

Translation

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## Summary of Consolidated Financial Results for the Fiscal Year Ended January 2024 (Based on Japanese GAAP)

March 15, 2024

Company name: Appirits Inc.

Listing exchange: Tokyo Stock Exchange

Securities code: 4174

URL: <https://appirits.com/>

Representative: Junji Wada, President and Chief Executive Officer

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Scheduled date for next ordinary general meeting of shareholders: April 25, 2024

Scheduled date for filing securities report: April 25, 2024

Scheduled date for commencing dividend payments: April 11, 2024

Preparation of supplementary materials on financial results: Yes

Holding of financial results briefing session: Yes

(Amounts are rounded down to the nearest million yen, unless otherwise noted)

1. Consolidated Financial Results for the Fiscal Year Ended January 31, 2024 (February 1, 2023 to January 31, 2024)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures represent 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	%
Fiscal year ended January 31, 2024	8,427	15.1	599	29.6	596	33.9	386	83.8
Fiscal year ended January 31, 2023	7,323	52.7	462	98.4	445	102.2	210	92.5

(Note) Comprehensive income

Fiscal year ended January 31, 2024: 386 million yen [83.8%]

Fiscal year ended January 31, 2023: 210 million yen [92.5%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended January 31, 2024	94.32	89.85	17.0	13.6	7.1
Fiscal year ended January 31, 2023	52.22	48.82	10.4	12.7	6.3

(Reference) Share of profit (loss) of entities accounted for using equity method

Fiscal year ended January 31, 2024: - million yen

Fiscal year ended January 31, 2023: - million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of January 31, 2024	4,585	2,468	53.2	591.69
As of January 31, 2023 (end of previous fiscal year)	4,198	2,121	50.4	518.13

(Reference) Total shareholders' equity

As of January 31, 2024: 2,441 million yen    As of January 31, 2023: 2,115 million yen

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended January 31, 2024	251	(462)	130	1,742
Fiscal year ended January 31, 2023	535	(254)	102	1,822

### 2. Cash Dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended January 31, 2023	–	5.00	–	5.00	10.00	40	19.1	2.0
Fiscal year ended January 31, 2024	–	6.00	–	6.00	12.00	49	12.7	2.2
Fiscal year ending January 31, 2025 (Forecast)	–	8.00	–	8.00	16.00		15.2	

### 3. Forecast of Financial Results for the Fiscal Year Ending January 31, 2025 (from February 1, 2024 to January 31, 2025)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First two quarters (cumulative)	4,161	0.6	240	(7.2)	237	(8.1)	143	(5.4)	34.92
Full year	9,000	6.8	678	13.1	672	12.7	430	11.3	104.99

#### \* Explanatory notes

(1) Changes in significant subsidiaries during the fiscal year (changes in specified subsidiaries resulting in change in scope of consolidation): No

Newly consolidated: No Excluded from consolidation: No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2) Changes in accounting policies other than those in 1) above: No

3) Changes in accounting estimates: Yes

4) Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of January 31, 2024	4,226,700 shares	As of January 31, 2023	4,133,700 shares
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2) Number of treasury shares at the end of the period

As of January 31, 2024	100,038 shares	As of January 31, 2023	50,038 shares
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3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Fiscal year ended January 31, 2024	4,095,660 shares	Fiscal year ended January 31, 2023	4,025,214 shares
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(Reference) Overview of Non-consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended January 31, 2024 (February 1, 2023 to January 31, 2024)

(1) Non-Consolidated Operating Results

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended January 31, 2024	6,870	8.1	573	35.4	585	39.5	400	85.7
Fiscal year ended January 31, 2023	6,358	32.6	423	63.5	419	70.1	215	58.8

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended January 31, 2024	97.84	93.20
Fiscal year ended January 31, 2023	53.60	50.10

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of January 31, 2024 (end of current fiscal year)	4,404	2,514	56.5	602.98
As of January 31, 2023 (end of previous fiscal year)	3,993	2,153	53.8	526.01

(Reference) Total shareholders' equity

As of January 31, 2024: 2,488 million yen    As of January 31, 2023: 2,148 million yen

2. Forecast of Non-Consolidated Financial Results for the Fiscal Year Ending January 31, 2025

(from February 1, 2024 to January 31, 2025)

(Percentage figures represent 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
First two quarters (cumulative)	3,412	1.1	237	(12.4)	242	(12.6)	158	(11.7)	38.82
Full year	7,388	7.5	616	7.4	627	7.1	425	6.2	103.96

\* This summary of financial results is not subject to audit procedures by a public accountant or audit corporation.

\* Explanation regarding the appropriate use of earnings forecasts, and other notes  
(Notes on forward-looking statements)

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual financial results and the like may differ materially due to various factors.

