



## Consolidated Financial Report for the Second Quarter of Fiscal Year Ending March 31, 2024 [IFRS]

November 1, 2023

### BIPROGY Inc.

Stock Listing:	Tokyo Stock Exchange, Prime Market
Stock Code:	8056
URL:	<a href="https://www.biprogy.com/e/">https://www.biprogy.com/e/</a>
Representative:	Akiyoshi Hiraoka, Representative Director, President & CEO
Scheduled Submission Date for Quarterly Report:	November 10, 2023
Scheduled Starting Date for Dividend Payment:	December 1, 2023
Earnings Supplementary Explanatory Documents:	yes
Earnings Results Briefing:	yes (for institutional investors, analysts and the press)

(Amounts are rounded down to the nearest million yen.)

### 1. Consolidated Financial Results for FY2024 Q2(from April 1, 2023 to September 30, 2023)

#### (1) Consolidated Results of Operations

(Percentage below represents increase (decrease) from previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Comprehensive income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
<b>FY2024 Q2</b>	172,978	11.8	16,635	21.9	17,446	17.2	12,826	26.8	15,606	79.5
<b>FY2023 Q2</b>	154,782	6.1	13,648	5.3	14,885	7.1	10,112	7.9	8,692	(17.6)

(Note) Adjusted operating profit FY2024 Q2 : 16,534 Million Yen (21.6%) FY2023 Q2 : 13,598 Million Yen (5.9%)

Adjusted operating profit is the result obtained after deducting cost of sales and selling, general and administrative expenses from revenue.

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
<b>FY2024 Q2</b>	127.61	127.26
<b>FY2023 Q2</b>	100.65	100.35

#### (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
	Millions of Yen	Millions of Yen	Millions of Yen	%
<b>FY2024 Q2</b>	283,278	153,268	151,470	53.5%
<b>FY2023</b>	280,396	141,597	139,887	49.9%

### 2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
<b>FY2023</b>	—	40.00	—	40.00	80.00
<b>FY2024</b>	—	45.00	—	—	—
<b>FY2024 (Forecast)</b>	—	—	—	45.00	90.00

(Note) Revisions to the latest forecast of dividends: No

### 3. Consolidated Earnings Forecast for FY2024(from April 1, 2023 to March 31, 2024)

(Percentage below represents increase (decrease) from previous year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
<b>FY2024</b>	350,000	3.0	32,500	9.5	32,500	8.3	22,000	8.9	218.95

(Note1) Revisions to the latest forecast of consolidated earnings: No

(Note2) Adjusted operating profit (Full Year) 32,000 Million Yen (8.9%)

\* Notes

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

(2) Changes in accounting policies, changes in accounting estimates and restatement of corrections

1. Changes in accounting policies as required by IFRS : Yes

2. Other changes in accounting policies: No

3. Changes in accounting estimates: No

Note: For details, please refer to “2. Condensed Quarterly Consolidated Financial Statements and Material Notes, (5) Notes about Condensed Quarterly Consolidated Financial Statements (Material Accounting Policies)” on page 13.

(3) Number of shares outstanding (common stock)

(shares)

1. Number of shares outstanding (including treasury shares)

2. Number of shares of treasury stock

3. Average number of shares outstanding (during the period)

FY2024 Q2	109,663,524	FY2023	109,663,524
FY2024 Q2	9,133,632	FY2023	9,161,560
FY2024 Q2	100,513,570	FY2023 Q2	100,468,714

\* This Consolidated Financial Report is not subject to quarterly review procedures.

\* Comments regarding appropriate usage of earnings forecast, and other special notes

The forward-looking statements such as earnings forecasts contained in this document are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. The Company makes no warranty as to the achievability of what is described in the statements. Actual results may differ from these forecasts due to various factors.

(Appendix)

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## 1. Results of Business Operations and Financial Conditions

### (1) Analysis of Business Operations

For the first six-month period of the fiscal year ending March 2024, the Japanese economy showed signs of gradual recovery as a result of consumer spending picking up and companies resuming capital investments.

