



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

August 1, 2023

BIPROGY Inc.

Stock Listing:	Tokyo Stock Exchange, Prime Market
Stock Code:	8056
URL:	https://www.biprogy.com/e/
Representative:	Akiyoshi Hiraoka, Representative Director, President & CEO
Scheduled Submission Date for Quarterly Report:	August 10, 2023
Scheduled Starting Date for Dividend Payment:	—
Earnings Supplementary Explanatory Documents:	yes
Earnings Results Briefing:	yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for FY2024 Q1(from April 1, 2023 to June 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	%
FY2024 Q1	79,854	13.2	5,829	22.0	6,434	10.4	4,365	11.4	6,903	217.8
FY2023 Q1	70,517	4.3	4,778	0.5	5,828	13.3	3,919	11.4	2,172	(41.3)

(Note) Adjusted operating profit FY2024 Q1 : 5,767 Million Yen (21.1%) FY2023 Q1 : 4,764 Million Yen (1.5%)

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
FY2024 Q1	43.44	43.32
FY2023 Q1	39.02	38.90

(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	%
FY2024 Q1	269,052	144,470	142,725	53.0%
FY2023	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
FY2023	—	40.00	—	40.00	80.00
FY2024	—	—	—	—	—
FY2024 (Forecast)	—	45.00	—	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
FY2024	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)

FY2024 Q1	109,663,524	FY2023	109,663,524
FY2024 Q1	9,161,884	FY2023	9,161,560
FY2024 Q1	100,501,483	FY2023 Q1	100,453,093

2. Number of shares of treasury stock

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

* 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)

Contents

1. Results of Business Operations and Financial Conditions	2
(1) Analysis of Business Operations	2
(2) Analysis of Financial Conditions	3
(3) Comments on the Consolidated Earnings Forecasts and Other Forecasts	4
2. Condensed Quarterly Consolidated Financial Statements and Material Notes	5
(1) Condensed Quarterly Consolidated of Financial Position	5
(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income	7
(3) Condensed Quarterly Consolidated Statements of Changes in Equity	9
(4) Condensed Quarterly Consolidated Statements of Cash Flows	11
(5) Notes about Condensed Consolidated Financial Statements.....	13
(Notes on Going Concern Assumption)	13
(Material Accounting Policies)	13
(Segment Information)	14
(Business Combination)	16

1. Results of Business Operations and Financial Conditions

(1) Analysis of Business Operations

For the first three-month period of the fiscal year ending March 2024, the Japanese economy showed signs of gradual recovery as exemplified in the domestic demands picking up.

We have seen a good appetite for digital transformation (DX) investment in the information services industry. Plans of investing in software products in all industries (including the financial businesses) in the fiscal year are expected to increase compared with the previous fiscal year, according to the Tankan Survey by Bank of Japan (BOJ) in June.

Economic situations in Japan are expected to pick up gradually in the future. However, there are risks from the downside economies abroad impacted partly by monetary tightening measures bringing downward pressure upon the domestic demands. Furthermore, we need to give sufficient heed to impacts from price hikes and changes in the financial and capital markets as what may impact investment appetites at businesses in the future.

In this environment, our Group has worked upon initiatives predicated upon the Management Policies (2021-2023)^(Note 2), with an eye on realizing the ‘Vision 2030’^(Note 1).

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 from the two viewpoints: For Customers and For Society.

Our key initiatives of For Customers and For Society are exemplified by our making a plan of optimally charging and discharging electric vehicles (hereinafter referred to as EVs) through the use of AI in May 2023. Accordingly, the Company launched the remote autoregulatory service of charging and discharging EVs.

We have seen issues such as power costs as well as operation and maintenance control arising amidst movements gaining speed as exemplified by local governments and companies using EVs for their official or company use in order to work on materializing a decarbonized society.

The Company has developed expertise of creating systems for power companies in addition to affluent expertise that it has developed through providing carsharing services. This has enabled us to provide services conducive to solving social issues.

Furthermore, the Company attempted to strengthen business arrangements in light of the global arena, as part of its efforts made in this quarter.

The Company consolidated AFON IT, company that provides ERP solutions in Singapore, in April 2023.

AFON IT will enhance and strengthen our ERP service capabilities in the Southeast Asian region enabled by the Axxis group, SAP consultation services provider in Singapore, and Nexus, ERP solutions provider in Thailand.

This will be conducive to our intending to support customers advancing and deploying businesses overseas as well as local companies making DX attempts.