(How to obtain supplementary materials on financial results and details of the financial results briefing session)

The Company plans to promptly post the explanation (video) and explanatory materials regarding the financial results on its website.

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## 1. Overview of Consolidated Results of Operations, etc.

### (1) Overview of Results of Operations

During the fiscal year ended January 2024, the Japanese economy began to return to normalization as COVID-19 was re-classified as a Class 5 infectious disease under the Infectious Diseases Control Law and is expected to pick up. The outlook remains uncertain, however, due to concerns about the impact of an economic slowdown caused by factors such as prolonged geopolitical risks, rising natural resources and raw material prices, foreign exchange fluctuations led by the sharp depreciation of the yen, and higher policy interest rates against global inflation.

The Internet industry and online gaming industry, to which the Company and its group of companies (“the Group”) belong, continue to see a strong trend of new digitalization, which brings about drastic changes to business models and the industry structure through digital transformation (DX), mainly at large companies. The need to respond to new lifestyles through digitalization is solid and strong, and companies continue to expand their investments in information technology (IT).

Given such a business environment, the Group has set forth its mission of “Always make Internet services that delight and enrich the world” under its vision of “The Internet Company.” To achieve this mission, the Group conducts three main businesses: Web Solutions, Digital Talent Development and Staffing, and Online Gaming, and works to expand earnings with the trend of DX bolstering its endeavor.

In the Online Gaming business, impairment losses of 20,567 thousand yen were recorded in the current fiscal year for “UNI'S ON AIR,” for which copyright had been transferred to the Company in June 2022, as the Company determined that it would be difficult to recover the investment within the initially planned two years. Because recording the impairment losses reduces the depreciation burden of UNI'S ON AIR in the following fiscal year and thereafter, the game title is expected to secure profit more stably in its operation plan going forward, and the Company will continue operations of the game.

Moreover, in the M&A strategy that the Group pursues as part of its growth strategies, the Company acquired Moving Crew Co., Ltd., which is engaged in the planning, development, and operation of fan community websites, in January 2022, and Y's Inc., which conducts IT talent staffing business and website production, in July 2022. With these companies becoming fully owned subsidiaries, the Group is striving to secure and develop digital talents and expand the relevant business areas. In the current fiscal year, the Company continued proactive sourcing activities, but no M&A was concluded or closed.

Furthermore, in an endeavor to enhance shareholder returns, the Company paid an interim dividend of 6 yen per share, as forecasted at the beginning of the fiscal year, and also purchased treasury shares. At the end of the current fiscal year, the Company will pay a year-end dividend of 6 yen per share, as forecasted at the beginning of the fiscal year.

As a result of the above, the Group achieved the following results for the fiscal year under review:

Net sales	8,427,942 thousand yen (up 15.1% year on year)
Operating profit	599,667 thousand yen (up 29.6% year on year)
Ordinary profit	596,243 thousand yen (up 33.9% year on year)
Profit attributable to owners of parent	386,321 thousand yen (up 83.8% year on year)

Operating results by segment for the fiscal year under review are as follows:

Note that, effective from the second quarter of the previous fiscal year, the Company changed its business segmentation to three segments, adding the Digital Talent Development and Staffing business to the existing Web Solutions business and Online Gaming business.

The following year-on-year comparisons of net sales and segment profit (loss) are calculated by assuming that the segment change occurred at the beginning of the previous fiscal year.

The indicated amounts are the figures before eliminating inter-segment transactions.

#### 1) Web Solutions business

In the Web Solutions business, which includes the development, operations, and support of large-scale cloud-based systems for transforming clients' business models and processes, the Company carries out a series of operations, from service design to development and maintenance tailored to client needs. Through this, the Company has established a customer loyalty loop and steadily increased the number of continuing orders and projects requiring composite services. The Company also understands that a material issue for its business expansion is the growth of young people engaged in the development of these services. The Company works to improve their skills as development engineers by having them experience responsible positions and, after they have grown, they convey the skills and expertise to young, less experienced engineers, thereby creating a growth spiral through the cycle. As a result, based on these endeavors, the Web Solutions business has been able to steadily expand its performance by receiving steady orders for ongoing projects as a partner to realize DX for its clients, steadily securing new projects under the active market environment, and increasing unit prices due to the larger size of the projects themselves.

As a result, the segment posted net sales of 3,458,297 thousand yen (up 20.2% year on year) for the fiscal year under review, with segment profit amounting to 967,036 thousand yen (up 15.5% year on year).

#### 2) Digital Talent Development and Staffing business

The Digital Talent Development and Staffing business is a newly launched business that integrates the functions of the digital talent staffing business, which had been included in the Web Solutions business and Online Gaming business segments, and Y's Inc., which became a wholly owned subsidiary in July 2022. As seen in the recent trends for DX, the gap between supply and demand for digital talents to support the rapid progress of digital business has become a structural issue. For more flexible responses, the Company has separated the business into a new segment to provide solutions for the issue of the inadequate supply of digital talents.

