

Translation

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Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 2025 (IFRS)

July 11, 2024

Company name: baudroie inc.

Listing exchange: Tokyo Stock Exchange

Securities code: 4413

URL: <https://www.baudroie.jp/>

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Scheduled date for filing quarterly securities report: July 12, 2024

Scheduled date for commencing dividend payments: -

Preparation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the First Quarters (March 1, 2024 to May 31, 2024) of the Fiscal Year Ending February 28, 2025

(1) Consolidated Operating Results (Cumulative)

(Percentage figures represent year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit for the period		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarters ended May 31, 2024	2,339	39.6	450	64.2	462	70.2	334	66.7	334	66.7	444	121.8
First quarters ended May 31, 2023	1,676	-	274	-	271	-	200	-	200	-	200	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First quarters ended May 31, 2024	21.23		21.06	
First quarters ended May 31, 2023	12.65		12.53	

(Note) The Company conducted a one-to-two stock split of its common shares as of November 1, 2023. In accordance with this, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2024.

(2) Consolidated Financial Position

	Total assets	Total Equity	Equity attributable to owners of parent	Ration of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of May 31, 2024	7,969	5,086	5,086	63.8
As of February 29, 2024	6,939	4,251	4,251	61.3

2. Cash Dividends

	Annual dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 2024	–	0.00	–	0.00	0.00
Fiscal year ending February 2025	–				
Fiscal year ending February 2025 (Forecast)		0.00	–	0.00	0.00

(Note) Revisions to the most recently announced dividend forecast: No

3. Forecast of Financial Results for the Fiscal Year Ending February 28, 2025 (from March 1, 2024 to February 28, 2025)

(Percentage figures indicate year-on-year changes for full year and for quarters)

	Revenue		Operating profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	11,400	55.5	2,300	45.0	1,644	41.6	102.74

(Note) Revisions to the most recently announced earnings forecast: No

* Explanatory notes

(1) Changes in significant subsidiaries during the period: No

(2) Changes in accounting policies and changes in accounting estimates

- | | |
|---|----|
| 1) Changes in accounting policies required by IFRS: | No |
| 2) Changes in accounting policies other than those in 1) above: | No |
| 3) Changes in accounting estimates: | No |

(3) Number of issued shares (common shares)

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

As of May 31, 2024	15,899,000 shares	As of February 29, 2024	15,892,600 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2024	125,158 shares	As of February 29, 2024	224,768 shares
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3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

First quarters ended May 31, 2024	15,742,065 shares	First quarters ended May 31, 2023	15,845,614 shares
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(Note) The Company conducted a one-to-two stock split of its common shares as of November 1, 2023. In accordance with this, the total number of issued shares at the end of the period, the number of treasury shares at the end of the period and the average number of shares during the period are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2024.

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

* Explanation regarding appropriate use of earnings forecasts, and other notes

1 The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Actual results, etc., may materially differ from the forecast due to various factors. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc., please refer to "1. Qualitative Information on the Financial Results for the Period under Review; (3) Explanations on Consolidated Earnings Forecast and Other Forecast Information" on page 3 of the Attachment.

2 The Company has adopted the International Financial Reporting Standards ("IFRS") effective from the first quarter of the fiscal year ending February 28, 2025. The figures in the consolidated financial statements for the first quarter of the previous fiscal year ended February 29, 2024 and the previous fiscal year ended February 29, 2024 are also presented in accordance with IFRS.

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1. Qualitative Information on the Financial Results for the Period under Review

(1) Explanation of Operating Results

During the fiscal year that ended February 2024 (March 1, 2023 to February 29, 2024), the Japanese economy saw progress made in normalizing socio-economic activities due to containment of the COVID-19, among other factors. It witnessed a moderate recovery trend.