In the information services industry, we have seen companies remain keen on investing mainly in the area of digital transformation. The Tankan Survey by Bank of Japan (BOJ) issued in September indicates signs for an increase in the planned investments in software products in the fiscal year under review compared the previous fiscal year.

On the other hand, we are aware of risks from economies abroad being dampened by globally tightening monetary measures and uncertain future of the Chinese economy and thus exerting downward pressure upon the domestic economy in the future. Companies' investment appetites in Japan may likely be exposed to impacts from the risks.

In this environment, our Group has worked upon initiatives predicated upon the Management Policies (2021-2023)<sup>(Note 2)</sup>, with an eye on realizing the 'Vision 2030'<sup>(Note 1)</sup>.

The Company established the basic policies: 'For Customers' in order to contribute to sustained growth of customers and 'For Society' in order to promote solutions of social issues in cooperation with customers and partners of a wide variety of business sectors and industries. Furthermore, the Company promotes corporate culture reforms in order to strengthen capabilities of value creation.

Our Group has developed and accumulated capabilities of business creation and engineering skills as well as knowledge and expertise that we obtained from developing systems and providing IT solutions for a wide range of business sectors and industries.

Furthermore, the Group has developed a strength of relationships of trust with customers and partners in a broad range of business sectors and industries. The Group aims to create what benefits society as well as economic value by working on solving social issues based upon our assets together with our customers and partners.

We enhanced our initiatives based upon the strengths of our Group from the viewpoints: For Customers and For Society, in the period of the second quarter of the fiscal year under review, as well.

In the financial business sector, we saw a steady increase in the use of our solutions. It is attributable to our working on realizing high added-value on and servitizing the solutions based upon expertise that we accumulated for the several decades.

The increase is exemplified in our international financial transactions solutions that dominate the market such as 'SurFIN<sup>®</sup>', the nation's first workflow service enabling a drastic reduction of workloads in compliance with ISO20022. The solution serves many financial institutions experiencing more of overseas remittance business mainly as a result of an increase in the foreigners working in Japan.

Also, in the trust market expanding in an aging society, our TrustPORT<sup>®</sup>, system to comprehensively manage trust business is recognized for affluent knowledge and expertise, and holds a substantial share. The system has continuously increased its users mainly among new entrants in the market through our efforts to enhance the functions of and servitize the system (by providing as SaaS product).

In the area of our financial market transactions solutions, we have seen more of switchovers to the Siatol<sup>®</sup> Series in SaaS mode at the financial institutions in Japan. The system for comprehensive management of funds and securities claims the largest number of users among the domestic financial institutions. The system can be operated by small workforce and enables users to quickly comply with institutional revisions. The Company will continuously walk side by side with our customers in the financial industry and work on helping them to meet what they are expected of in society based upon the knowledge and expertise that our Group has accumulated.

In the area of logistics and distribution business, we launched the CoreCenter<sup>®</sup> for Retail, merchandising (MD) system harnessing our knowledge and expertise in the retail industry, at its new customer, major grocery store. Furthermore, our electronic shelf label (ESL) solution increased its users among grocery stores. The ESL solution changes price tag descriptions on a real-time basis and furthermore automatically advises of short-dated food commodities, and thus, it enables a significant optimization of operations at shops suffering a labor shortage. Accordingly, we have received many inquiries about the solution.

In the area of manufacturing business, we received more inquiries about the DIVP<sup>®</sup> <sup>Note 3</sup>, automated driving simulation platform provided by V-Drive<sup>®</sup> Technologies Inc. that we established in 2022. The platform is based upon the CAD and CG technologies that we accumulated for many years in our Group. We have witnessed a progress in verification efforts towards developing automated driving vehicles of enhanced safety. We have witnessed automated driving vehicles being furthermore accepted in society at home and abroad. With this in mind,

we will take part in realizing an automated driving society conducive to solving social issues such as traffic accidents, driver shortage, and aging population, in cooperation with automobile manufacturers, suppliers, universities and local governments.