By hiring people with little experience and actively providing them with quality training that has been accumulated over the years, the Company has been able to prepare high-quality digital talents for its clients. Sales have increased significantly from the year-earlier period, and segment profit has also made steady growth as hiring and training have run their course and their costs were absorbed in Q3 through Q4, as planned initially.

As a result, the segment posted net sales of 1,938,222 thousand yen (up 57.9% year on year) for the fiscal year under review, with segment profit amounting to 111,073 thousand yen (up 17.4% year on year).

### 3) Online Gaming business

In the Online Gaming business, which is mainly focused on mobile games, the Company endeavored to maintain sales of game titles developed and copyrighted on its own by holding anniversary events to commemorate the 5th anniversary of the "GOETIA X (Cross)" service in September 2023, among other efforts. Additionally, development of a new game title, "Shikihime Project," is proceeding diligently for release in the next fiscal year.

With regard to games for which copyrights have been transferred to the Company, anniversary events were held to commemorate the 4th anniversary of the service launch in September 2023 for both "Kemono Friends 3" and "UNI'S ON AIR." Year-end and New Year's events were held for "UNI'S ON AIR," which contributed to sales of the game title in Q3 and Q4. Moreover, costs have decreased due to ongoing efforts the Company has made since the operation was transferred to streamline the operation system and shift to in-house production from outsourcing.

As for outsourced development and operations, the Company has been entrusted by other companies for the outsourced development, as well as operations such as updating the content and adding new features, maintenance and joint operations of games they have developed and copyrighted. In April 2023, the Company participated as a major operator in "Senjyushi: Rhodoknight," provided by Marvelous Inc., for which the Company had been entrusted with the operation. In October 2023, the Company also participated as such in "Ikki Touden: Extra Burst" provided by Marvelous.

As a result, the segment posted net sales of 3,084,818 thousand yen (down 4.2% year on year) for the current fiscal year under review, with segment profit amounting to 189,694 thousand yen (up 30.6% year on year).

## (2) Overview of Financial Position

### (Assets)

Total assets at the end of the current fiscal year amounted to 4,585,841 thousand yen, an increase of 387,332 thousand yen from the end of the previous fiscal year. Current assets increased by 95,656 thousand yen to 3,381,709 thousand yen, mainly because cash and deposits increased by 80,236 thousand yen and work in process decreased by 16,372 thousand yen while accounts receivable - trade and contract assets increased by 167,149 thousand yen and items categorized as other increased by 25,119 thousand yen. Non-current assets increased by 291,675 thousand yen to 1,204,132 thousand yen, mainly because guarantee deposits increased by 403,241 thousand yen and deferred tax assets increased by 20,369 thousand yen while goodwill decreased by 69,332 thousand yen and items categorized as other in intangible assets decreased by 69,380 thousand yen, etc.

### (Liabilities)

Total liabilities at the end of the current fiscal year amounted to 2,117,467 thousand yen, an increase of 40,262 thousand yen from the end of the previous fiscal year. Current liabilities increased by 151,881 thousand yen to 1,729,967 thousand yen, mainly because short-term borrowings increased by 300,000 thousand yen, contract liabilities increased by 28,171 thousand yen and provision for bonuses increased by 14,494 thousand yen while accounts payable - trade decreased by 34,223 thousand yen, accounts payable - other decreased by 32,085 thousand yen, income taxes payable decreased by 118,879 thousand yen, and accrued consumption taxes decreased by 16,618 thousand yen, among other factors. Non-current liabilities decreased by 111,618 thousand yen to 387,500 thousand yen, mainly because long-term borrowings decreased by 110,000 thousand yen, etc.

### (Net assets)

Net assets at the end of the current fiscal year amounted to 2,468,374 thousand yen, an increase of 347,070 thousand yen from the end of the previous fiscal year. This was mainly because retained earnings increased by 386,321 thousand yen due to recording of profit attributable to owners of parent, share acquisition rights increased by 21,217 thousand yen due to recording of share-based payment expenses, share capital and legal capital surplus increased by 18,962 thousand yen, respectively, due to exercise of employee share options, and treasury shares increased by 53,365 thousand yen, while retained earnings decreased by 45,026 thousand yen due to payment of dividends.

## (3) Overview of Cash Flows

Cash and cash equivalents ("net cash") at the end of the current fiscal year amounted to 1,742,161 thousand yen, a decrease of 80,236 thousand yen from the end of the previous fiscal year.

The status of cash flows in the current fiscal year under review and their contributing factors are as follows.