On the other hand, there is a growing concern about inflation at the moment due to such factors as prolonged geopolitical risks associated with the situation in Ukraine and soaring raw material and energy prices. Because of this, the outlook for the financial and capital markets, as well as the economy, remains uncertain. Under such circumstances, the IT society has continued to develop and, in line with the progress and popularization of digital technologies, the IT- and DX-related needs of companies are growing as they aim to enhance productivity and strengthen competitiveness. As a result, the demand for IT investments is growing. Against this backdrop, the Company and its group of companies (“the Group”), which conduct businesses specializing in IT infrastructure, have promoted operations by expanding and deepening the base of enterprise clients and focusing on advanced technology areas.

As a result, for the first quarter under review based on IFRS (International Financial Reporting Standards), the Group posted revenue of 2,339,073 thousand yen (up 39.6%), operating profit of 450,962 thousand yen (up 64.2%), profit before tax of 462,945 thousand yen (up 70.2%), profit of 334,228 thousand yen (up 66.7%), and profit attributable to owners of parent of 334,228 thousand yen (up 66.7%), all on a year-on-year basis.

(2) Explanation of Financial Position

1) Assets, liabilities and equity

(Assets)

Total assets at the end of the first quarter under review amounted to 7,969,164 thousand yen, an increase of 1,030,035 thousand yen from the end of the previous fiscal year. This was mainly attributable to an increase of 577,472 thousand yen in goodwill and an increase of 171,283 thousand yen in Trade and other receivables .

(Liabilities)

Total liabilities at the end of the first quarter under review amounted to 2,882,400 thousand yen, an increase of 194,677 thousand yen from the end of the previous fiscal year. This was mainly attributable to an increase of 150,646 thousand yen in Bonds and borrowings (non-current) and increase of 85,956 thousand yen in other current liabilities, against a decrease of 168,214 thousand yen in income taxes payable.

(Equity)

Equity at the end of the first quarter under review amounted to 5,086,763 thousand yen, an increase of 835,358 thousand yen from the end of the previous fiscal year. This was mainly attributable to an increase of 334,228 thousand yen in retained earnings and an increase of 310,375 thousand yen due to disposal of treasury shares.

2) Cash flows

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 157,308 thousand yen (in contrast to net cash used amounting to 19,454 thousand yen in the first quarter of the previous fiscal year). This was mainly attributable to the recording of profit before tax of 462,945 thousand yen and the recording of depreciation and amortization of 42,693 thousand yen, against income taxes paid of 294,366 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 140,011 thousand yen (in contrast to net cash used amounting to 276,132 thousand yen in the first quarter of the previous fiscal year). This was mainly attributable to payments for acquisition of subsidiaries of 95,992 thousand yen, against proceeds from cancellation of insurance funds of 57,192 thousand yen.

(Cash flows from financing activities)

Net cash used by financing activities amounted to 21,499 thousand yen (in contrast to net cash provided amounting to 299,350 thousand yen in the first quarter of the previous year). This was mainly attributable to proceeds from long-term borrowings of 100,000 thousand yen, while there were repayments of short-term borrowings of 17,000 thousand yen and repayments of long-term borrowings of 71,339 thousand yen.

(3) Explanations on Consolidated Earnings Forecast and Other Forecast Information

As for the earnings forecast for the fiscal year ending February 2025, there are no changes to the revision to the full-year earnings forecast for the fiscal year ending February 2025 (March 1, 2024 to February 28, 2025) announced on June 13, 2024.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Thousands of yen)

	Date of transition (As of March 1,2023)	Previous fiscal year (As of February 29,2024)	First quarter of current fiscal year (As of May 31,2024)
Assets			
Current assets			
Cash and cash equivalents	3,925,835	4,250,479	4,246,278
Trade and other receivables	707,286	950,979	1,122,263
Other financial assets	9,076	7,876	77,221
Other current assets	131,087	146,145	184,331
Total current assets	4,773,286	5,355,481	5,630,095
Non-current assets			
Property, plant and equipment	30,633	235,695	238,220
Right-of-use assets	—	366,512	364,152
Goodwill	215,484	546,730	1,124,203
Intangible assets	72	—	—
Other financial assets	184,313	270,451	534,356
Deferred tax assets	15,698	61,729	51,519
Other non-current assets	222,316	102,527	26,617
Total non-current assets	668,519	1,583,647	2,339,069
Total assets	5,441,805	6,939,128	7,969,164

