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April 12, 2024

Consolidated Financial Results for the Six Months Ended February 29, 2024 (Under Japanese GAAP)

Company name: Goodpatch Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 7351
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 Scheduled date to file quarterly securities report: April 12, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes

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

1. Consolidated financial results for the six months ended February 29, 2024 (from September 1, 2023 to February 29, 2024)

(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								
February 29, 2024	2,065	13.6	75	(36.1)	78	(36.5)	42	(56.4)
February 28, 2023	1,818	(2.1)	118	(65.3)	123	(63.8)	97	(55.1)

Note: Comprehensive income For the six months ended February 29, 2024: ¥ 45 million [(53.8) %]
 For the six months ended February 28, 2023: ¥ 97 million [(55.3) %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
February 29, 2024	4.68	4.63
February 28, 2023	11.70	11.46

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
February 29, 2024	4,469	3,923	87.3
August 31, 2023	4,671	3,943	84.1

Reference: Equity
 As of February 29, 2024: ¥ 3,903 million
 As of August 31, 2023: ¥ 3,929 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 August 31, 2023	—	0.00	—	0.00	0.00
Fiscal year ending August 31, 2024	—	0.00			
Fiscal year ending August 31, 2024 (Forecast)			—	0.00	0.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2024 (from September 1, 2023 to August 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	4,754	21.0	405	35.6	404	35.1	243	12.5	26.56

Note: Revisions to the financial results forecast 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: —

Excluded: —

(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 February 29, 2024	9,168,380 shares
As of August 31, 2023	9,150,380 shares

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

As of February 29, 2024	129,205 shares
As of August 31, 2023	1,261 shares

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

Six months ended February 29, 2024	9,140,836 shares
Six months ended February 28, 2023	8,374,054 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

The forward-looking statements, including the financial results forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to achieve the stated performance. Actual business and other results may differ substantially due to various factors.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of August 31, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	3,273,786	3,092,461
Accounts receivable- trade and contract assets	455,680	405,765
Work in process	11,430	9,312
Prepaid expenses	49,252	74,301
Other	9,689	34,960
Total current assets	3,799,840	3,616,802
Non-current assets		
Property, plant and equipment		
Buildings	68,769	75,179
Accumulated depreciation	(31,972)	(34,477)
Buildings, net	36,796	40,701
Tools, furniture and fixtures	77,377	81,906
Accumulated depreciation	(67,414)	(70,407)
Tools, furniture and fixtures, net	9,963	11,499
Total Property, plant and equipment	46,760	52,200
Intangible assets		
Trademark right	1,738	1,615
Goodwill	476,005	444,271
Customer-related intangible assets	61,666	57,555
Other	48	24
Total Intangible assets	539,458	503,467
Investments and other assets		
Investment securities	145,561	170,243
Leasehold and guarantee deposits	23,299	23,147
Deferred tax assets	94,629	81,114
Other	22,000	22,803
Total Investments and other assets	285,490	297,308
Total non-current assets	871,709	852,976
Total assets	4,671,549	4,469,778

(Thousands of yen)

	As of August 31, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	71,414	48,396
Current portion of long-term borrowings	106,488	94,093
Accounts payable - other	132,915	79,693
Accrued expenses	62,814	33,262
Income taxes payable	88,952	42,656
Accrued consumption taxes	53,233	46,135
Contract liabilities	60,988	45,426
Provision for bonuses	-	11,728
Other	31,693	25,914
Total current liabilities	608,499	427,308
Non-current liabilities		
Long-term borrowings	86,243	85,690
Asset retirement obligations	11,576	11,584
Deferred tax liabilities	21,604	21,683
Total non-current liabilities	119,423	118,957
Total non-current liabilities	727,923	546,266
Net assets		
Shareholders' equity		
Share capital	1,767,520	1,768,792
Legal capital surplus	1,762,520	1,763,792
Retained earnings	402,659	445,411
Treasury shares	(110)	(73,346)
Total shareholders' equity	3,932,589	3,904,650
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	2,315
Foreign currency translation adjustment	(3,099)	(3,123)
Total accumulated other comprehensive income	(3,099)	(807)
Share acquisition rights	14,135	19,668
Total net assets	3,943,626	3,923,511
Total liabilities and net assets	4,671,549	4,469,778

