

Note) This is an English translation of Consolidated Financial Report prepared for readers' convenience. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.



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

February 1, 2024

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:	February 9, 2024
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 Q3(from April 1, 2023 to December 31, 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 Q3	258,875	12.6	24,134	22.9	24,486	22.7	18,156	33.8	21,187	60.1
FY2023 Q3	229,976	5.6	19,633	4.5	19,952	(0.9)	13,570	(0.5)	13,235	(9.8)

(Note) Adjusted operating profit FY2024 Q3 : 23,648 Million Yen (22.6%) FY2023 Q3 : 19,282 Million Yen (3.5%)

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 Q3	180.63		180.13	
FY2023 Q3	135.06		134.66	

(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 Q3	282,518		154,248		152,516		54.0%	
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
FY2023	—	40.00	—	40.00	80.00
FY2024	—	45.00	—		
FY2024 (Forecast)				50.00	95.00

(Note) Revisions to the latest forecast of dividends: Yes

For details, please refer to “1. Results of Business Operations and Financial Conditions, (3) Comments on the Consolidated Earnings Forecasts and Other Forecasts” on page 5.

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	368,000	8.3	34,000	14.6	34,000	13.3	23,500	16.3	233.88	

(Note1) Revisions to the latest forecast of consolidated earnings: Yes

For details, please refer to “1. Results of Business Operations and Financial Conditions, (3) Comments on the Consolidated Earnings Forecasts and Other Forecasts” on page 5.

(Note2) Adjusted operating profit (Full Year) 34,000 Million Yen (15.7%)

* 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 14.

(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 Q3	109,663,524	FY2023	109,663,524
FY2024 Q3	9,126,457	FY2023	9,161,560
FY2024 Q3	100,519,734	FY2023 Q3	100,475,046

* 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 Condition	4
(3) Comments on the Consolidated Earnings Forecasts and Other Forecasts	5
2. Condensed Quarterly Consolidated Financial Statements and Material Notes	6
(1) Condensed Quarterly Consolidated of Financial Position	6
(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income	8
(3) Condensed Quarterly Consolidated Statements of Changes in Equity	10
(4) Condensed Quarterly Consolidated Statements of Cash Flows	12
(5) Notes about Condensed Consolidated Financial Statements	14
(Notes on Going Concern Assumption)	14
(Material Accounting Policies)	14
(Segment Information)	15
(Business Combination)	17

1. Results of Business Operations and Financial Conditions

(1) Analysis of Business Operations

For the nine-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 December 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 inflation of prices, situations in the Middle East and fluctuations in the financial and capital market likely impacting companies' investment appetites in the future, as well as risks from economies abroad being dampened by impacts of globally tightening monetary measures and uncertain future of the Chinese economy exerting downward pressure upon the domestic economy 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" to promote DX at customers in order to contribute to sustained growth of customers and "For Society" to promote DX for society in order to promote solutions of social issues in cooperation with customers and partners of a 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 a wide range of our knowledge and expertise that we obtained from the viewpoints: For Customers and For Society, in the period of the third quarter of the fiscal year under review, as well.

We have accumulated numerous track records of businesses in coordination with new players in FinTech and XTech fields in addition to our knowledge and expertise that we obtain from our providing financial institutions with a vast range of services and solutions from Front Office operations to Back Office operations.

We have been attempting to enable a "Financial Services Platform" concept^{Note 3} conducive to regional vitalization based upon pouring the technical capabilities, innovativeness, and alignment capabilities. The concept is exemplified by the "# tsumuGO_mobile[®]"^{Note 4}, a banking application of shared use designed for regional financial institutions to be released in April 2024. Multiple financial institutions have already decided their use of the app. We will be prepared to be helpful for creating towns and cities that enable comfortable living as well as vitalizing regional economies through continuously launching capabilities that can be used by whomever without difficulties, whenever and wherever.

Our electronic shelf label (ESL) solution^{Note 5}, retail shop DX solution conducive to a drastic reduction of shop operation duties, has increased its use among retailers that take on a challenge of short workforce.