### (Cash flows from operating activities)

Net cash provided by operating activities amounted to 251,693 thousand yen (compared to net cash provided, amounting to 535,672 thousand yen in the previous fiscal year). This was mainly due to factors including profit before income taxes of 575,676 thousand yen, depreciation of 100,471 thousand yen, impairment losses of 20,567 thousand yen, amortization of goodwill of 69,332 thousand yen, increase in trade receivables and contract assets of 167,149 thousand yen, decrease in inventories of 16,375 thousand yen, decrease in accrued consumption taxes of 16,618 thousand yen, decrease in trade payables 34,223 thousand yen, decrease in accounts payable - other of 31,569 thousand yen, and income taxes paid of 324,750 thousand yen.

### (Cash flows from investing activities)

Net cash used in investing activities amounted to 462,813 thousand yen (compared to net cash used, amounting to 254,915 thousand yen in the previous fiscal year). This was mainly due to such factors as purchase of property, plant and equipment of 42,879 thousand yen and payments of guarantee deposits of 419,115 thousand yen.

### (Cash flows from financing activities)

Net cash provided by financing activities amounted to 130,879 thousand yen (compared to net cash provided, amounting to 102,503 thousand yen in the previous fiscal year). This was due to increase in short-term borrowings of 300,000 thousand yen and proceeds from issuance of shares resulting from exercise of share acquisition rights of 37,924 thousand yen, against repayments of long-term borrowings of 110,000 thousand yen, purchase of treasury shares of 53,692 thousand yen and dividends paid of 43,351 thousand yen.

#### **(4) Future Outlook**

The digital transformation market, to which the Group belongs, continues to be in a period of great change due to the strengthening and expansion of digital transformation efforts, and the market is expected to keep expanding as the appetite for IT investments in cloud, AI, IoT, big data, etc. remains high.

On the other hand, while the demand for digital talents to lead the digital transformation is rising, the shortage of IT engineers is poised to become even more serious in the future. With a large number of young engineers and other digital talents and the intention to continue strengthening their hiring, the Group considers it necessary to invest in and educate such talents over the long term. In light of the fact that the growth of each employee will lead to business growth and social contributions, we will create an environment where people and businesses can continue to grow under the “Appirits Vision 2030.” Specifically, we believe that this can be achieved through three elements: “co-creation and co-learning” to activate horizontal communities within organizations and promote mutual understanding and a culture of mutual support; “talent development” to foster digital talents by creating an environment in which they can continue learning; and “productivity enhancement” through continuous learning. We will ultimately aim to realize an “affluent society” by producing a large number of digital talents through the development of a wide range of services.

(Web Solutions business)

Looking at the market environment, the trend toward IT investments is expected to continue, along with the heightening awareness of companies for digital transformation. Moreover, projects are becoming larger, and the need for one-stop contractors to support in-house development by companies is growing. The Company intends to focus on providing a “one-stop solution” that consistently undertakes processes from web marketing to security measures, in addition to the planning, development, and maintenance of e-commerce sites and web systems for which it has continued to serve to date. Furthermore, while taking into account securing ongoing growth, the Company will take a medium- to long-term perspective and enhance its production capabilities by re-building a system that can respond to increasingly larger projects and accelerating education and support for teachers. Through these endeavors, the Company aims to firmly establish a stable earnings structure.

(Digital Talent Development and Staffing business)

In the Digital Talent Development and Staffing business, we believe that demand for digital talents will continue to grow in many industries in Japan, despite a decreasing trend in the needs of online gaming companies that accept staffing. The Company will work to facilitate an increase in the number of people for staffing by expanding hiring and reallocating existing employees not assigned to any specific projects to the Digital Talent Development and Staffing business, and will also enhance education and follow-ups for the existing talents. By doing so, the Company endeavors to conduct staffing of high-quality digital talents together with Y’s Inc., a subsidiary, aiming to raise the unit price in line with growth and increase the stationing rate of its staff at the companies that accept staffing.

(Online Gaming business)

In the Online Gaming business, although the market environment remains somewhat stagnant, the Company will make it a foundation for gaining earnings to conduct contracted development and operation for other online gaming companies. Based on this foundation, the Company will work to expand the scale of its business by conducting joint operation of relatively stable large-scale game titles copyrighted by other companies or having the copyrights transferred to the Company. For existing copyright-transferred game titles operated by the Company, efforts will be made to optimize talent allocation and control such costs as outsourcing expenses. Through these measures, the Company will strengthen its structure to earn stable profits against sales volatility. On top of that, the Company will aim to accelerate growth with its own game titles to be released in the fiscal year ending January 2025 and increase sales by acquiring contracted development orders for new projects.

Moreover, the Group has made it a policy of its growth strategies to conduct M&As in order to secure excellent talents and expand the scale of its business. For the moment, the Group is constantly sourcing projects and will move forward with acquiring them as soon as possible.

With these endeavors, for the consolidated earnings forecast for the fiscal year ending January 2025, the Group projects net sales of 9,000 million yen, operating profit of 678 million yen, ordinary profit of 672 million yen and profit attributable to owners of parent of 430 million yen.