In the infrastructure business area, we have been making progress in a regional co-creation platform. It is an initiative to create value based upon connecting regional consumers and businesses of various industries and business sectors through the use of Dot to Dot<sup>®</sup>, platform for coordinating distributed personal data. We have accumulated knowledge and expertise in the healthcare business mainly at Kashiwa-no-ha Smart City since before, and we will harness it at the Osaka Healthcare Pavilion at Expo 2025 Osaka, Kansai. We are deliberating on commercializing the initiative mainly for Osaka Super City Field even after the closing of Expo 2025. The Group will continue to aim to enable in society a regional and personalized healthcare service.

The ‘Management Policies (2021-2023)’ describes our aim to become a group composed of companies which will continuously be trusted and expected by our stakeholders on the basis of our strengthening capabilities in order to meet expectations and requests from society. The Group aims to see its employees themselves take initiatives in reaching out in society, enticing various stakeholders to take part, and taking on challenges with an eye on solving social issues. For this, we will promote furthermore reforms to enable a corporate culture conducive to those employees.

The Company newly established the Human Capital Management in April 2023, an organization making and promoting plans about personnel strategies for the Group, as part of the attempts.

We created a HR-platform, and we have been working on visualizing human resources based upon ROLES. We will continuingly furthermore strengthen our efforts to reform organizations and human resources conducive to the ‘Vision2030’.

The Company will further accelerate the attempts in the fiscal year ending March 2023, the final fiscal year for the ‘Management Policies (2021-2023)’

(Notes)

1. See the webpage below about the Vision2030.  
[https://www.biprogy.com/e/about/management\\_policy.html](https://www.biprogy.com/e/about/management_policy.html)
2. See the webpage below about the Management Policies (2021-2023).  
[https://www.biprogy.com/e/about/management\\_policy.html#h2anchor2](https://www.biprogy.com/e/about/management_policy.html#h2anchor2)
3. DIVP : acronym for Driving Intelligence Validation Platform, referring to a platform conducive to enabling safety evaluation of automated vehicles through simulation models of highly real-virtual consistency rendered in highly reproducible traffic environments. DIVP is a registered trademark of Kanagawa Institute of Technology (formerly, Ikutoku College of Technology).
4. Names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

For the first six-month period of the fiscal year ending March 2024, we posted revenue of ¥172,978 million, up by ¥18,195 million or 11.8 % compared with the same period of the previous fiscal year. The increase is mainly attributable to a continued strength of system services, outsourcing and hardware sales.

Gross profit was driven up mainly by the increase in system services and hardware sales revenues. An increase in selling, general and administrative expenses mainly due to personnel expenses and R&D costs were absorbed.

As a result, we posted operating profit of ¥16,635 million, an increase of ¥2,987 million or 21.9 % on a year-over-year basis.

Profit attributable to owners of parent was ¥12,826 million up by ¥2,714 million or 26.8% on a year-over-year basis.

Adjusted operating profit\* that is used by the Company group as an index for managing performance was ¥16,534 million, up by ¥2,935 million or 21.6 % on a year-over-year basis.

(\*) Adjusted operating profit is the result obtained after deducting cost of sales and selling, general and administrative expenses from revenue.

## (2) Analysis of Financial Condition

### ① Assets, Liabilities and Equity Situations

In the first half of the fiscal year under review, partly due to an increase in cash and cash equivalents, total assets were ¥ 283,278 million, an increase of ¥ 2,882 million compared with the end of the previous fiscal year.

Liabilities were ¥ 130,010 million, a ¥8,788 million decrease from the end of the previous fiscal year, partly due to a decrease in trade payables.

Equity was ¥ 153,268 million. Ratio of equity attributable to owners of parent to total assets was 53.5%, up by 3.6 pts. from the end of the previous fiscal year.