The solution was appreciated at a major grocery store that experienced an improvement in communications for customer interaction as well as optimization of business operation as a result of a demonstration experiment. We finished installing the solution at their more than 100 shops in the Tokyo metropolitan area in October 2023. Furthermore, we are expected to install the solution at all shops of the customer in the Kinki region.

In addition, we have accelerated our initiatives to work on the Customer DX through the use of AI. We have promoted technical verification and validation of generative AI use with the aim of improving communications skills of employees at branch office teller's window of financial institutions^{Note 6}. We will promote our initiatives for manufacturers^{Note 7} about Smart Factory and digital transformation through the coordination with Profet AI Technology Co., Ltd., an AI platform provider in Republic of China.

UNIADDEX, Ltd. of our group has provided the "Azure Open AI Service Starter Set Plus"^{Note 8}, service of creating environments for using ChatGPT of corporate use. Furthermore, UNIADDEX, Ltd. has begun to develop a new type of managed service to support autonomous operations through the use of AI based upon numerous actual operations data that have been accumulated for many years.

S&I Co., Ltd. of our group released an add-on function of summarizing texts through the use of AI in January 2024 for “AI Dig[®]”^{Note 9}, service to support handling and serving at contact centers. The function enables a service quality to be ensured regardless of experience and skills of operators, and optimizes a duty of preparing handling histories.

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 entirety of the BIPROGY group will further accelerate the attempts towards achievements as targeted in the “Management Policies (2021-2023)”, in the fiscal year ended March 2024, the final fiscal year for the management policies.

(Notes)

1. See the Company’s webpage below about the Vision2030.
https://www.biprogy.com/e/about/management_policy.html
2. See the Company’s webpage below about the Management Policies (2021-2023).
https://www.biprogy.com/e/about/management_policy.html#h2anchor2
3. See our group webpage below (in the Japanese language only) about the Financial Services Platform concept.
<https://www.biprogy.com/solution/service/fsp.html>
4. See our group webpage below (in the Japanese language only) about #tsumuGO_mobile.
<https://www.biprogy.com/solution/service/tsumugo.html>
5. See our group webpage below (in the Japanese language only) about electronic shelf label (ESL) solution.
<https://www.biprogy.com/solution/service/shelf-tag.html>
6. See our group webpage below (in the Japanese language only) about examples about branch offices of financial institutions.
https://www.biprogy.com/pdf/news/topics_231017.pdf
7. See our group webpage below (in the Japanese language only) about our initiatives for manufacturing business.
https://www.biprogy.com/pdf/news/nr_231225.pdf
8. See our group webpage below (in the Japanese language only) about the Azure OpenAI Service Starter Set Plus.
https://www.uniadex.co.jp/news/2023/20230809_azure-openai-service.html
9. See our group webpage below (in the Japanese language only) about the AI Dig.
<https://sandi.jp/sandiai/solution/aidig>
10. Names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

For the nine-month period of the fiscal year ending March 2024, we posted revenue of ¥258,875 million, up by ¥28,898 million or 12.6 % compared with the same period of the previous fiscal year. The increase is attributable to a significant increase in the revenues from all services segments such as system services and outsourcing as well as products sales based upon strong demands from customers for IT investments.

Gross profit was driven by the increase in services and products sales revenues.

An increase in selling, general and administrative expenses mainly due to personnel expenses and R&D costs was absorbed.

As a result, we posted operating profit of ¥24,134 million, an increase of ¥4,500 million or 22.9 % on a year-over-year basis.

Profit attributable to owners of parent was ¥18,156 million up by ¥4,586 million or 33.8% on a year-over-year basis.

Adjusted operating profit* that is used by the Company group as an index for managing performance was ¥23,648 million, up by ¥4,365 million or 22.6 % 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 third quarter of the fiscal year under review, partly due to an increase in cash and cash equivalents, total assets were ¥282,518 million, an increase of ¥2,122 million compared with the end of the previous fiscal year.

Liabilities were ¥128,269 million, a ¥10,528 million decrease from the end of the previous fiscal year, partly due to a decrease in trade payables.

Equity was ¥154,248 million. Ratio of equity attributable to owners of parent to total assets was 54.0%, up by 4.1 pts. from the end of the previous fiscal year.