Note that the above earnings forecast has been prepared based on information available to the Company as of the date of the announcement of this document. Actual financial results may differ from the forecast figures due to various factors. The Company will announce it as soon as possible if it is required to revise the forecast due to future changes in business conditions and other factors.

## **2. Basic view on the Selection of Accounting Standard**

The Group has adopted Japanese GAAP for accounting standards as most of its stakeholders are shareholders, creditors, business partners, etc. who reside in Japan, and there is little need to raise funds from abroad. As for the adoption of International Financial Reporting Standards (IFRS), the Group will appropriately consider it by taking into account the domestic and international circumstances.

### 3. Consolidated Financial Statements and Significant Notes Thereto

#### (1) Consolidated Balance Sheets

	(Thousands of yen)	
	Previous fiscal year (As of January 31, 2023)	Current fiscal year (As of January 31, 2024)
Assets		
Current assets		
Cash and deposits	1,822,398	1,742,161
Accounts receivable - trade and contract assets	1,164,242	1,331,392
Work in process	26,249	9,876
Other	273,162	298,279
Total current assets	3,286,052	3,381,709
Non-current assets		
Property, plant and equipment		
Buildings, net	34,594	29,433
Tools, furniture and fixtures, net	64,425	63,932
Total property, plant and equipment	99,020	93,365
Intangible assets		
Software	498	1,149
Goodwill	290,462	221,129
Other	69,380	-
Total intangible assets	360,340	222,279
Investments and other assets		
Guarantee deposits	268,737	671,978
Deferred tax assets	180,284	200,654
Other	4,073	15,854
Total investments and other assets	453,095	888,487
Total non-current assets	912,456	1,204,132
Total assets	4,198,509	4,585,841



(Thousands of yen)

	Previous fiscal year (As of January 31, 2023)	Current fiscal year (As of January 31, 2024)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	313,446	279,223
Short-term borrowings	-	300,000
Current portion of long-term borrowings	110,000	110,000
Accounts payable - other	547,556	515,470
Income taxes payable	228,011	109,131
Contract liabilities	192,224	220,395
Accrued consumption taxes	153,509	136,891
Provision for bonuses	14,526	29,020
Provision for loss on orders received	31	-
Other	18,779	29,834
<b>Total current liabilities</b>	<b>1,578,086</b>	<b>1,729,967</b>
<b>Non-current liabilities</b>		
Long-term borrowings	497,500	387,500
Other	1,618	-
<b>Total non-current liabilities</b>	<b>499,118</b>	<b>387,500</b>
<b>Total liabilities</b>	<b>2,077,205</b>	<b>2,117,467</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	619,694	638,657
Capital surplus	517,864	536,827
Retained earnings	1,035,327	1,376,622
Treasury shares	(57,029)	(110,395)
<b>Total shareholders' equity</b>	<b>2,115,858</b>	<b>2,441,710</b>
Share acquisition rights	5,445	26,663
<b>Total net assets</b>	<b>2,121,303</b>	<b>2,468,374</b>
<b>Total liabilities and net assets</b>	<b>4,198,509</b>	<b>4,585,841</b>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**

## Consolidated Statements of Income

(Thousands of yen)

	Previous fiscal year (February 1, 2022 – January 31, 2023)	Current fiscal year (February 1, 2023 – January 31, 2024)
Net sales	7,323,080	8,427,942
Cost of sales	5,568,376	6,396,214
Gross profit	1,754,704	2,031,728
Selling, general and administrative expenses	1,291,921	1,432,060
Operating profit	462,783	599,667
Non-operating income		
Interest income	56	24
Commission income	210	666
Other	1,200	2,026
Total non-operating income	1,466	2,716
Non-operating expenses		
Interest expenses	3,240	4,838
Commission expenses	2,616	326
Foreign exchange losses	4,676	974
Settlement payments	8,040	-
Other	530	-
Total non-operating expenses	19,104	6,140
Ordinary profit	445,145	596,243
Extraordinary losses		
Loss on retirement of non-current assets	2,116	-
Impairment losses	40,821	20,567
Total extraordinary losses	42,937	20,567
Profit before income taxes	402,208	575,676
Income taxes - current	223,379	211,343
Income taxes - deferred	(31,378)	(21,988)
Total income taxes	192,001	189,355
Profit	210,206	386,321
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	210,206	386,321

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous fiscal year (February 1, 2022 – January 31, 2023)	Current fiscal year (February 1, 2023 – January 31, 2024)
Profit	210,206	386,321
Comprehensive income	210,206	386,321
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	210,206	386,321
Comprehensive income attributable to non-controlling interests	-	-