### ② Cash Flow Situations

Cash and cash equivalents at the end of the first half of the fiscal year under review were ¥ 55,016 million, an increase of ¥11,371 million compared with the end of the previous fiscal year. The cash flow situations and relevant factors are stated below.

#### (Cash flows from operating activities)

Net cash provided by operating activities totaled ¥ 21,982 million (an increase of ¥ 6,863 million in proceeds compared with the same period of the previous fiscal year).

This reflects proceeds of ¥17,446 million in profit before income taxes, the elements of increasing the proceeds and the elements of decreasing the proceeds. The factors increasing proceeds include ¥8,785 million in depreciation and amortization, non-cash expenses, as well as a decrease of ¥ 12,106 million in trade and other receivables. The factors decreasing the proceeds include a decrease of ¥5,326 million in trade and other payables.

#### (Cash flows from investing activities)

Net cash spent in investing activities was ¥ 2,260 million (a decrease of ¥ 6,893 million in expenditures compared with the same period of the previous period).

This includes: expenditures of ¥ 1,062 million as a result of purchasing property, plant and equipment such as computers for business activities; expenditures of ¥ 5,636 million due to the acquisitions of intangible assets such as the investments in software for outsourcing; and, proceeds of ¥6,547 million from selling investment securities.

#### (Cash flows from financing activities)

Net cash spent in the financing activities was ¥ 8,451 million (a decrease of ¥1,184 million in expenditures from the same period of the previous fiscal year). This includes ¥ 4,363 repayments of lease liabilities and dividends payment of ¥ 4,019 million.

## (3) Comments on the Consolidated Earnings Forecasts and Other Forecasts

The performance forecast on a consolidated basis has not been revised since it was announced on April 28, 2023.

## 2. Condensed Quarterly Consolidated Financial Statements and Material Notes

### (1) Condensed Quarterly Consolidated Statements of Financial Position

(Millions of Yen)

	FY2023	FY2024 Q2
	(As of March 31, 2023)	(As of September 30, 2023)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	43,645	55,016
Trade and other receivables	84,695	72,809
Contract assets	11,742	9,376
Inventories	10,166	11,803
Other financial assets	587	830
Other current assets	13,813	18,032
<b>Total current assets</b>	<b>164,650</b>	<b>167,866</b>
<b>Non-current assets</b>		
Property, plant and equipment	12,663	12,072
Right-of-use assets	16,110	13,594
Goodwill	1,906	2,659
Intangible assets	27,256	30,120
Investments accounted for using equity method	4,281	4,627
Other financial assets	43,385	41,218
Deferred tax assets	2,011	2,000
Retirement benefit asset	1,748	1,758
Other non-current assets	6,383	7,359
<b>Total non-current assets</b>	<b>115,745</b>	<b>115,411</b>
<b>Total assets</b>	<b>280,396</b>	<b>283,278</b>

(Millions of Yen)

	FY2023	FY2024 Q2
	(As of March 31, 2023)	(As of September 30, 2023)
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	30,962	25,766
Contract liabilities	22,041	28,012
Borrowings	2,400	2,400
Lease liabilities	8,153	7,545
Other financial liabilities	2,264	2,376
Income taxes payable	5,731	5,142
Provisions	76	240
Other current liabilities	27,309	21,298
<b>Total current liabilities</b>	<b>98,940</b>	<b>92,781</b>
<b>Non-current liabilities</b>		
Borrowings	18,325	18,325
Lease liabilities	9,126	7,207
Other financial liabilities	265	364
Retirement benefit liability	8,398	7,492
Provisions	3,048	3,053
Deferred tax liabilities	679	776
Other non-current liabilities	15	8
<b>Total non-current liabilities</b>	<b>39,858</b>	<b>37,228</b>
<b>Total liabilities</b>	<b>138,798</b>	<b>130,010</b>
<b>Equity</b>		
Share capital	5,483	5,483
Capital surplus	14,955	15,011
Treasury shares	(13,315)	(13,273)
Other components of equity	8,302	7,838
Retained earnings	124,460	136,411
<b>Total equity attributable to owners of parent</b>	<b>139,887</b>	<b>151,470</b>
<b>Non-controlling interests</b>	<b>1,710</b>	<b>1,798</b>
<b>Total equity</b>	<b>141,597</b>	<b>153,268</b>
<b>Total liabilities and equity</b>	<b>280,396</b>	<b>283,278</b>