(Thousands of yen)

	Date of transition (As of March 1,2023)	Previous fiscal year (As of February 29,2024)	First quarter of current fiscal year (As of May 31,2024)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	52,988	64,336	76,921
Bonds and borrowings	176,274	233,163	294,106
Lease liabilities	26,123	135,832	201,789
Income taxes payable	227,690	330,973	162,758
Provisions	29,893	2,797	—
Other current liabilities	774,942	962,421	1,048,377
Total current liabilities	1,287,912	1,729,523	1,783,953
Non-current liabilities			
Bonds and borrowings	384,141	585,519	736,166
Lease liabilities	5,283	299,968	289,460
Other financial liabilities	—	67	—
Provisions	2,229	72,644	72,820
Total non-current liabilities	391,653	958,199	1,098,447
Total liabilities	1,679,566	2,687,723	2,882,400
Equity			
Share capital	599,361	601,421	601,766
Capital surplus	554,782	556,842	632,800
Retained earnings	2,574,837	3,735,873	4,070,101
Treasury shares	(272)	(700,355)	(389,980)
Other components of equity	33,530	57,623	172,075
Total equity attributable to owners of parent	3,762,239	4,251,405	5,086,763
Total equity	3,762,239	4,251,405	5,086,763
Total liabilities and equity	5,441,805	6,939,128	7,969,164

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

Condensed Quarterly Consolidated Statements of Profit or Loss (Cumulative)

(Thousands of yen)

	First quarter of previous fiscal year (March 1, 2023 – May 31, 2023)	First quarter of current fiscal year (March 1, 2024 – May 31, 2024)
Revenue	1,676,002	2,339,073
Cost of sales	1,107,530	1,467,422
Gross profit	568,472	871,651
Selling, general and administrative expenses	295,617	420,734
Other income	1,840	45
Operating profit	274,694	450,962
Finance income	—	14,769
Finance costs	2,766	2,785
Profit before tax	271,927	462,945
Income tax expense	71,437	128,717
Profit	200,490	334,228
Profit attributable to		
Owners of parent	200,490	334,228
Profit	200,490	334,228
Earnings per share		
Basic earnings per share (yen)	12.65	21.23
Diluted earnings per share (yen)	12.53	21.06

Condensed Quarterly Consolidated Statements of Comprehensive Income (Cumulative)

(Thousands of yen)

	First quarter of previous fiscal year (March 1, 2023 – May 31, 2023)	First quarter of current fiscal year (March 1, 2024 – May 31, 2024)
Profit	200,490	334,228
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	—	110,405
Total other comprehensive income	—	110,405
Comprehensive income	200,490	444,633
Comprehensive income attributable to		
Owners of parent	200,490	444,633
Comprehensive income	200,490	444,633

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

First quarter of previous fiscal year (March 1, 2023 – May 31, 2023), Cumulative

(Thousands of yen)

	Equity attributable to owners of parent							Total	Total equity
	Equity attributable to owners of parent				Other components of equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Share acquisition rights	Net change of fair value of financial assets measured at fair value through other comprehensive income			
Balance as of March 1, 2023	599,361	554,782	2,574,837	(272)	2,109	31,420	33,530	3,762,239	
Profit	—	—	200,490	—	—	—	—	200,490	
Other comprehensive income	—	—	—	—	—	—	—	—	
Comprehensive income	—	—	200,490	—	—	—	—	200,490	
Exercise of share acquisition rights	204	204	—	—	—	—	—	409	
Share-based payment transactions	—	—	—	—	2,109	—	2,109	2,109	
Total transactions with owners	204	204	—	—	2,109	—	2,109	2,519	
Balance as of May 31, 2023	599,566	554,987	2,775,328	(272)	4,219	31,420	35,639	3,965,248	