### (3) Consolidated Statements of Changes in Equity

Previous fiscal year (February 1, 2022 to January 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	588,912	487,082	848,544	-	1,924,540
Cumulative effects of changes in accounting policies			16,828		16,828
Restated balance	588,912	487,082	865,373	-	1,941,369
Changes of items during period					
Issuance of new shares	30,782	30,782			61,564
Dividends of surplus			(40,252)		(40,252)
Profit attributable to owners of parent			210,206		210,206
Purchase of treasury shares				(57,029)	(57,029)
Net changes in items other than shareholders' equity					-
Total changes during period	30,782	30,782	169,954	(57,029)	174,488
Balance at end of period	619,694	517,864	1,035,327	(57,029)	2,115,858

	Share acquisition rights	Total net assets
Balance at beginning of period	-	1,924,540
Cumulative effects of changes in accounting policies		16,828
Restated balance	-	1,941,369
Changes of items during period		
Issuance of new shares		61,564
Dividends of surplus		(40,252)
Profit attributable to owners of parent		210,206
Purchase of treasury shares		(57,029)
Net changes in items other than shareholders' equity	5,445	5,445
Total changes during period	5,445	179,934
Balance at end of period	5,445	2,121,303

Current fiscal year (February 1, 2023 to January 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	619,694	517,864	1,035,327	(57,029)	2,115,858
Cumulative effects of changes in accounting policies					-
Restated balance	619,694	517,864	1,035,327	(57,029)	2,115,858
Changes of items during period					
Issuance of new shares	18,962	18,962			37,924
Dividends of surplus			(45,026)		(45,026)
Profit attributable to owners of parent			386,321		386,321
Purchase of treasury shares				(53,365)	(53,365)
Net changes in items other than shareholders' equity					
Total changes during period	18,962	18,962	341,294	(53,365)	325,852
Balance at end of period	638,657	536,827	1,376,622	(110,395)	2,441,710

	Share acquisition rights	Total net assets
Balance at beginning of period	5,445	2,121,303
Cumulative effects of changes in accounting policies		-
Restated balance	5,445	2,121,303
Changes of items during period		
Issuance of new shares		37,924
Dividends of surplus		(45,026)
Profit attributable to owners of parent		386,321
Purchase of treasury shares		(53,365)
Net changes in items other than shareholders' equity	21,217	21,217
Total changes during period	21,217	347,070
Balance at end of period	26,663	2,468,374

**(4) Consolidated Statements of Cash Flows**

(Thousands of yen)

	Previous fiscal year (February 1, 2022 – January 31, 2023)	Current fiscal year (February 1, 2023 – January 31, 2024)
Cash flows from operating activities		
Profit before income taxes	402,208	575,676
Depreciation	62,663	100,471
Impairment losses	40,821	20,567
Amortization of goodwill	110,275	69,332
Commission for purchase of treasury shares	2,616	326
Increase (decrease) in allowance for doubtful accounts	(1,239)	-
Increase (decrease) in provision for bonuses	(774)	14,494
Increase (decrease) in provision for loss on orders received	2	(31)
Interest and dividend income	(56)	(24)
Interest expenses	3,240	4,838
Decrease (increase) in trade receivables and contract assets	(406,765)	(167,149)
Decrease (increase) in inventories	7,607	16,375
Increase (decrease) in accrued consumption taxes	76,519	(16,618)
Increase (decrease) in trade payables	118,477	(34,223)
Increase (decrease) in accounts payable - other	204,140	(31,569)
Other, net	(61,275)	28,803
Subtotal	558,461	581,268
Interest and dividends received	56	24
Interest paid	(4,243)	(4,848)
Income taxes refund	6,728	-
Income taxes paid	(25,330)	(324,750)
Net cash provided by (used in) operating activities	535,672	251,693
Cash flows from investing activities		
Proceeds from sale of securities	2,000	-
Purchase of property, plant and equipment	(43,320)	(42,879)
Purchase of intangible assets	(14,700)	(1,069)
Payments of guarantee deposits	(9,881)	(419,115)
Proceeds from refund of guarantee deposits	16,624	250
Payments for acquisition of businesses	(150,000)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(55,638)	-
Net cash provided by (used in) investing activities	(254,915)	(462,813)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(300,000)	300,000
Proceeds from long-term borrowings	650,000	-
Repayments of long-term borrowings	(55,314)	(110,000)
Redemption of bonds	(155,300)	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	61,564	37,924
Purchase of treasury shares	(59,646)	(53,692)
Dividends paid	(38,799)	(43,351)
Net cash provided by (used in) financing activities	102,503	130,879
Effect of exchange rate change on cash and cash equivalents	2	3
Net increase (decrease) in cash and cash equivalents	383,263	(80,236)
Cash and cash equivalents at the beginning of period	1,439,134	1,822,398
Cash and cash equivalents at the end of period	1,822,398	1,742,161

## (5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan Guidance No. 31, issued on June 17, 2021; the “Implementation Guideline”) from the beginning of the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance, the new accounting policy stipulated by the Implementation Guidance is to be applied prospectively.

