

* Notes

- (1) Changes in significant subsidiaries during the first three months of FYE March 31, 2022 (changes of specified subsidiaries with change of the scope of consolidation): No
(Note) This does not correspond to a specified subsidiary, but from the first three months of the FYE Mar 2022, Kyushu C & C Systems has been included in the scope of consolidation.
- (2) Changes in accounting principles, changes in accounting estimates, and retrospective restatements
(i) Changes in accounting principles accompanying the amendment of accounting standards: Yes
(ii) Changes in accounting policies other than (i): None
(iii) Changes in accounting estimates: None
(iv) Restatement: None
- (3) Number of issued shares (common shares)
(i) Number of shares outstanding at end of the period (including treasury shares)
As of September 30, 2021: 15,547,147 shares
As of March 31, 2021: 15,348,151 shares
(ii) Number of treasury shares at end of the period
As of September 30, 2021: 103 shares
As of March 31, 2021: 31 shares
(iii) Average number of shares during the period
The six months of FYE Mar 2022: 15,524,866 shares
The six months of FYE Mar 2021: 15,174,671 shares

* The results are not subject to an audit by a certified public accountant or an auditing firm.

* Explanation concerning the appropriate use of financial result forecasts and other special notes

(Note on forward-looking statements)

Forward-looking statements such as results forecasts provided in this document are prepared based on currently available information and assumptions that are deemed reasonable, but the Company does not intend to guarantee their achievement. A variety of factors could cause actual results to differ materially from forecasts.

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1. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated balance sheets

(Unit: Thousand yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	2,637,195	1,537,621
Accounts receivable - trade	164,220	218,684
Operating investments in capital	830,013	1,383,753
Inventories	7,268,908	10,859,216
Other	284,166	223,504
Allowance for doubtful accounts	(1,196)	(1,196)
Total current assets	11,183,308	14,221,584
Non-current assets		
Property, plant and equipment	152,969	149,424
Intangible assets		
Software	473,975	522,502
Goodwill	—	158,219
Other	53,315	41,369
Total intangible assets	527,290	722,091
Investments and other assets	477,955	689,949
Total non-current assets	1,158,214	1,561,465
Total assets	12,341,523	15,783,049
Liabilities		
Current liabilities		
Accounts payable - trade	58,368	65,788
Short-term loans payable	722,000	1,332,000
Accounts payable - other	102,360	64,777
Accrued expenses	284,572	199,300
Income taxes payable	309,734	106,407
Provision for bonuses	127,060	130,628
Other	239,499	255,472
Total current liabilities	1,843,595	2,154,375
Non-current liabilities		
Long-term loans payable	2,470,000	5,219,000
Liabilities related to retirement benefits	—	62,625
Other	148,040	156,862
Total non-current liabilities	2,618,040	5,438,488
Total liabilities	4,461,635	7,592,863
Net assets		
Shareholders' equity		
Capital stock	3,584,698	3,636,499
Capital surplus	3,584,698	3,636,499
Retained earnings	672,877	865,263
Treasury shares	(122)	(626)
Total shareholders' equity	7,842,152	8,137,636
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	(343)
Total accumulated other comprehensive income	—	(343)
Stock acquisition rights	37,735	52,893
Total net assets	7,879,887	8,190,186
Total liabilities and net assets	12,341,523	15,783,049

(2) Quarterly Consolidated statements of income and consolidated statements of comprehensive income
(Quarterly Consolidated statements of income)

(Unit: Thousand yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Net sales	2,267,959	3,408,682
Cost of sales	1,158,090	1,895,108
Gross profit	1,109,868	1,513,574
Selling, general and administrative expenses	877,953	1,189,904
Operating profit	231,914	323,670
Non-operating income		
Interest income	0	3
Share of profit of entities accounted for using equity method	6,941	—
Dividend income	—	149
Other	53	1,069
Total non-operating income	6,996	1,222
Non-operating expenses		
Interest expenses	4,305	17,947
Share of loss of entities accounted for using equity method	—	208
Other	1,309	1,110
Total non-operating expenses	5,614	19,267
Ordinary profit	233,296	305,625
Quarterly Profit before income taxes	233,296	305,625
Income taxes - current	84,403	77,574
Income taxes - deferred	17,623	24,804
Total income taxes	102,027	102,378
Quarterly Profit	131,269	203,246
Quarterly Profit attributable to owners of parents	131,269	203,246

(Quarterly Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Quarterly Profit	131,269	203,246
Other Comprehensive income		
Valuation difference on available-for-sale securities	—	(343)
Total other Comprehensive income	—	(343)
Quarterly comprehensive income	131,269	202,902
Comprehensive income attributable to		
Owners of parents	131,269	202,902
Non-controlling interests	—	—