First quarter of current fiscal year (March 1, 2024 – May 31, 2024), Cumulative

(Thousands of yen)

	Equity attributable to owners of parent							
	Equity attributable to owners of parent				Other components of equity			
	Share capital	Capital surplus	Retained earnings	Treasury shares	Share acquisition rights	Net change of fair value of financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance as of March 1, 2024	601,421	556,842	3,735,873	(700,355)	9,543	48,080	57,623	4,251,405
Profit	—	—	334,228	—	—	—	—	334,228
Other comprehensive income	—	—	—	—	—	110,405	110,405	110,405
Comprehensive income	—	—	334,228	—	—	110,405	110,405	444,633
Exercise of share acquisition rights disposal of treasury shares	344	344	—	—	—	—	—	689
Share-based payment transactions	—	75,613	—	310,375	—	—	—	385,988
Issuance of share acquisition rights	—	—	—	—	1,908	—	1,908	1,908
	—	—	—	—	2,137	—	2,137	2,137
Total transactions with owners	344	75,958	—	310,375	4,046	—	4,046	390,724
Balance as of May 31, 2024	601,766	632,800	4,070,101	(389,980)	13,589	158,485	172,075	5,086,763

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	First quarter of previous fiscal year (March 1, 2023 – May 31, 2023)	First quarter of current fiscal year (March 1, 2024 – May 31, 2024)
Cash flows from operating activities		
Profit before tax	271,927	462,945
Depreciation and amortization	7,586	42,693
Share-based payment expenses	2,109	1,908
Increase (decrease) in liability for employee benefits	(40,078)	1,097
Finance income and finance costs	2,766	(12,186)
Decrease (increase) in trade and other receivables	(14,515)	21,711
Increase (decrease) in trade and other payables	3,700	(1,466)
Increase (decrease) in other	(51,799)	(62,598)
Subtotal	181,698	454,105
Interest paid	(1,957)	(2,429)
Income taxes paid	(199,195)	(294,366)
Net cash provided by (used in) operating activities	(19,454)	157,308
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,616)	(834)
Purchase of equity instruments	—	(99,473)
Payments of leasehold and guarantee deposits	(88,676)	(722)
Proceeds from refund of leasehold and guarantee deposits	74	37
Proceeds from cancellation of insurance funds	74,876	57,192
Payments for acquisition of subsidiaries	(256,148)	(95,992)
Other	(641)	(218)
Net cash provided by (used in) investing activities	(276,132)	(140,011)
Cash flows from financing activities		
Proceeds from short-term borrowings	100,000	—
Repayments of short-term borrowings	(8,300)	(17,000)
Proceeds from long-term borrowings	300,000	100,000
Repayments of long-term borrowings	(73,286)	(71,339)
Redemption of bonds	(7,000)	(7,000)
Proceeds from issuance of share acquisition rights	—	2,137
Proceeds from exercise of employee share options	409	689
Repayments of lease liabilities	(12,472)	(28,987)
Net cash provided by (used in) financing activities	299,350	(21,499)
Net increase (decrease) in cash and cash equivalents	3,763	(4,201)
Cash and cash equivalents at the beginning of the period	3,925,835	4,250,479
Cash and cash equivalents at the end of the period	3,929,599	4,246,278

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Segment Information, Etc.)

The information is omitted as the Group has a single operating segment engaged only in the IT infrastructure business and the information lacks materiality.

(First-time Adoption)

The Group has disclosed condensed quarterly consolidated financial statements in accordance with IFRS accounting standards starting from the first quarter under review. The most recent consolidated financial statements prepared in accordance with the Japanese Generally Accepted Accounting Principles, "Japanese GAAP," are for the fiscal year ended February 29, 2024 and the date of transition to IFRS accounting standards is March 1, 2023.