Note that the application has not affected the consolidated financial statements.

(Changes in Accounting Estimates)

(Changes in useful life and estimate of asset retirement obligations)

In the current fiscal year under review, the Company made a resolution to move out of the building where its head office is currently housed. In association with this, the estimated useful life of non-current assets that are unlikely to be used after the move-out has been changed prospectively to ensure that depreciation will be completed by the planned move-out month. Moreover, in relation to the asset retirement obligations of the current head office, the estimated period of use of the relevant assets was changed prospectively to ensure that recording of the expenses will be completed by the planned move-out month.

Moreover, with regard to the obligation to restore the original state pursuant to the lease agreement of the current head office, the Company revised the estimate for the cost of restoration to the original state as it obtained new information for the cost.

Furthermore, instead of being recording as liabilities, the asset retirement obligations are treated in a simple accounting method in which the Company reasonably estimates the amount of leasehold deposits related to the lease agreement deemed to be ultimately uncollectible and recognizes the amount attributable to the current fiscal year as expenses.

As a result of this, operating profit, ordinary profit and profit before income taxes for the current fiscal year decreased by 22,558 thousand yen, respectively, compared with the previous method.

(Segment Information, Etc.)

I. Overview of reportable segments

(1) Method of determining reportable segments

The Group’s reportable segments are its components for which separate financial information is available and which are subject to periodic reviews by the Board of Directors to determine the allocation of management resources and evaluate their performance.

The Group has established departments by product and service, and performance evaluation and decision-making are conducted for the respective departments. Accordingly, the Group has three reportable segments of “Web Solutions business,” “Digital Talent Development and Staffing business” and “Online Gaming business” that are classified in accordance with the products and services they handle.

(2) Types of products and services of each reportable segment

Products and services in each reportable segment are as follows.

1) Web Solutions business

Contracted development, operation, and maintenance of web systems for business portal sites, e-commerce sites, etc.

Web marketing support, provision of ASP (application service provider) services for e-commerce sites, and various peripheral services such as security diagnosis

2) Digital Talent Development and Staffing business

Staffing of digital talents related to the Web Solutions business and the Online Gaming business

3) Online Gaming business

Development and operation of in-house-developed online games for domestic and overseas markets

Contracted development, operation, and maintenance of online games copyrighted by other companies

2. Methods of calculating net sales, profit or losses, assets, liabilities and other items for each reportable segment

The accounting methods for the reportable segments are generally the same as those adopted in the preparation of consolidated financial statements.

The profit of each reportable segment indicates the figure of operating profit. Inter-segment sales or transfers are based on prevailing market prices.

3. Information regarding net sales, profit or losses, assets, liabilities and other items by reportable segment, and breakdown of revenue

Previous fiscal year (February 1, 2022 to January 31, 2023)

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Web Solutions business	Digital Talent Development and Staffing business	Online Gaming business	Total		
<b>Net sales</b>						
Transactions related to fixed-price contracts	1,182,781	-	927,086	2,109,867	-	2,109,867
Transactions related to time and materials contracts	1,694,143	-	9,946	1,704,089	-	1,704,089
Transactions related to talent staffing	-	1,227,459	-	1,227,459	-	1,227,459
Transactions related to online game distribution services	-	-	2,281,663	2,281,663	-	2,281,663
Revenue from contracts with customers	2,876,925	1,227,459	3,218,695	7,323,080	-	7,323,080
Sales to outside customers	2,876,925	1,227,459	3,218,695	7,323,080	-	7,323,080
Inter-segment sales or transfers	-	-	-	-	-	-
<b>Total</b>	<b>2,876,925</b>	<b>1,227,459</b>	<b>3,218,695</b>	<b>7,323,080</b>	<b>-</b>	<b>7,323,080</b>
<b>Segment profit</b>	<b>837,253</b>	<b>94,618</b>	<b>145,240</b>	<b>1,077,112</b>	<b>(614,329)</b>	<b>462,783</b>
<b>Segment assets</b>	<b>612,922</b>	<b>442,337</b>	<b>749,430</b>	<b>1,804,689</b>	<b>2,393,819</b>	<b>4,198,509</b>
<b>Other items</b>						
Depreciation	50	456	40,262	40,769	21,893	62,663
Amortization of goodwill	20,077	27,755	62,442	110,275	-	110,275
Impairment losses	-	-	40,821	40,821	-	40,821
Increase in property, plant and equipment and intangible assets	300	242,893	118,470	361,663	43,401	405,064

(Notes) 1. Adjustments are as follows.