② Cash Flow Situations

Cash and cash equivalents at the end of the third quarter of the fiscal year under review were ¥54,788 million, an increase of ¥11,143 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 ¥31,234 million (an increase of ¥11,089 million in proceeds compared with the same period of the previous fiscal year).

This reflects proceeds of ¥24,486 million in profit before income taxes, the elements of increasing the proceeds and the elements of decreasing the proceeds. The factors increasing proceeds include ¥13,270 million in depreciation and amortization, non-cash expenses, as well as a decrease of ¥20,875 million in trade and other receivables. The factors decreasing the proceeds include an increase of ¥4,536 million in inventories and a decrease of ¥7,106 million in trade and other payables.

(Cash flows from investing activities)

Net cash spent in investing activities was ¥4,915 million (a decrease of ¥7,855 million in expenditures compared with the same period of the previous period).

This includes: expenditures of ¥1,421 million as a result of purchasing property, plant and equipment such as computers for business activities; expenditures of ¥8,188 million due to the acquisitions of intangible assets such as the investments in software for outsourcing; and, proceeds of ¥7,471 million from selling investment securities.

(Cash flows from financing activities)

Net cash spent in the financing activities was ¥15,300 million (a decrease of ¥497 million in expenditures from the same period of the previous fiscal year). This includes ¥6,735 million repayments of lease liabilities and dividends payment of ¥8,534 million.

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

We have revised the performance forecast on a consolidated basis that we announced on April 28, 2023 below. This revision was made based upon the performance results of the third quarter on a consolidated basis and the order intake at this point in time, as indicated in the notice of revisions to the consolidated performance forecast and dividends forecast (dividends increase) (in the Japanese language only) that we announced today.

We expect that adjusted operating profit* used by the Company group as an index for managing performance will be ¥ 34,000 million, up by ¥ 2,000 million or 6.3 % from our previous announcement.

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

Revision of Consolidated Performance Forecast (from April 1, 2023 to March 31, 2024)

	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
Previous Forecast (A)	350,000	32,500	32,500	22,000	218.95
Revised Forecast (B)	368,000	34,000	34,000	23,500	233.88
Change Amount (B-A)	18,000	1,500	1,500	1,500	14.93
Change %	5.1	4.6	4.6	6.8	6.8

Our shareholder return policy is based upon connecting dividends to business performance. When determining our shareholder return policy, we comprehensively consider factors such as our cash flow position, and the balance with investments for future growth and the business environment. Under our Management Policies (2021–2023), we are aiming to achieve a consolidated dividend payout ratio of 40%.

We have made the revision below of the dividends forecast at the end of the period with the base date of March 31, 2024, pursuant to the basic policy and in accordance with the revision of the consolidated performance forecast.

As a result, the annual dividend is 95 yen per share including the interim dividend with the consolidated dividend payout ratio of 40.6%.

Revision of Dividends Forecast (from April 1, 2023 to March 31, 2024)

	Annual Dividends		
	End of Q2	Year-End	Total
Previous Forecast	Yen —	Yen 45.00	Yen 90.00
Revised Forecast	—	50.00	95.00
Actual Payment	45.00	—	—
Actual Payment (of the Fiscal Year ending March 2023)	40.00	40.00	80.00

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 Q3 (As of December 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	43,645	54,788
Trade and other receivables	84,695	64,050
Contract assets	11,742	13,408
Inventories	10,166	14,703
Other financial assets	587	787
Other current assets	13,813	18,588
Total current assets	164,650	166,326
Non-current assets		
Property, plant and equipment	12,663	13,140
Right-of-use assets	16,110	12,905
Goodwill	1,906	2,707
Intangible assets	27,256	30,734
Investments accounted for using equity method	4,281	5,793
Other financial assets	43,385	39,639
Deferred tax assets	2,011	2,125
Retirement benefit asset	1,748	1,763
Other non-current assets	6,383	7,382
Total non-current assets	115,745	116,192
Total assets	280,396	282,518

(Millions of Yen)