(1) Exemptions from Retrospective Application

IFRS 1 requires an entity adopting IFRS for the first time to apply the standards retrospectively, in principle. However, IFRS 1 provides certain optional exemptions and the Group has adopted the following exemptions.

1) Business combination

The Group has not applied IFRS 3 Business Combinations retrospectively to business combinations that took place before the date of transition.

2) Leases

Whether leases are included in contracts existing as of the date of transition are decided based on the facts and circumstances that exist as of the said date. In addition, lease liabilities are measured with the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate and the right-of-use assets are also measured at an amount equal to the lease liabilities.

3) Designation of financial instruments recognized before the date of transition

Part of equity financial assets are designated as financial assets measured at fair value through other comprehensive income based on the facts and circumstances that exist at the date of transition.

4) Share-based payment

The Group has chosen not to apply IFRS 2 Share-based payment for the share-based payment vested before the date of transition.

(2) Mandatory Exceptions of IFRS 1

IFRS 1 prohibits retrospective application of IFRS accounting standards for "estimates," "derecognition of financial assets and financial liabilities," "hedge accounting," "non-controlling interests," "classification and measurement of financial assets" and others. The Group has prospectively applied IFRS from the date of transition for these items.

(3) Reconciliations

The impact of the transition from Japanese GAAP to IFRS accounting standards on the Group's financial position, results of operations and cash flows is summarized below. In these reconciliations, the amounts under "Reclassification" include items that do not affect retained earnings or comprehensive income, while the amounts under "Difference in recognition and measurement" include items that affect retained earnings and comprehensive income.

① Reconciliation of equity

As of March 1, 2023 (Date of transition)

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Assets						
Current assets						
Cash and deposits	3,925,835	–	–	3,925,835		Cash and cash equivalents
Accounts receivable - trade and contract assets	731,990	(24,703)	–	707,286		Trade and other receivables
Prepaid expenses	85,879	(85,879)	–	–		
Other	3,775	106,807	20,504	131,087		Other current assets
	–	3,775	5,300	9,076	A	Other financial assets
Total current assets	4,747,481	–	25,805	4,773,286		Total current assets
Non-current assets						
Property, plant and equipment						
Buildings, net	21,507	3,992	5,134	30,633	B	Property, plant and equipment
Tools, furniture and fixtures, net	3,992	(3,992)	–	–		
Intangible assets						
Goodwill	215,484	–	–	215,484	C	Goodwill
Other	72	–	–	72		Intangible assets
Investment securities	3,000	73,064	108,248	184,313	A,B,D,E	Other financial assets
Deferred tax assets	35,956	–	(20,257)	15,698	F	Deferred tax assets
Other	200,089	(73,064)	95,291	222,316		Other non-current assets
Total non-current assets	480,102	–	188,416	668,519		Total non-current assets
Total assets	5,227,584	–	214,221	5,441,805		Total assets