(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income

(Condensed Quarterly Consolidated Statements of Profit or Loss)

(Millions of Yen)

	FY2023 Q2 (Six months ended September 30, 2022)	FY2024 Q2 (Six months ended September 30, 2023)
<b>Revenue</b>	<b>154,782</b>	<b>172,978</b>
<b>Cost of sales</b>	<b>113,359</b>	<b>126,780</b>
<b>Gross profit</b>	<b>41,422</b>	<b>46,197</b>
<b>Selling, general and administrative expenses</b>	<b>27,824</b>	<b>29,663</b>
<b>Share of profit (loss) of investments accounted for using equity method</b>	<b>192</b>	<b>235</b>
<b>Other income</b>	<b>56</b>	<b>40</b>
<b>Other expenses</b>	<b>199</b>	<b>174</b>
<b>Operating profit</b>	<b>13,648</b>	<b>16,635</b>
<b>Finance income</b>	<b>1,321</b>	<b>890</b>
<b>Finance costs</b>	<b>84</b>	<b>79</b>
<b>Profit before tax</b>	<b>14,885</b>	<b>17,446</b>
<b>Income tax expense</b>	<b>4,782</b>	<b>4,532</b>
<b>Profit</b>	<b>10,103</b>	<b>12,914</b>
<b>Profit attributable to</b>		
Owners of parent	10,112	12,826
Non-controlling interests	(8)	87
Profit	10,103	12,914
<b>Earnings per share</b>		
Basic earnings per share (Yen)	100.65	127.61
Diluted earnings per share (Yen)	100.35	127.26

## (Condensed Quarterly Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	FY2023 Q2 (Six months ended September 30, 2022)	FY2024 Q2 (Six months ended September 30, 2023)
<b>Profit</b>	<b>10,103</b>	<b>12,914</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(1,730)	2,297
Total of items that will not be reclassified to profit or loss	(1,730)	2,297
<b>Items that may be reclassified to profit or loss</b>		
Exchange differences on translation of foreign operations	322	287
Share of other comprehensive income of investments accounted for using equity method	(3)	107
Total of items that may be reclassified to profit or loss	319	394
Other comprehensive income, net of tax	(1,411)	2,692
<b>Comprehensive income</b>	<b>8,692</b>	<b>15,606</b>
<b>Comprehensive income attributable to</b>		
Owners of parent	8,697	15,510
Non-controlling interests	(5)	96
Comprehensive income	8,692	15,606

(3) Condensed Quarterly Consolidated Statements of Changes in Equity  
FY2023 Q2 (Six months ended September 30, 2022)

(Millions of Yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Financial assets measured at fair value through other comprehensive income	Share acquisition rights	Share of other comprehensive income of investments accounted for using equity method
<b>As of April 1, 2022</b>	<b>5,483</b>	<b>14,944</b>	<b>(13,400)</b>	<b>7,698</b>	<b>485</b>	<b>3</b>
Profit						
Other comprehensive income				(1,730)		(3)
<b>Comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,730)</b>	<b>—</b>	<b>(3)</b>
Dividends of surplus						
Purchase of treasury shares			(0)			
Disposal of treasury shares		(9)	27		(18)	
Share-based payment transactions		37	40			
Changes in ownership interest in subsidiaries		(9)				
Transfer from other components of equity to retained earnings				0		
Other						
<b>Total transactions with owners</b>	<b>—</b>	<b>17</b>	<b>68</b>	<b>0</b>	<b>(18)</b>	<b>—</b>
<b>As of September 30, 2022</b>	<b>5,483</b>	<b>14,962</b>	<b>(13,332)</b>	<b>5,968</b>	<b>467</b>	<b>0</b>

