of the previous fiscal year). These important KPIs in existing business are increasing; so that, our customer base is steadily expanding.

In addition, the number of specialized companies, which are responsible for high-value-added fields that we aim to expand has increased by 6 compared to the end of the previous fiscal year. As a result, the cumulative added-value sales of specialized companies increased by 38.7% compared to the same period last year, and the number of digital creators of specialized companies increased by 24.0% compared to the end of the previous fiscal year. The sales ratio other than web operations increased to 36.8% (up 3.2 points from the same period last year), and the shift to services in high-growth, high-value-added areas is steadily progressing.

As just described, we are making steady progress in integrating company-wide organizations, establishing services, strengthening our sales structure, and developing specialized skills in order to achieve a 25% added-value sales growth rate; however, we are still behind schedule. Although the target sales growth of added-value sales for the second quarter of the current consolidated cumulative period was 21%, the actual growth was only 15%. As a result, the number of non-operating employees increased compared to the initial plan, and the operating profit margin decreased significantly.

<Our Corporate Group’s Policies and Initiatives>

Going forward, we will aim for further growth while placing top priority on improving profitability based on the following policies.

1. Improving profitability by reducing upfront investment-type recruitment

During the second quarter of the current consolidated cumulative period, the upfront investment in new graduate recruitment was excessive compared to the actual added-value sales growth rate, resulting in 976 million yen as the excessive cost for non-operated digital creators. We recognize that it is necessary to control this cost in order to improve profitability, and as a specific initiative, we will restrict the hiring of new graduates until the target operation rate for digital creators excluding first-year new graduate employees reaches 90% and operating profit margin recovers to 10%.

In the fiscal year ending March 2025, we will reduce the number of new graduate employees we will hire to just over 400 (585 joined in the fiscal year ending March 2024), and although we aim to improve profit margins to a certain extent, we expect that the cost for non-operating digital creators will continue to occur. Therefore, we do not expect the operating profit margin to recover to 10%.

From the fiscal year ending March 2026, we will further curtail the recruitment of new graduate employees, to recover operating profit margin to 10% or higher even if the growth rate of added value sales remains the current level of 15%.

2. Continuing efforts to strengthen services, sales, and training to increase growth rate

In accordance with our current management policy, we will strongly promote the following three points in an effort to raise the growth rate of added value sales and quickly achieve our operating profit margin target of 10%.

(1) Establish the DGT service
- Shift from the web operations field to highly advanced fields such as data/AI/cloud
- Transform to digital business operations

(2) Strengthen sales strategy
- Strengthen account management to expand transactions with existing customers
- Establish separation of production and sales to acquire new customers

(3) Improve human resources portfolio and strengthen training

- Control new graduate recruitment and continue to strengthen mid-career recruitment
- Strengthen the development of high value-added human resources in data/AI/cloud, etc.

Although we revised our full-year consolidated earnings forecast on October 27, 2023, and now plan for profits to be lower than the previous year, we are steadily making progress in transitioning our services to high-growth/high-value-added areas. There is no change to the annual dividend per share forecast (31 yen) because we expect future earnings to improve by controlling the cost for non-operating employees by reducing hiring. We will promote the policy of improvement and rebuild the foundation for future growth.

Currently, the impact of energy and geopolitical issues on the Japanese economy are still uncertain, but we believe that digital investment by companies will accelerate further, and at the same time, the shortage of IT/digital human resources will further expand, against the backdrop of further evolution of digital technology, the global effort toward decarbonization, and decline in population in Japan. Under such environment, we will continue to work to expand our human capital by improving the skills of digital creators, who are the source of value creation for customers, and improving employee engagement, by continuing to invest in human resources such as developing specialized skills; then, we will realize "the world's best digital business operation support" through the DGT services.

(*1) GX (Green Transformation): This refers to the transformation for utilizing clean energy while avoiding the use of fossil fuels as much as possible and activities aimed at achieving this goal. The Ministry of Economy, Trade and Industry believes that efforts to achieve carbon neutrality by 2050 and the national greenhouse gas emission reduction target by 2030 are opportunities for economic growth and defines GX as the transformation of entire economic and social system toward the goal of reducing emissions and improving industrial competitiveness.
(*2) UX (User Experience): The experience one gains by using a product or service.
(*3) Carbon Productivity: Gross domestic product (GDP) per unit of greenhouse gas emissions. We design for customers our support to formulate and operate their business model with calculating profits per carbon emitted during manufacturing, sales, and collection of customers' products and services as the carbon productivity. Our company, we measure a company's carbon productivity by measuring profits per carbon emitted during the manufacturing, sales, and collection of products and services, and formulate business model construction and operational support.