	FY2023 (As of March 31, 2023)	FY2024 Q3 (As of December 31, 2023)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	30,962	24,043
Contract liabilities	22,041	26,778
Borrowings	2,400	2,400
Lease liabilities	8,153	7,318
Other financial liabilities	2,264	5,750
Income taxes payable	5,731	3,856
Provisions	76	312
Other current liabilities	27,309	20,118
Total current liabilities	98,940	90,578
Non-current liabilities		
Borrowings	18,325	18,325
Lease liabilities	9,126	6,808
Other financial liabilities	265	258
Retirement benefit liability	8,398	7,079
Provisions	3,048	4,504
Deferred tax liabilities	679	710
Other non-current liabilities	15	4
Total non-current liabilities	39,858	37,691
Total liabilities	138,798	128,269
Equity		
Share capital	5,483	5,483
Capital surplus	14,955	15,009
Treasury shares	(13,315)	(13,263)
Other components of equity	8,302	7,531
Retained earnings	124,460	137,755
Total equity attributable to owners of parent	139,887	152,516
Non-controlling interests	1,710	1,731
Total equity	141,597	154,248
Total liabilities and equity	280,396	282,518

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

(Condensed Quarterly Consolidated Statements of Profit or Loss)

(Millions of Yen)

	FY2023 Q3 (Nine months ended December 31, 2022)	FY2024 Q3 (Nine months ended December 31, 2023)
Revenue	229,976	258,875
Cost of sales	168,319	190,222
Gross profit	61,656	68,652
Selling, general and administrative expenses	42,373	45,004
Share of profit (loss) of investments accounted for using equity method	381	385
Other income	131	241
Other expenses	162	141
Operating profit	19,633	24,134
Finance income	742	474
Finance costs	423	121
Profit before tax	19,952	24,486
Income tax expense	6,368	6,236
Profit	13,584	18,250
Profit attributable to		
Owners of parent	13,570	18,156
Non-controlling interests	14	93
Profit	13,584	18,250
Earnings per share		
Basic earnings per share (Yen)	135.06	180.63
Diluted earnings per share (Yen)	134.66	180.13

(Condensed Quarterly Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	FY2023 Q3 (Nine months ended December 31, 2022)	FY2024 Q3 (Nine months ended December 31, 2023)
Profit	13,584	18,250
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	(695)	2,452
Total of items that will not be reclassified to profit or loss	(695)	2,452
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	346	366
Share of other comprehensive income of investments accounted for using equity method	(0)	117
Total of items that may be reclassified to profit or loss	346	484
Other comprehensive income, net of tax	(349)	2,936
Comprehensive income	13,235	21,187
Comprehensive income attributable to		
Owners of parent	13,217	21,081
Non-controlling interests	17	106
Comprehensive income	13,235	21,187

(3) Condensed Quarterly Consolidated Statements of Changes in Equity
FY2023 Q3 (Nine months ended December 31, 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				(695)		(0)
Comprehensive income	—	—	—	(695)	—	(0)
Dividends of surplus						
Purchase of treasury shares			(0)			
Disposal of treasury shares		(9)	28		(18)	
Share-based payment transactions		37	40			
Changes in ownership interest in subsidiaries		(9)				
Transfer from other components of equity to retained earnings				(525)		
Other						
Total transactions with owners	—	17	68	(525)	(18)	—
As of December 31, 2022	5,483	14,962	(13,332)	6,477	466	2

	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			13,570	13,570	14	13,584
Other comprehensive income	343	(352)		(352)	3	(349)
Comprehensive income	343	(352)	13,570	13,217	17	13,235
Dividends of surplus			(9,041)	(9,041)	(145)	(9,187)
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		(525)	525			—
Other			3	3		3
Total transactions with owners	—	(543)	(8,513)	(8,970)	(187)	(9,158)
As of December 31, 2022	447	7,394	118,655	133,163	1,587	134,751

	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				2,452		117
Comprehensive income	—	—	—	2,452	—	117
Dividends of surplus						
Purchase of treasury shares			(1)			
Disposal of treasury shares		(1)	13		(11)	
Share-based payment transactions		55	40			
Obtaining of control of subsidiaries						
Loss of control of subsidiaries						
Transfer from other components of equity to retained earnings				(3,685)		
Other						
Total transactions with owners	—	53	52	(3,685)	(11)	—
As of December 31, 2023	5,483	15,009	(13,263)	6,215	444	136