The ‘Management Policies (2021-2023)’ describes our aim to become a group composed of companies which our stakeholders continuously trust and expect from on the basis of our strengthening capabilities in order to meet expectations and requests from society.

The Group needs its employees themselves to promote efforts for solving social issues with a strong awareness of their specific visions.

The Group will promote furthermore reforms to enable a corporate culture conducive to employees taking initiatives in reaching out in society and solving social issues as well as employees taking on challenges towards solutions in cooperation with various stakeholders capable of taking part in the solutions.

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.

The Company will further accelerate the attempts in the fiscal year, 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
2. See the webpage below about the Management Policies (2021-2023).
https://www.biprogy.com/e/about/management_policy.html#h2anchor2
3. Names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

For the first three-month period of the fiscal year ending March 2024, we posted revenue of ¥79,854 million, up by ¥9,336 million or 13.2% compared with the same period of the previous fiscal year. The increase is mainly attributable to a continued strength of system services and outsourcing.

Gross profit was driven up by the increase in system services and hardware sales revenues. An increase in selling, general and administrative expenses mainly due to personnel expenses were absorbed. As a result, we posted operating profit of ¥5,829 million, an increase of ¥1,051 million or 22.0 % on a year-over-year basis. Profit attributable to owners of parent was ¥4,365 million up by ¥446 million or 11.4% on a year-over-year basis. This was attributable to finance income dampened partly by a decrease in valuation of investments in funds.

Adjusted operating profit* that is used by the Company group as an index for managing performance was ¥ 5,767 million, up by ¥ 1,002 million or 21.1 % 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 Conditions

① Assets, Liabilities and Equity Situations

In the first quarter of the fiscal year under review, partly due to a decrease in trade receivables, total assets were ¥ 269,052 million, a decrease of ¥ 11,344 million compared with the end of the previous fiscal year.

Liabilities were ¥ 124,582 million, a ¥14,216 million decrease from the end of the previous fiscal year, partly due to a decrease in trade payables.

Equity was ¥ 144,470 million. Ratio of equity attributable to owners of parent to total assets was 53.0%, up by 3.1 pts. from the end of the previous fiscal year.

② Cash Flow Situations

Cash and cash equivalents at the end of the first quarter of the fiscal year under review were ¥ 49,831 million, an increase of ¥6,186 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 ¥ 14,565 million (an increase of ¥ 1,667 million in proceeds compared with the same period of the previous fiscal year).

This reflects proceeds of ¥6,434 million in profit before income taxes, the elements of increasing the proceeds and the elements of decreasing the proceeds. The factors increasing proceeds include ¥4,359 million in depreciation and amortization, non-cash expenses, as well as a decrease of ¥ 26,598 million in trade and other receivables. The factors decreasing the proceeds include a decrease of ¥8,830 million in trade and other payables.

(Cash flows from investing activities)

Net cash spent in investing activities was ¥ 2,125 million (a decrease of ¥ 2,164 million in expenditures compared with the same period of the previous period).

This includes: expenditures of ¥ 537 million as a result of purchasing property, plant and equipment such as computers for business activities; expenditures of ¥ 2,781 million due to the acquisitions of intangible assets such as the investments in software for outsourcing; and, proceeds of ¥2,888 million from selling investment securities.

(Cash flows from financing activities)

Net cash spent in the financing activities was ¥ 6,269 million (an increase of ¥1,149 million in expenditures from the same period of the previous fiscal year). This includes ¥ 2,192 repayments of lease liabilities and dividends payment of ¥ 3,967 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 (As of March 31, 2023)	FY2024 Q1 (As of June 30, 2023)
Assets		
Current assets		
Cash and cash equivalents	43,645	49,831
Trade and other receivables	84,695	58,272
Contract assets	11,742	10,987
Inventories	10,166	12,861
Other financial assets	587	654
Other current assets	13,813	17,941
Total current assets	164,650	150,548
Non-current assets		
Property, plant and equipment	12,663	12,392
Right-of-use assets	16,110	15,061
Goodwill	1,906	2,528
Intangible assets	27,256	29,086
Investments accounted for using equity method	4,281	4,456
Other financial assets	43,385	45,140
Deferred tax assets	2,011	1,215
Retirement benefit asset	1,748	1,753
Other non-current assets	6,383	6,869
Total non-current assets	115,745	118,503
Total assets	280,396	269,052

(Millions of Yen)