	Equity attributable to owners of parent					
	Other components of equity					
	Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of April 1, 2022	104	8,290	113,599	128,917	1,757	130,674
Profit			10,112	10,112	(8)	10,103
Other comprehensive income	318	(1,414)		(1,414)	3	(1,411)
Comprehensive income	318	(1,414)	10,112	8,697	(5)	8,692
Dividends of surplus			(5,022)	(5,022)	(145)	(5,167)
Purchase of treasury shares				(0)		(0)
Disposal of treasury shares		(18)		0		0
Share-based payment transactions				78		78
Changes in ownership interest in subsidiaries				(9)	(42)	(52)
Transfer from other components of equity to retained earnings		0	(0)			—
Other			3	3		3
Total transactions with owners	—	(17)	(5,019)	(4,950)	(187)	(5,138)
As of September 30, 2022	422	6,858	118,691	132,663	1,564	134,228

	(millions of Yen)					
	Equity attributable to owners of parent					
	Other components of equity					
	Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income	Share acquisition rights	Share of other comprehensive income of investments accounted for using equity method
As of April 1, 2023	5,483	14,955	(13,315)	7,447	456	18
Profit						
Other comprehensive income				2,297		107
Comprehensive income	—	—	—	2,297	—	107
Dividends of surplus						
Purchase of treasury shares			(0)			
Disposal of treasury shares		(0)	2		(2)	
Share-based payment transactions		55	40			
Obtaining of control of subsidiaries						
Transfer from other components of equity to retained earnings				(3,146)		
Other						
Total transactions with owners	—	55	41	(3,146)	(2)	—
As of September 30, 2023	5,483	15,011	(13,273)	6,598	453	125

	Equity attributable to owners of parent					
	Other components of equity					
	Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of April 1, 2023	381	8,302	124,460	139,887	1,710	141,597
Profit			12,826	12,826	87	12,914
Other comprehensive income	278	2,683		2,683	8	2,692
Comprehensive income	278	2,683	12,826	15,510	96	15,606
Dividends of surplus			(4,020)	(4,020)	(145)	(4,165)
Purchase of treasury shares				(0)		(0)
Disposal of treasury shares		(2)		0		0
Share-based payment transactions				95		95
Obtaining of control of subsidiaries					136	136
Transfer from other components of equity to retained earnings		(3,146)	3,146			—
Other			(2)	(2)		(2)
Total transactions with owners	—	(3,148)	(876)	(3,927)	(8)	(3,935)
As of September 30, 2023	659	7,838	136,411	151,470	1,798	153,268

(4) Condensed Quarterly Consolidated Statements of Cash Flows

	(Millions of Yen)	
	FY2023 Q2	FY2024 Q2
	(Six months ended September 30, 2022)	(Six months ended September 30, 2023)
<b>Cash flows from operating activities</b>		
Profit before tax	14,885	17,446
Depreciation and amortization	8,032	8,785
Impairment losses	58	1
Interest and dividend income	(257)	(213)
Interest expenses	74	68
Share of loss (profit) of investments accounted for using equity method	(192)	(235)
Decrease (increase) in trade and other receivables	19,496	12,106
Decrease (increase) in contract assets	(4,548)	2,366
Decrease (increase) in inventories	(597)	(1,636)
Increase (decrease) in trade and other payables	(6,837)	(5,326)
Increase (decrease) in contract liabilities	3,362	5,486
Increase or decrease in retirement benefit asset or liability	(514)	(915)
Other	(10,974)	(10,703)
<b>Subtotal</b>	<b>21,987</b>	<b>27,231</b>
Interest and dividends received	258	215
Interest paid	(74)	(66)
Income taxes paid	(7,052)	(5,398)
<b>Net cash provided by (used in) operating activities</b>	<b>15,118</b>	<b>21,982</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,203)	(1,062)
Proceeds from sale of property, plant and equipment	0	0
Purchase of intangible assets	(6,367)	(5,636)
Purchase of investment securities	(1,547)	(1,206)
Proceeds from sale of investment securities	2	6,547
Payments for acquisition of subsidiaries	—	(930)
Other	(38)	27
<b>Net cash provided by (used in) investing activities</b>	<b>(9,154)</b>	<b>(2,260)</b>