(2) Explanation Regarding the Financial Standing

i)Status of Assets, Liabilities, and Shareholders' Equity

The total assets at the second quarter of the current consolidated term were 10,625 million yen (down 680 million yen from the end of the previous consolidated fiscal year). This is primarily due to an increase of 173 million yen in deferred tax assets, along with a decrease of 366 million yen in cash and cash equivalents, a decrease of 337 million yen in trade receivables and other receivables, and a decrease of 158 million yen in rights to use as assets.

Total liabilities stood at 4,971 million yen (up 32 million yen from the end of the previous consolidated fiscal year). This was primarily due to a decrease of 348 million yen in trade payables and other payables, 128 million yen in lease liabilities, and 125 million yen in income taxes payable, along with an increase of 705 million yen in other current liabilities.

Total equity was 5,653 million yen (down 712 million yen from the end of the previous consolidated fiscal year). This was primarily due to an increase of 44 million yen in capital surplus and an increase of 40 million yen in capital stock, along with a decrease of 790 million yen in retained earnings.

ii)Status of Cash Flows

The cash and cash equivalent (hereinafter referred to as "funds") at the end of the second quarter of the current consolidated cumulative term was 4,113 million yen, down 366 million yen from the end of the previous consolidated fiscal year. The status of each cash flow for the cumulative second quarter and the factors behind them are as follows.

(Cash Flows from Operating Activities)

The funds acquired during the second quarter of the current consolidated cumulative term as a result of operating activities amounted to 212 million yen (272 million yen acquired during the same quarter of the previous year). The income was mainly from 611 million yen in others, a decrease of 284 million yen in trade and other receivables, and 252 million yen in depreciation and amortization while the expenditure was mainly from 562 million yen in loss before income taxes, a decrease of 253 million yen in trade and other payables, and 151 million yen paid as income taxes paid.

(Cash Flows from Investing Activities)

The funds used during the second quarter of the current consolidated cumulative term as a result of investing activities amounted to 35 million yen (1,126 million yen used in the same quarter of the previous year). The expenditure was mainly from

23 million yen in purchase of property, plant and equipment and 12 million yen in expense due to security deposit.

(Cash Flows from Financing Activities)

The funds used during the second quarter of the current consolidated cumulative term as a result of financing activities amounted to 543 million yen (450 million yen used in the same quarter of the previous year). The income was mainly from 72 million yen in proceeds from exercise of share acquisition rights and the expenditure was mainly from 391 million yen as dividends paid and 224 million yen in expenditure for the repayment of lease liabilities.

(3) Explanation Regarding the Future Forecast Information such as Consolidated Earnings Forecast

As announced in the "Notice of Revisions to Earnings Forecasts" on October 27, 2023 in Japanese only, we have revised our full-year earnings forecasts. Please refer to 3. Consolidated earnings forecast for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024) on Consolidated Financial Results for the First Six Months of Fiscal Year Ending March 31, 2024 (Under IFRS), and (1) Explanation Regarding Business Results at page 2 of the appendix of this document.

(Regarding the Dividend Forecast)

From the point of enhancing the return of profits to all of our shareholders and further increasing enterprise value, we will retain earnings in preparation for new business investment for long-term profit growth and the expansion in business activities, as well as set a fundamental policy of the distribution of profits according to the improvement of business results and a continuous increase in the dividend amount. Our medium-term target of an equity dividend ratio attributable to owners of the consolidated parent company is about 5%.

After comprehensively taking into account of the DOE and dividend payout ratio, the term-end dividend for FY 3/2024 is planned to be 31.00 yen.

Although we have revised our full-year earnings forecast, in consideration of our financial condition and medium- to long-term growth prospects, our dividend forecast remains unchanged. We will promote a policy of hiring control and improvement, shift to high-value-added areas, and rebuild the foundation for future growth.

2. Summary of Consolidated Financial Statements and Major Notes

(1) Summary of Quarterly Consolidated Balance Sheets

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2023)	2nd quarter of the current consolidated accounting year (Sep. 30, 2023)
Assets		
Current assets		
Cash and cash equivalents	4,479,967	4,113,232
Trade receivables and other receivables	3,387,822	3,050,100
Inventory assets	68,547	44,069
Other current assets	234,311	266,315
Total current assets	8,170,648	7,473,717
Non-current assets		
Tangible fixed assets	349,032	344,753
Rights to use as assets	918,446	759,602
Goodwill	116,115	116,115
Intangible assets	9,897	8,935
Other financial assets	1,340,550	1,348,073
Deferred tax assets	401,188	574,460
Total non-current assets	3,135,231	3,151,941
Total assets	11,305,879	10,625,658