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the six months)

(Thousands of yen)

	Six Months Ended February 28, 2023	Six Months Ended February 29, 2024
Net sales	1,818,068	2,065,082
Cost of sales	749,780	960,477
Gross profit	1,068,287	1,104,604
Selling, general and administrative expenses	949,592	1,028,729
Operating profit	118,695	75,874
Non-operating income		
Interest income	12	155
Share of profit of entities accounted for using equity method	3,724	8,272
Foreign exchange gains	-	186
Other	3,454	1,867
Total non-operating income	7,191	10,481
Non-operating expenses		
Interest expenses	744	430
Foreign exchange losses	208	-
Share issuance costs	118	93
Share acquisition rights issuance costs	-	552
Loss on investments in investment partnerships	-	6,160
Other	1,295	682
Total non-operating expenses	2,366	7,919
Ordinary profit	123,520	78,437
Extraordinary income		
Gain on reversal of share acquisition rights	-	273
Profit on liquidation of business	35,967	-
Total extraordinary income	35,967	273
Profit before income taxes	159,487	78,710
Income taxes - current	56,062	23,386
Income taxes - deferred	5,444	12,571
Total income taxes	61,507	35,958
Profit	97,979	42,752
Profit attributable to owners of parent	97,979	42,752

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Thousands of yen)

	Six Months Ended February 28, 2023	Six Months Ended February 29, 2024
Profit	97,979	42,752
Other comprehensive income		
Valuation difference on available-for-sale securities	-	2,315
Foreign currency translation adjustment	(509)	(23)
Total other comprehensive income	(509)	2,291
Comprehensive income	97,470	45,044
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	97,470	45,044
Comprehensive income attributable to non-controlling interests	-	-

Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Six Months Ended February 28, 2023	Six Months Ended February 29, 2024
Cash flows from operating activities		
Profit before income taxes	159,487	78,710
Depreciation	11,408	9,755
Amortization of goodwill	31,733	31,733
Increase (decrease) in provision for bonuses	(215)	11,728
Interest income	(12)	(155)
Interest expenses	744	430
Share issuance costs	118	93
Share of loss (profit) of entities accounted for using equity method	(3,724)	(8,272)
Profit on liquidation of business	(35,967)	-
Decrease (increase) in accounts receivable - trade, and contract assets	(73,209)	49,915
Decrease (increase) in inventories	(1,593)	2,118
Decrease (increase) in prepaid expenses	(11,849)	(24,990)
Increase (decrease) in trade payables	(9,891)	(23,018)
Increase (decrease) in accounts payable - other	(61,895)	(53,952)
Increase (decrease) in accrued expenses	(24,750)	(29,589)
Increase (decrease) in contract liabilities	4,170	(15,561)
Increase (decrease) in accrued consumption taxes	(53,396)	(7,097)
Other	(19,370)	(44)
Subtotal	(88,211)	21,804
Interest and dividends received	12	15
Interest paid	(740)	(488)
Income taxes paid	(105,289)	(73,795)
Income taxes refund	-	12,652
Net cash provided by (used in) operating activities	(194,229)	(39,812)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,099)	(10,229)
Payments of leasehold and guarantee deposits	-	(297)
Proceeds from refund of leasehold and guarantee deposits	2,288	-
Purchase of investment securities	(4,000)	(20,000)
Proceeds from distributions from investment partnerships	-	1,294
Net cash provided by (used in) investing activities	(2,810)	(29,231)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	50,000
Repayments of long-term borrowings	(62,908)	(62,948)
Purchase of treasury shares	-	(73,898)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	5,625	2,451
Repayments of lease liabilities	(4,834)	-

(Thousands of yen)

	Six Months Ended February 28, 2023	Six Months Ended February 29, 2024
Net cash provided by (used in) financing activities	(62,116)	(84,395)
Effect of exchange rate change on cash and cash equivalents	3,661	149
Net increase (decrease) in cash and cash equivalents	(255,495)	(153,290)
Cash and cash equivalents at beginning of period	2,910,461	3,273,786
Cash and cash equivalents at end of period	2,654,966	3,120,496