(Millions of Yen)

	FY2023 Q2 (Six months ended September 30, 2022)	FY2024 Q2 (Six months ended September 30, 2023)
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	350	—
Repayments of long-term borrowings	(350)	—
Repayments of lease liabilities	(4,324)	(4,363)
Dividends paid	(5,020)	(4,019)
Dividends paid to non-controlling interests	(135)	(145)
Other	(155)	76
<b>Net cash provided by (used in) financing activities</b>	<b>(9,635)</b>	<b>(8,451)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>129</b>	<b>101</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,541)</b>	<b>11,371</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>48,703</b>	<b>43,645</b>
<b>Cash and cash equivalents at end of period</b>	<b>45,161</b>	<b>55,016</b>

(5) Notes about Condensed Consolidated Financial Statements

(Notes on Going Concern Assumption)

None applicable

(Material Accounting Policies)

The material accounting policies adopted for the Condensed Quarterly Consolidated Financial Statements are the same as those for the Consolidated Financial Statements for the fiscal year ended March 31, 2023, except for the following standard.

The income taxes for the first half of the fiscal year ending March 31, 2024 are calculated based on the estimated annual effective tax rate.

Standard Document	Standard Name	New and revision contents
IAS 12	Income Taxes	Amendments on deferred taxes related to assets and liabilities arising from a single transaction, as well as clarification of accounting treatment and disclosure of income tax by tax laws enacted or substantively enacted to implement Pillar Two model rules published by the Organization for Economic Co-operation and Development

There was no material impact on the Condensed Quarterly Consolidated Financial Statements for the second quarter resulting from the adoption of the standard above.

(Segment Information)

(1) Overview of reportable segments

The reportable segments of the Company are those among the constituent units of the Company for which separate financial statements can be obtained and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

By fully harnessing the collective capabilities of the Group, the Company provides comprehensive IT solution services, from identifying customers' management issues to providing solutions to them.

The Company's operations therefore consist of segments composed of products and services that constitute our IT solution services.

We have five reportable segments: System Services, Support Services, Outsourcing, Software, and Hardware.

Details of the reportable segments are as follows:

- System Services: Software contract development business, system engineer services, and consulting
- Support Services: Software and hardware maintenance, installation support and related services
- Outsourcing: System operation by contract, and related services
- Software: Provision of software based on software license agreements
- Hardware: Provision of hardware partly based on equipment sales agreements

(2) Information about performance by reportable segment

FY2023 Q2 (Six months ended September 30, 2022)

(Millions of Yen)

	Reportable segment						Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the consolidated financial statements
	System Services	Support Services	Out sourcing	Software	Hardware	Total				
Revenue	52,458	25,583	31,855	17,857	22,161	149,915	4,866	154,782	—	154,782
Segment profits (Note 3)	18,267	8,248	8,708	1,726	3,386	40,337	1,084	41,422	(27,824)	13,598
Share of profit (loss) of investments accounted for using equity method										192
Other income										56
Other expense										199
Operating profit										13,648
Finance income										1,321
Finance costs										84
Profit before tax										14,885

(Note)

1. The Other category is a business segment that is not included in the reportable segments. It includes network services and installation.
2. The adjustment to segment profits represents selling, general and administrative expenses that have not been distributed to each segment.
3. Segment profits are represented by adjusted operating income which is the result of deducting cost of sales and selling, general and administrative expenses from revenue.