	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			18,156	18,156	93	18,250
Other comprehensive income	354	2,924		2,924	12	2,936
Comprehensive income	354	2,924	18,156	21,081	106	21,187
Dividends of surplus			(8,544)	(8,544)	(145)	(8,689)
Purchase of treasury shares				(1)		(1)
Disposal of treasury shares		(11)		0		0
Share-based payment transactions				95		95
Obtaining of control of subsidiaries					136	136
Loss of control of subsidiaries					(76)	(76)
Transfer from other components of equity to retained earnings		(3,685)	3,685			—
Other			(2)	(2)		(2)
Total transactions with owners	—	(3,696)	(4,861)	(8,451)	(84)	(8,536)
As of December 31, 2023	735	7,531	137,755	152,516	1,731	154,248

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2023 Q3 (Nine months ended December 31, 2022)	FY2024 Q3 (Nine months ended December 31, 2023)
Cash flows from operating activities		
Profit before tax	19,952	24,486
Depreciation and amortization	12,000	13,270
Impairment losses	88	1
Interest and dividend income	(385)	(390)
Interest expenses	109	105
Share of loss (profit) of investments accounted for using equity method	(381)	(385)
Decrease (increase) in trade and other receivables	24,303	20,875
Decrease (increase) in contract assets	(5,240)	(1,665)
Decrease (increase) in inventories	(6,629)	(4,536)
Increase (decrease) in trade and other payables	(6,611)	(7,106)
Increase (decrease) in contract liabilities	2,398	4,238
Increase or decrease in retirement benefit asset or liability	(769)	(1,333)
Other	(8,672)	(7,060)
Subtotal	30,163	40,499
Interest and dividends received	386	391
Interest paid	(98)	(92)
Income taxes paid	(10,306)	(9,562)
Net cash provided by (used in) operating activities	20,145	31,234
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,913)	(1,421)
Proceeds from sale of property, plant and equipment	0	0
Purchase of intangible assets	(9,234)	(8,188)
Purchase of investment securities	(2,440)	(1,420)
Proceeds from sale of investment securities	1,228	7,471
Payments for acquisition of subsidiaries	—	(930)
Purchase of investments accounted for using equity method	(499)	(744)
Other	86	318
Net cash provided by (used in) investing activities	(12,770)	(4,915)

(Millions of Yen)

	FY2023 Q3	FY2024 Q3
	(Nine months ended December 31, 2022)	(Nine months ended December 31, 2023)
Cash flows from financing activities		
Proceeds from long-term borrowings	350	—
Repayments of long-term borrowings	(350)	—
Repayments of lease liabilities	(6,470)	(6,735)
Dividends paid	(9,031)	(8,534)
Dividends paid to non-controlling interests	(145)	(145)
Other	(151)	114
Net cash provided by (used in) financing activities	(15,797)	(15,300)
Effect of exchange rate changes on cash and cash equivalents	137	124
Net increase (decrease) in cash and cash equivalents	(8,286)	11,143
Cash and cash equivalents at beginning of period	48,703	43,645
Cash and cash equivalents at end of period	40,416	54,788

(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 third 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 third 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 Q3 (Nine months ended December 31, 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	80,806	38,713	48,018	23,143	32,206	222,888	7,088	222,976	—	229,976
Segment profits (Note 3)	27,749	12,253	12,904	2,179	4,995	60,082	1,574	61,656	(42,373)	19,282
Share of profit (loss) of investments accounted for using equity method										381
Other income										131
Other expense										162
Operating profit										19,633
Finance income										742
Finance costs										423
Profit before tax										19,952

(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 Q3 (Nine months ended December 31, 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	92,039	40,243	55,049	24,526	38,679	250,537	8,337	258,875	—	258,875
Segment profits (Note 3)	31,714	12,631	12,348	3,455	6,632	66,780	1,872	68,652	(45,004)	23,648
Share of profit (loss) of investments accounted for using equity method										385
Other income										241
Other expense										141
Operating profit										24,134
Finance income										474
Finance costs										121
Profit before tax										24,486

(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 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 third 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 ^(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

(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.