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2023)	2nd quarter of the current consolidated accounting year (Sep. 30, 2023)
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Lease liabilities	360,860	318,200
Trade payables and other payables	1,201,535	852,641
Income taxes payable	204,338	78,486
Contract liabilities	66,737	13,971
Other current liabilities	2,551,526	3,257,156
Total current liabilities	4,384,998	4,520,456
Non-current liabilities		
Lease liabilities	301,917	215,671
Allowance	252,658	235,680
Total non-current liabilities	554,576	451,352
Total liabilities	4,939,574	4,971,808
Shareholders' equity		
Capital stock	1,017,504	1,057,867
Capital surplus	342,670	386,925
Treasury shares	(300,140)	(298,169)
Other components of equity	30,845	22,327
Retained earnings	5,275,424	4,484,898
Total equity attributable to owners of the parent	6,366,305	5,653,850
Total shareholders' equity	6,366,305	5,653,850
Total liabilities and equity	11,305,879	10,625,658

(2) Summary of Quarterly Consolidated Statements of Income

[unit: thousand yen]

	1H FY2023 (Apr. 1, 2022 to Sep. 30, 2022)	1H FY2024 (Apr. 1, 2023 to Sep. 30, 2023)
Revenue	8,213,871	9,616,516
Cost of sales	5,947,917	7,907,655
Gross profit	2,265,953	1,708,860
Selling, general and administrative expenses	1,981,753	2,258,882
Other income	11,275	2,756
Other expenses	6,941	3,840
Operating profit (loss)	288,534	(551,106)
Finance income	22	20
Finance costs	51,470	11,788
Profit (loss) before income taxes	237,086	(562,874)
Income taxes	79,471	(164,233)
Profit (loss) for the period	157,614	(398,640)
Profit (loss) attributable to		
Owners of parent	157,614	(398,640)
Net profit (loss)	157,614	(398,640)
Earnings per share		
Basic earnings (loss) per share (yen)	11.90	(30.37)
Diluted earnings (loss) per share (yen)	11.79	(30.37)

(3) Summary of Quarterly Consolidated Statements of Comprehensive Income

[unit: thousand yen]

	1H FY2023 (Apr. 1, 2022 to Sep. 30, 2022)	1H FY2024 (Apr. 1, 2023 to Sep. 30, 2023)
Profit (loss) for the period	157,614	(398,640)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	－	126
Total items that will not be reclassified to profit or loss	－	126
Other comprehensive income after tax	－	126
Comprehensive income total	157,614	(398,514)
Comprehensive income attributable to		
Owners of parent	157,614	(398,514)
Comprehensive income	157,614	(398,514)

(4) Summary of Quarterly Consolidated Statements of Changes in Equity

Consolidated cumulative second quarter of the prior fiscal year ended March 2023 (Apr. 1, 2022 to Sep. 30, 2022)

[unit: thousand yen]

	Equity attributable to owners of parent						Total equity
	Capital stock	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	
Balance on April 1, 2022	963,358	281,704	(8,477)	52,190	4,606,602	5,895,377	5,895,377
Cumulative effect of accounting change	—	—	—	—	(7,857)	(7,857)	(7,857)
Restated balance	963,358	281,704	(8,477)	52,190	4,598,744	5,887,519	5,887,519
Profit (loss) for the period	—	—	—	—	157,614	157,614	157,614
Total comprehensive income	—	—	—	—	157,614	157,614	157,614
Exercise of share acquisition rights	52,707	52,707	—	(11,514)	—	93,899	93,899
Forfeiture of share acquisition rights	—	—	—	(19)	19	—	—
Purchase of treasury shares	—	—	(353)	—	—	(353)	(353)
Disposal of treasury shares	—	1,156	1,203	—	—	2,359	2,359
Dividends	—	—	—	—	(328,194)	(328,194)	(328,194)
Total transactions with owners	52,707	53,863	849	(11,534)	(328,174)	(232,289)	(232,289)
Balance on September 30, 2022	1,016,065	335,567	(7,628)	40,656	4,428,185	5,812,845	5,812,845

Consolidated cumulative second quarter of the current fiscal year ending March 2024 (Apr. 1, 2023 to Sep. 30, 2023)

[unit: thousand yen]

	Equity attributable to owners of parent						Total Equity
	Capital stock	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	
Balance on April 1, 2023	1,017,504	342,670	(300,140)	30,845	5,275,424	6,366,305	6,366,305
Profit (loss) for the period	—	—	—	—	(398,640)	(398,640)	(398,640)
Other comprehensive income	—	—	—	126	—	126	126
Total comprehensive income	—	—	—	126	(398,640)	(398,514)	(398,514)
Exercise of share acquisition rights	40,363	40,363	—	(8,140)	—	72,586	72,586
Share-based compensation transactions	—	2,975	—	—	—	2,975	2,975
Issuance of share acquisition rights	—	—	—	195	—	195	195
Forfeiture of share acquisition rights	—	—	—	(700)	700	—	—
Disposal of treasury shares	—	917	1,970	—	—	2,887	2,887
Dividends	—	—	—	—	(392,585)	(392,585)	(392,585)
Total transactions with owners	40,363	44,255	1,970	(8,644)	(391,885)	(313,940)	(313,940)
Balance on September 30, 2023	1,057,867	386,925	(298,169)	22,327	4,484,898	5,653,850	5,653,850