FY2024 Q2 (Six months ended September 30, 2023)

(Millions of Yen)

	Reportable segment						Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the consolidated financial statements
	System Services	Support Services	Out sourcing	Software	Hardware	Total				
Revenue	60,045	26,556	37,250	17,397	26,326	167,576	5,401	172,978	—	172,978
Segment profits (Note 3)	21,034	8,323	8,321	2,636	4,640	44,956	1,240	46,197	(29,663)	16,534
Share of profit (loss) of investments accounted for using equity method										235
Other income										40
Other expense										174
Operating profit										16,635
Finance income										890
Finance costs										79
Profit before tax										17,446

(Note)

1. The Other category is a business segment that is not included in the reportable segments. It includes network services and installation.
2. The adjustment to segment profits represents selling, general and administrative expenses that have not been distributed to each segment.
3. Segment profits are represented by adjusted operating income which is the result of deducting cost of sales and selling, general and administrative expenses from revenue.

(Business Combination)

(Acquisition of AFON IT Pte. Ltd. and its two subsidiaries)

(1) Summary of Business Combination

① Name of the acquired companies and the contents of its business operations

Name of the acquired companies:	AFON IT Pte. Ltd.
	AFON Systems Pte. Ltd.
	AFON Technologies Pte. Ltd.

Contents of the business operations:

Services of applying ERP products and services of maintenance and operations of ERP products

② Main reason for the business combination

The ERP software market tends to grow overseas as well as in Japan due to companies keen on promoting DX attempts through the use of the ERP capabilities of integrating key operations in order to optimize business management.

Japanese companies advancing overseas are faced with issues such as visualizing business management information at local business sites and making well-timed business decisions. They turn to implementing ERP solutions in order to solve the issues.

We acquired the Axxis group companies that provide SAP solutions in Singapore and Malaysia in the fiscal year ended March 2020. We acquired the shares of AFON IT companies in order to increase and strengthen the ERP business in the Southeast Asian area.

This will enable us to furthermore enhance our ERP services product portfolio and thus strengthen our brand presence in the Southeast Asian area. We will develop our arrangements for supporting customers both in Japan and the Southeast Asian area.

③ Ratios of voting rights acquired

AFON IT Pte. Ltd.	100.0%
AFON Systems Pte. Ltd.	81.4%
AFON Technologies Pte. Ltd.	84.0%

④ Acquisition date

April 3, 2023

⑤ Method of acquiring controls of acquired companies

Acquisition of shares for cash consideration

(2) Acquisition-related costs

Acquisition-related costs to the business combination is ¥165 million, including ¥53 million that is posted in selling, general and administrative expenses of the second quarter.

¥112 million out of the acquisition costs was posted in selling, general and administrative expenses of the previous fiscal year.

(3) Fair value and non-controlling interests of consideration paid, acquired assets and assumed costs on the date of acquisition

(Millions of Yen)	
	Amount
Fair value of consideration paid (cash)	1,347
Fair value of acquired assets and assumed debts	
Cash and cash equivalents	416
Trade and other receivables	141
Other assets	207
Intangible assets <sup>(Note 1)</sup>	865
Contract liabilities	(438)
Other liabilities	(290)
Fair value of acquired assets and assumed debts (net)	900
Non-controlling interests	136
Goodwill <sup>(Note 2)</sup>	583

(Note 1) Main contents of intangible assets are related to customers, and are calculated by excess earnings method (EEM).

(Note 2) Goodwill mainly consists of excess earning power as well as synergy effects (expected to be produced by existing businesses and acquired businesses), each of which does not meet recognition requirements.

(4) Cash flows arising from the acquisition

(Millions of Yen)	
	Amount
Cash and cash equivalents expended by acquisition	1,347
Cash and cash equivalents that had been held by the acquired companies when the acquisition took place	(416)
Payments for acquisition of subsidiaries	930

(5) Impacts upon the business performance

Profit and loss information on and after the day of acquisition of the companies due to the business combination and that based upon the supposition that the business combination took effect at the beginning of the fiscal year under review are little material in light of impacts upon the Condensed Quarterly Consolidated Financial Statements. Thus, descriptions of the information are omitted.