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Liabilities						
						Liabilities and equity
						Liabilities
						Current liabilities
Accounts payable - trade	10,498	57,271	(14,780)	52,988		Trade and other payables
Current portion of bonds payable	39,000	137,274	–	176,274		Bonds and borrowings
Current portion of long-term borrowings	137,274	(137,274)	–			
	–	–	26,123	26,123	A	Lease liabilities
Accounts payable - other	57,271	(57,271)	–	–		
Accrued expenses	463,404	(463,404)	–	–		
Income taxes payable	227,690	–	–	227,690	F	Income taxes payable
Provision for bonuses	6,811	(6,811)	–	–		
	–	–	29,893	29,893	B	Provisions
Other	186,809	470,215	117,917	774,942	G	Other current liabilities
Total current liabilities	1,128,758	–	159,154	1,287,912		Total current liabilities
						Non-current liabilities
Bonds payable	23,000	361,141	–	384,141		Bonds and borrowings
Long-term borrowings	361,141	(361,141)	–	–		
	–	–	5,283	5,283	A	Lease liabilities
			2,229	2,229	B	Provisions
Total non-current liabilities	384,141	–	7,512	391,653		Total non-current liabilities
Total liabilities	1,512,900	–	166,666	1,679,566		Total liabilities
						Equity
						Share capital
Share capital	599,361	–	–	599,361		Share capital
Capital surplus	554,782	–	–	554,782		Capital surplus
Retained earnings	2,558,702	–	16,134	2,574,837	H	Retained earnings
Treasury shares	(272)	–	–	(272)		Treasury shares
Share acquisition rights	2,109	(2,109)	–	–		
		2,109	31,420	33,530		Other components of equity
		–	–	3,762,239		Total equity attributable to owners of parent
Total net assets	3,714,683	–	47,555	3,762,239		Total equity
Total liabilities and net assets	5,227,584	–	214,221	5,441,805		Total liabilities and equity

First quarter of previous fiscal year(As of May 31,2023)

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	3,929,599	–	–	3,929,599		Cash and cash equivalents
Accounts receivable - trade and contract assets	822,444	(42,994)	–	779,449		Trade and other receivables
Other	95,341	38,834	23,372	157,548		Other current assets
	–	4,159	7,078	11,237	A	Other financial assets
Total current assets	4,847,385	–	30,450	4,877,836		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	34,073	–	14,263	48,336	B	Property, plant and equipment
	–	–	66,419	66,419	A	Right-of-use assets
Intangible assets	–	–	–	–		
Goodwill	521,190	–	25,539	546,730	C	Goodwill
Other	36	–	–	36		Intangible assets
Investments and other assets						
Investment securities	3,000	169,840	108,030	280,870	A,B,D,E	Other financial assets
Deferred tax assets	48,709	–	(2,482)	46,227	F	Deferred tax assets
Other	240,825	(169,840)	60,103	131,088		Other non-current assets
Total non-current assets	847,835	–	271,874	1,119,709		Total non-current assets
Total assets	5,695,220	–	302,325	5,997,545		Total assets

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Liabilities						Liabilities and equity
						Liabilities
Current liabilities						Current liabilities
Accounts payable - trade	15,594	66,292	(14,780)	67,106		Trade and other payables
short-term borrowings	91,700	230,090	–	321,790		Bonds and borrowings
Current portion of bonds payable	39,000	(39,000)	–	–		
Current portion of long-term borrowings	191,090	(191,090)	–	–		
			–	57,711	A	Lease liabilities
Income taxes payable	115,413	–	(15,374)	100,039	F	Income taxes payable
Provision for bonuses	68,068	(68,068)	–	–		
Provision for loss on order received	196	(196)	–	–		
	–	196	29,893	30,090	B	Provisions
Other	611,615	1,776	133,876	747,268	G	Other current liabilities
Total current liabilities	1,132,679	–	191,327	1,324,006		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	16,000	631,160	–	647,160		Bonds and borrowings
Long-term borrowings	631,160	(631,160)	–	–		
	–	–	49,107	49,107	A	Lease liabilities
	–	–	127	127	E	Other financial liabilities
	–	–	11,896	11,896	B	Provisions
Total non-current liabilities	647,160	–	61,130	708,290		Total non-current liabilities
Total liabilities	1,779,839	–	252,457	2,032,296		Total liabilities
Net assets						Equity
Share capital	599,566	–	–	599,566		Share capital
Capital surplus	554,987	–	–	554,987		Capital surplus
Retained earnings	2,756,881	–	18,447	2,775,328	H	Retained earnings
Treasury shares	(272)	–	–	(272)		Treasury shares
Share acquisition rights	4,219	(4,219)	–	–		
		4,219	31,420	35,639		Other components of equity
				3,965,248		Equity attributable to owners of parent
Total net assets	3,915,381	–	49,867	3,965,248		Total equity
Total liabilities and net assets	5,695,220	–	302,325	5,997,545		Total liabilities and equity