(5) Summary of Quarterly Consolidated Statements of Cash Flows

[unit: thousand yen]

	1H FY2023 (Apr. 1, 2022 to Sep. 30, 2022)	1H FY2024 (Apr. 1, 2023 to Sep. 30, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	237,086	(562,874)
Depreciation and amortization	242,288	252,851
Finance income	(22)	(20)
Finance costs	50,494	11,788
(Increase) decrease in inventories	(2,881)	24,478
(Increase) decrease in trade and other receivables	423,104	284,939
Increase (decrease) in trade and other payables	(354,783)	(253,941)
Other	(37,160)	611,712
Subtotal	558,125	368,934
Proceeds from subsidy income	1,383	―
Proceeds from insurance income	6,000	―
Interest and dividends received	22	20
Interest paid	(4,240)	(5,038)
Income taxes paid	(288,562)	(151,911)
Income taxes refund	4	36
Cash flows from operating activities	272,732	212,041
Cash flows from investing activities		
Purchase of property, plant and equipment	(133,730)	(23,668)
Purchase of intangible assets	(2,904)	―
Purchase of investments	(992,459)	―
Expense due to security deposit	―	(12,169)
Income from collection of security deposit	―	656
Other	2,588	―
Cash flows from investing activities	(1,126,506)	(35,181)
Cash flows from financing activities		
Repayments of lease liabilities	(217,748)	(224,603)
Proceeds from issuance of share acquisition rights	―	195
Proceeds from exercise of share acquisition rights	93,899	72,586
Payments for purchase of treasury shares	(353)	―
Dividends paid	(326,600)	(391,771)
Cash flows from financing activities	(450,803)	(543,593)
Net increase (decrease) in cash and cash equivalents	(1,304,577)	(366,734)
Cash and cash equivalents at beginning of period	5,226,706	4,479,967
Cash and cash equivalents at end of period	3,922,129	4,113,232

(6) Notes to Summary of Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no related information.

(Changes in Accounting Policies)

This corporate group applied IAS 12 “Income Taxes” (amended in May 2021) from the first three-month period of fiscal year ending March 31, 2024.

Statement	Criteria name	Compulsory application period (Start year after)	FY applicable to the corporate group	Description of new standard, interpretations and amendments
IAS 12	Income taxes	January 1, 2023	Period ending March 31, 2024	Clarification of accounting treatment for deferred taxes related to assets and liabilities arising from a single transaction

The application of this standard clarifies the accounting treatments on initial recognition for transaction that give rise to equal taxable and deductible temporary differences at the time of the transaction, and results in the recognition of taxable and deductible temporary differences as deferred tax liabilities and assets, respectively, in the Condensed Interim Consolidated Statements of Financial Position.

As a result of the application of the standard, the previous fiscal year’s consolidated financial statements have been retrospectively restated. The effect of the application decreased deferred tax assets by 9,391 thousand yen and retained earnings by 9,391 thousand yen. In addition, the effect decreased income tax expenses by 386 thousand yen and increased profit for the period by the same amount in the Consolidated Statements of Income for the first six-month period of fiscal year ended March 31, 2023.

Due to the cumulative effect of application of this standard, the beginning balance of retained earnings for the first six-month period of previous fiscal year decreased by 7,857 thousand yen in the Consolidated Statements of Changes in Equity.

(Significant Subsequent Events)

(Acquisition of treasury share)

At the board of directors meeting held on October 27, 2023, the Company resolved matters related to the acquisition of treasury share based on the provisions of Article 156 of the Companies Act, as applied by replacing the terms with the provisions of Article 165, Paragraph 3 of the same Act.

Reason to acquire the treasury share: To enhance returns to shareholders, improve capital efficiency, and be able to execute the flexible capital policy in the future, as well as to allocate shares to be delivered as incentives such as share compensation for sustainable improvement of corporate value.

(1) Type of shares to be acquired	Our common share
(2) Total number of shares to be acquired	400,000 shares (Upper limit) (3.04% of total number of issued shares excluding treasury share)
(3) Total acquisition price of shares	400,000,000 yen (Upper limit)
(4) Acquisition period	From November 1, 2023 to March 29, 2024
(5) Acquisition method	Market purchases on the Tokyo Stock Exchange