	FY2023 (As of March 31, 2023)	FY2024 Q1 (As of June 30, 2023)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	30,962	22,177
Contract liabilities	22,041	28,359
Borrowings	2,400	2,400
Lease liabilities	8,153	7,980
Other financial liabilities	2,264	5,295
Income taxes payable	5,731	2,048
Provisions	76	148
Other current liabilities	27,309	17,314
Total current liabilities	98,940	85,724
Non-current liabilities		
Borrowings	18,325	18,325
Lease liabilities	9,126	8,228
Other financial liabilities	265	200
Retirement benefit liability	8,398	8,056
Provisions	3,048	3,049
Deferred tax liabilities	679	984
Other non-current liabilities	15	12
Total non-current liabilities	39,858	38,857
Total liabilities	138,798	124,582
Equity		
Share capital	5,483	5,483
Capital surplus	14,955	14,955
Treasury shares	(13,315)	(13,314)
Other components of equity	8,302	10,059
Retained earnings	124,460	125,541
Total equity attributable to owners of parent	139,887	142,725
Non-controlling interests	1,710	1,744
Total equity	141,597	144,470
Total liabilities and equity	280,396	269,052

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

(Condensed Quarterly Consolidated Statements of Profit or Loss)

(Millions of Yen)

	FY2023 Q1 (Three months ended June 30, 2022)	FY2024 Q1 (Three months ended June 30, 2023)
Revenue	70,517	79,854
Cost of sales	52,289	59,451
Gross profit	18,227	20,402
Selling, general and administrative expenses	13,462	14,634
Share of profit (loss) of investments accounted for using equity method	111	133
Other income	26	18
Other expenses	124	90
Operating profit	4,778	5,829
Finance income	1,200	645
Finance costs	149	39
Profit before tax	5,828	6,434
Income tax expense	1,947	2,027
Profit	3,881	4,407
Profit attributable to		
Owners of parent	3,919	4,365
Non-controlling interests	(37)	41
Profit	3,881	4,407
Earnings per share		
Basic earnings per share (Yen)	39.02	43.44
Diluted earnings per share (Yen)	38.90	43.32

(Condensed Quarterly Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	FY2023 Q1 (Three months ended June 30, 2022)	FY2024 Q1 (Three months ended June 30, 2023)
Profit	3,881	4,407
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(1,843)	2,415
Total of items that will not be reclassified to profit or loss	(1,843)	2,415
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	140	41
Share of other comprehensive income of investments accounted for using equity method	(6)	37
Total of items that may be reclassified to profit or loss	134	79
Other comprehensive income, net of tax	(1,709)	2,495
Comprehensive income	2,172	6,903
Comprehensive income attributable to		
Owners of parent	2,206	6,861
Non-controlling interests	(34)	41
Comprehensive income	2,172	6,903

(3) Condensed Quarterly Consolidated Statements of Changes in Equity
FY2023 Q1 (Three months ended June 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
As of April 1, 2022	5,483	14,944	(13,400)	7,698	485	3
Profit						
Other comprehensive income				(1,843)		(6)
Comprehensive income	—	—	—	(1,843)	—	(6)
Dividends of surplus						
Purchase of treasury shares			(0)			
Disposal of treasury shares		(9)	27		(18)	
Changes in ownership interest in subsidiaries						
Transfer from other components of equity to retained earnings				(0)		
Other						
Total transactions with owners	—	(9)	27	(0)	(18)	—
As of June 30, 2022	5,483	14,935	(13,373)	5,854	467	(3)

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total	Retained earnings			
As of April 1, 2022	104	8,290	113,599	128,917	1,757	130,674
Profit			3,919	3,919	(37)	3,881
Other comprehensive income	137	(1,712)		(1,712)	3	(1,709)
Comprehensive income	137	(1,712)	3,919	2,206	(34)	2,172
Dividends of surplus			(5,022)	(5,022)	(135)	(5,157)
Purchase of treasury shares				(0)		(0)
Disposal of treasury shares		(18)		0		0
Changes in ownership interest in subsidiaries					(52)	(52)
Transfer from other components of equity to retained earnings		(0)	0			—
Other			3	3		3
Total transactions with owners	—	(18)	(5,018)	(5,018)	(187)	(5,206)
As of June 30, 2022	241	6,559	112,499	126,104	1,535	127,640

	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
As of April 1, 2023	5,483	14,955	(13,315)	7,447	456	18
Profit						
Other comprehensive income				2,415		37
Comprehensive income	—	—	—	2,415	—	37
Dividends of surplus						
Purchase of treasury shares			(0)			
Disposal of treasury shares		(0)	1		(1)	
Obtaining of control of subsidiaries						
Transfer from other components of equity to retained earnings				(737)		
Other						
Total transactions with owners	—	(0)	1	(737)	(1)	—
As of June 30, 2023	5,483	14,955	(13,314)	9,126	454	55