(3) Quarterly consolidated statements of cash flows

(Unit: Thousand yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	233,296	305,625
Depreciation	107,056	123,366
Increase (decrease) in provision for bonuses	—	6,879
Increase (decrease) in allowance for doubtful accounts	4,617	(3,472)
Going public expenses	—	(3,668)
Interest and dividend income	(939)	—
Interest expenses	(0)	(153)
Share of (profit) loss of entities accounted for using equity method	4,305	17,947
Loss on retirement of non-current assets	(6,941)	208
Decrease (increase) in notes and accounts receivable - trade	(8,231)	(22,799)
Decrease (increase) in operating investments in capital	25,824	(553,740)
Decrease (increase) in inventories	(1,901,982)	(3,589,176)
Increase (decrease) in notes and accounts payable - trade	19,507	(8,081)
Increase (decrease) in accounts payable - other and accrued expenses	(59,130)	(154,553)
Other, net	(103,082)	72,042
Subtotal	(1,685,700)	(3,809,575)
Interest and dividend income received	0	153
Interest expenses paid	(4,305)	(17,947)
Income taxes paid	(239,828)	(273,474)
Net cash provided by (used in) operating activities	(1,929,833)	(4,100,844)
Cash flows from investing activities		
Purchase of property, plant and equipment	—	(4,838)
Purchase of intangible assets	(127,295)	(135,869)
Purchase of securities	—	(107,500)
Expenditures for the acquisition of shares of a subsidiary with a change in the scope of consolidation	—	(130,545)
Other, net	(725)	(21,914)
Net cash provided by (used in) investing activities	(128,021)	(400,667)
Cash flows from financing activities		
Proceeds from short-term loans payable	1,594,000	—
Repayment of short-term loans payable	—	(232,000)
Proceeds from long-term loans payable	1,535,000	4,051,000
Repayment of long-term loans payable	—	(489,489)
Proceeds from issuance of common shares	25,009	73,026
Proceeds from issuance of stock acquisition rights	1,475	—
Other, net	(172)	(599)
Net cash provided by (used in) financing activities	3,155,311	3,401,937
Net increase (decrease) in cash and cash equivalents	1,097,457	(1,099,574)
Cash and cash equivalents at the beginning of period	3,182,384	2,637,195
Cash and cash equivalents at the end of period	4,279,841	1,537,621

(4) Notes to consolidated financial statements

(Note to going concern assumptions)

Not applicable.

(Notes on significant fluctuations in the amount of shareholders' equity)

Not applicable.

(Change in accounting policy)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter, "Accounting Standard for Revenue Recognition"), etc. has been applied since the beginning of the first three months of FYE March 2022. In accordance with this accounting standard, the Company recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer.

The application of the Accounting Standard for Revenue Recognition is pursuant to the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect when applying retrospectively the new accounting policy before the beginning of the three months of FYE March 2022 is added to or subtracted from the retained earnings at the beginning of the three months of FYE March 2022 and the new accounting policy has been applied from the beginning of the fiscal year balance.

The impact of these changes on profit or loss of the six months of FYE March 2022 or the retained earnings at the beginning of FYE March 2022 is minor.

In accordance with the transitional treatment set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, previous consolidated fiscal year has not been reclassified following the new presentation method.

(Segment information, etc.)

[Segment information]

I. For the six months ended September 30, 2020

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

(Unit: Thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount on consolidated statement of income (Note 2)
	AI Cloud & Consulting	Real Estate Tech	Total		
Net sales					
Sales to external customers	287,676	1,980,282	2,267,959	—	2,267,959
Intersegment net sales or transfers	116,201	—	116,201	(116,201)	—
Total	403,878	1,980,282	2,384,160	(116,201)	2,267,959
Segment profit or loss	304,518	(39,769)	264,749	(32,834)	231,914

(Notes) 1. The adjustment to segment profit of (32,834) thousand yen represents the elimination of intersegment transactions.

2. The segment profit or loss has been adjusted to the operating profit stated in the quarterly consolidated income statement.

II. For the six months ended September 30, 2021

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

(Unit: Thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount on consolidated statement of income (Note 2)
	AI Cloud & Consulting	Real Estate Tech	Total		
Net sales					
Sales to external customers	635,655	2,773,027	3,408,682	—	3,408,682
Intersegment net sales or transfers	177,573	—	177,573	(177,573)	—
Total	813,229	2,773,027	3,586,256	(177,573)	3,408,682
Segment profit	344,094	27,154	371,248	(47,578)	323,670

(Notes) 1. The adjustment to segment profit of (47,578) thousand yen represents the elimination of intersegment transactions.

2. The segment profit has been adjusted to the operating profit stated in the quarterly consolidated income statement.

2. Change in measurement of profit or loss in a reportable segment

From the first three month of the FYE March 2022, to reflect more appropriately the operating results of each reporting segment, the method of allocating expenses of the indirect division has changed based on rational allocation standards that match the actual business conditions of each segment.

The impact of this change on segment profit for the six months of FYE March 2022 is minor.

3. Significant fluctuations in the amount of goodwill

In the "AI Cloud & Consulting", due to the acquisition of all shares of Kyushu C&C Systems Co., Ltd., and included in the scope of the consolidation, the amount of goodwill has increased by 158,219 thousand yen.