Previous fiscal year (As of February 29,2024)

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	4,250,479	–	–	4,250,479		Cash and cash equivalents
Accounts receivable - trade and contract assets	989,179	(38,199)	–	950,979		Trade and other receivables
Prepaid expenses	91,640	(91,640)	–	–		
Other	5,621	126,656	13,866	146,145		Other current assets
	–	3,183	4,693	7,876	A	Other financial assets
Total current assets	5,336,920	–	18,560	5,355,481		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment						
Buildings, net	138,318	28,208	69,168	235,695	B	Property, plant and equipment
Tools, furniture and fixtures, net	28,208	(28,208)	–	–		
			366,512	366,512	A	Right-of-use assets
Intangible assets						
Goodwill	471,792	–	74,938	546,730	C	Goodwill
Other	–	–	–	–		Intangible assets
Investments and other assets						
Investment securities	3,000	163,098	104,352	270,451	A,B,D,E	Other financial assets
Deferred tax assets	50,079	–	11,649	61,729	F	Deferred tax assets
Other	231,392	(163,098)	34,234	102,527		Other non-current assets
Total non-current assets	922,791	–	660,856	1,583,647		Total non-current assets
Total assets	6,259,712	–	679,416	6,939,128		Total assets

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Accounts payable - trade	15,610	63,506	(14,780)	64,336		Current liabilities
short-term borrowings	17,000	216,163	–	233,163		Trade and other payables
Current portion of bonds payable	14,000	(14,000)	–	–		Bonds and borrowings
Current portion of long-term borrowings	202,163	(202,163)	–	–		
	–	–	135,832	135,832	A	Lease liabilities
Accounts payable - other	63,506	(63,506)	–	–		
Accrued expenses	603,204	(603,204)	–	–		
Income taxes payable	330,973	–	–	330,973	F	Income taxes payable
Contract liabilities	453	(453)	–	–		
Provision for bonuses	15,304	(15,304)	–	–		
Provision for loss on order received	2,797	(2,797)	–	–		
	–	2,797	–	2,797	B	Provisions
Other	211,334	618,962	132,124	962,421	G	Other current liabilities
Total current liabilities	1,476,347	–	253,176	1,729,523		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	9,000	576,519	–	585,519		Bonds and borrowings
Long-term borrowings	576,519	(576,519)	–	–		
	–	–	299,968	299,968	A	Lease liabilities
	–	–	67	67	E	Other financial liabilities
	–	–	72,644	72,644	B	Provisions
Total non-current liabilities	585,519	–	372,680	958,199		Total non-current liabilities
Total liabilities	2,061,866	–	625,856	2,687,723		Total liabilities
Net assets						Equity
Share capital	601,421	–	–	601,421		Share capital
Capital surplus	556,842	–	–	556,842		Capital surplus
Retained earnings	3,730,393	–	5,479	3,735,873	H	Retained earnings
Treasury shares	(700,355)	–	–	(700,355)		Treasury shares
Share acquisition rights	9,543	(9,543)	–	–		
		9,543	48,080	57,623		Other components of equity
				4,251,405		Total equity attributable to owners of parent
Total net assets	4,197,845	–	53,559	4,251,405		Total equity
Total liabilities and net assets	6,259,712	–	679,416	6,939,128		Total liabilities and equity

② Reconciliation of comprehensive income

First quarter of previous fiscal year (March 1,2023 – May 31,2023)