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total	Retained earnings			
As of April 1, 2023	381	8,302	124,460	139,887	1,710	141,597
Profit			4,365	4,365	41	4,407
Other comprehensive income	41	2,495		2,495		2,495
Comprehensive income	41	2,495	4,365	6,861	41	6,903
Dividends of surplus			(4,020)	(4,020)	(145)	(4,165)
Purchase of treasury shares				(0)		(0)
Disposal of treasury shares		(1)		0		0
Obtaining of control of subsidiaries					136	136
Transfer from other components of equity to retained earnings		(737)	737			—
Other			(2)	(2)		(2)
Total transactions with owners	—	(738)	(3,285)	(4,022)	(8)	(4,031)
As of June 30, 2023	422	10,059	125,541	142,725	1,744	144,470

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2023 Q1 (Three months ended June 30, 2022)	FY2024 Q1 (Three months ended June 30, 2023)
Cash flows from operating activities		
Profit before tax	5,828	6,434
Depreciation and amortization	4,055	4,359
Impairment losses	58	1
Interest and dividend income	(253)	(209)
Interest expenses	37	36
Share of loss (profit) of investments accounted for using equity method	(111)	(133)
Decrease (increase) in trade and other receivables	31,233	26,598
Decrease (increase) in contract assets	(3,503)	755
Decrease (increase) in inventories	(2,997)	(2,694)
Increase (decrease) in trade and other payables	(10,485)	(8,830)
Increase (decrease) in contract liabilities	6,789	5,875
Increase or decrease in retirement benefit asset or liability	(254)	(346)
Other	(10,728)	(12,009)
Subtotal	19,669	19,836
Interest and dividends received	254	211
Interest paid	(26)	(25)
Income taxes paid	(7,000)	(5,456)
Net cash provided by (used in) operating activities	12,897	14,565
Cash flows from investing activities		
Purchase of property, plant and equipment	(384)	(537)
Proceeds from sale of property, plant and equipment	0	—
Purchase of intangible assets	(2,560)	(2,781)
Purchase of investment securities	(809)	(761)
Proceeds from sale of investment securities	0	2,888
Payments for acquisition of subsidiaries	—	(930)
Purchase of investments accounted for using equity method	(544)	(4)
Other	7	1
Net cash provided by (used in) investing activities	(4,290)	(2,125)

(Millions of Yen)

	FY2023 Q1	FY2024 Q1
	(Three months ended June 30, 2022)	(Three months ended June 30, 2023)
Cash flows from financing activities		
Repayments of lease liabilities	(2,173)	(2,192)
Dividends paid	(4,955)	(3,967)
Dividends paid to non-controlling interests	(135)	(145)
Other	(154)	36
Net cash provided by (used in) financing activities	(7,419)	(6,269)
Effect of exchange rate changes on cash and cash equivalents	57	15
Net increase (decrease) in cash and cash equivalents	1,245	6,186
Cash and cash equivalents at beginning of period	48,703	43,645
Cash and cash equivalents at end of period	49,949	49,831

(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 quarter 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 first 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 Q1 (Three months ended June 30, 2022)

(Million 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	24,455	12,329	15,679	8,063	7,627	68,154	2,362	70,517	-	70,517
Segment profits (Note 3)	8,514	3,890	4,156	136	967	17,665	562	18,227	(13,462)	4,764
Share of profit (loss) of investments accounted for using equity method										111
Other income										26
Other expense										124
Operating profit										4,778
Finance income										1,200
Finance costs										149
Profit before tax										5,828

(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 Q1 (Three months ended June 30, 2023)

(Million 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	28,086	12,718	18,616	7,796	10,076	77,295	2,558	79,854	-	79,854
Segment profits (Note 3)	9,690	3,872	4,024	422	1,806	19,816	585	20,402	(14,634)	5,767
Share of profit (loss) of investments accounted for using equity method										133
Other income										18
Other expense										90
Operating profit										5,829
Finance income										645
Finance costs										39
Profit before tax										6,434

(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 Ptd. 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 Malasia in the fiscal year ended March 2020. We acquired the stocks 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 first 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

(Million 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 ^(Note 1)	865
Contract liabilities	(438)
Other liabilities	(290)
Fair value of acquired assets and assumed debts (net)	900
Non-controlling interests	136
Goodwill ^(Note 2)	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

(Million 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.