- (1) Adjustments of segment profit (-614,329 thousand yen) are corporate expenses that are not allocated to any reportable segment. Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.
- (2) Adjustments of segment assets (2,393,819 thousand yen) are corporate assets that are mainly cash and deposits that do not belong to any reportable segment.
- (3) Adjustments of depreciation (21,893 thousand yen) are mainly depreciation for corporate assets that do not belong to any reportable segment.
- (4) Adjustments of increase in property, plant and equipment and intangible assets (43,401 thousand yen) are mainly capital investment in head office, etc.

2. Segment profit has been adjusted with the operating profit in the Consolidated Statements of Income.



	Reportable segment				Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Web Solutions business	Digital Talent Development and Staffing business	Online Gaming business	Total		
Net sales						
Transactions related to fixed-price contracts	1,446,385	-	833,712	2,210,772	-	2,210,772
Transactions related to time and materials contracts	2,011,462	-	277,989	2,358,777	-	2,358,777
Transactions related to talent staffing	-	1,885,275	-	1,885,275	-	1,885,275
Transactions related to online game distribution services	-	-	1,973,116	1,973,116	-	1,973,116
Revenue from contracts with customers	3,457,847	1,885,275	3,084,818	8,427,942	-	8,427,942
Sales to outside customers	3,457,847	1,885,275	3,084,818	8,427,942	-	8,427,942
Inter-segment sales or transfers	450	52,946	-	53,396	(53,396)	-
Total	3,458,297	1,938,222	3,084,818	8,481,338	(53,396)	8,427,942
Segment profit	967,036	111,073	189,694	1,267,804	(668,137)	599,667
Segment assets	839,919	631,066	713,265	2,184,251	2,401,590	4,585,841
Other items						
Depreciation	129	2,518	52,921	55,568	44,902	100,471
Amortization of goodwill	21,750	47,581	-	69,332	-	69,332
Impairment losses	-	-	20,567	20,567	-	20,567
Increase in property, plant and equipment and intangible assets	770	5,327	1,014	7,111	36,320	43,432

(Notes) 1. Adjustments are as follows.

- (1) Adjustments of segment profit (-668,137 thousand yen) are corporate expenses that are not allocated to any reportable segment. Corporate expenses are mainly general and administrative expenses that do not belong to any reportable segment.
- (2) Adjustments of segment assets (2,401,590 thousand yen) are corporate assets that are mainly cash and deposits that do not belong to any reportable segment.
- (3) Adjustments of depreciation (44,902 thousand yen) are mainly depreciation for corporate assets that do not belong to any reportable segment.
- (4) Adjustments of increase in property, plant and equipment and intangible assets (36,320 thousand yen) are mainly capital investment in head office, etc.

2. Segment profit has been adjusted with the operating profit in the Consolidated Statements of Income.

## (Per Share Information)

	Previous fiscal year (February 1, 2022 – January 31, 2023)	Current fiscal year (February 1, 2023 – January 31, 2024)
Net assets per share	518.13 yen	591.69 yen
Basic earnings per share	52.22 yen	94.32 yen
Diluted earnings per share	48.82 yen	89.85 yen

(Note) The basis of calculation of basic earnings per share and diluted earnings per share is as follows.

(Thousands of yen)

	Previous fiscal year (February 1, 2022 – January 31, 2023)	Current fiscal year (February 1, 2023 – January 31, 2024)
Basic earnings per share		
Profit attributable to owners of parent	210,206	386,321
Amount not attributable to common shareholders	-	-
Profit attributable to owners of parent for common shares	210,206	386,321
Average number of common shares during period	4,025,214 shares	4,095,660 shares
Diluted earnings per share		
Adjustments to profit attributable to owners of parent	-	-
Increase in the number of common shares	280,977 shares	204,139 shares
(Of which, share subscription rights)	(280,977 shares)	(204,139 shares)
Description of dilutive shares not included in the calculation of diluted earnings per share due to the absence of dilutive effects	<p>10th Series Share Acquisition Rights A by resolution of the Board of Directors' meeting held on May 19, 2022 Number of share acquisition rights: 704 (70,400 shares in common stock)</p> <p>10th Series Share Acquisition Rights B by resolution of the Board of Directors' meeting held on July 22, 2022 Number of share acquisition rights: 96 (9,600 shares in common stock)</p>	<p>10th Series Share Acquisition Rights A by resolution of the Board of Directors' meeting held on May 19, 2022 Number of share acquisition rights: 704 (70,400 shares in common stock)</p> <p>10th Series Share Acquisition Rights B by resolution of the Board of Directors' meeting held on July 22, 2022 Number of share acquisition rights: 96 (9,600 shares in common stock)</p> <p>11th Series Share Acquisition Rights by resolution of the Board of Directors' meeting held on May 19, 2023 Number of share acquisition rights: 600 (60,000 shares in common stock)</p>

## (Significant Subsequent Events)

Not applicable.