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Net sales	1,676,002	–	–	1,676,002		Revenue
Cost of sales	1,102,541	–	4,988	1,107,530	G	Cost of sales
Gross profit	573,460	–	(4,988)	568,472		Gross profit
Selling, general and administrative expenses	307,383	541	(12,306)	295,617	A,B,C,G	Selling, general and administrative expenses
		1,840	–	1,840		Other income
	–	3,751	(3,751)	–		Other expenses
Operating profit	266,077	(2,453)	11,069	274,694		Operating profit
Non-operating income	1,840	(1,840)	–	–		
Non-operating expenses	1,922	(1,922)	–	–		
Extraordinary income	36,264	(36,264)	–	–		
Extraordinary losses	3,751	(3,751)	–	–		
	–	36,264	(36,264)	–		Finance income
	–	1,922	844	2,766	A,D	Finance costs
Profit before income taxes	298,507	(541)	(26,038)	271,927		Profit before tax
Total income taxes	100,329	(541)	(28,350)	71,437	F	Income tax expense
Profit	198,178	–	2,312	200,490		Profit
Other comprehensive income	–	–	–	–		Other comprehensive income
	–	–	–	–		Items that will not be reclassified to profit or loss
	–	–	–	–		Financial assets measured at fair value through other comprehensive income
Total other comprehensive income	–	–	–	–		Total other comprehensive income
Comprehensive income	198,178	–	2,312	200,490		Comprehensive income

Previous fiscal year (March 1,2023 – February 29,2024)

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Net sales	7,330,186	–	–	7,330,186		Revenue
Cost of sales	4,585,700	–	40,649	4,626,349	G	Cost of sales
Gross profit	2,744,486	–	(40,649)	2,703,836		Gross profit
Selling, general and administrative expenses	1,177,103	2,165	(30,191)	1,149,078	A,B,C,G	Selling, general and administrative expenses
	–	32,736	–	32,736		Other income
	–	31,806	(30,257)	1,549	A	Other expenses
Operating profit	1,567,382	(1,235)	19,799	1,585,945		Operating profit
Non-operating income	2,492	(2,492)	–	–		
Non-operating expenses	11,435	(11,435)	–	–		
Extraordinary income	93,828	(93,828)	–	–		
Extraordinary losses	30,257	(30,257)	–	–		
	–	63,584	(63,544)	39	D	Finance income
	–	9,886	1,370	11,257	A,B	Finance costs
Profit before income taxes	1,622,010	(2,165)	(45,116)	1,574,727		Profit before tax
Total income taxes	450,319	(2,165)	(34,461)	413,692		Income tax expense
Profit	1,171,690	–	(10,655)	1,161,035		Profit
Other comprehensive income	–	–	–	–		Other comprehensive income
	–	–	–	–		Items that will not be reclassified to profit or loss
	–	–	–	–		Financial assets measured at fair value through other comprehensive income
	–	–	16,659	16,659	D	Total other comprehensive income
Total other comprehensive income	–	–	16,659	16,659		Total other comprehensive income
Comprehensive income	1,171,690	–	6,004	1,177,694		Comprehensive income

3) Notes on reconciliation

(1) Reclassification

- Financial assets and financial liabilities are presented separately in accordance with IFRS presentation rules.
- For “accounts receivable - trade and contract assets,” which were presented separately under Japanese GAAP, the trade portion is presented as “trade and other receivables” and contract assets as “other current assets” under IFRS accounting standards.
- “Prepaid expenses, “ which were presented separately under Japanese GAAP, is included in “other current assets” under IFRS accounting standards.
- “Provision for loss on order received,” which was separately presented under Japanese GAAP, is included in “provisions” (current) under IFRS accounting standards.
- “Accounts payable - other” of current liabilities, which were separately presented under Japanese GAAP, are included in “trade and other payables” under IFRS accounting standards.
- “Accrued expenses,” “contract liabilities” and “provision for bonuses” of current liabilities, which were separately presented under Japanese GAAP, are included in “other current liabilities” under IFRS accounting standards.
- “Short-term borrowings,” “current portion of long-term borrowings” and “current portion of bonds payable,” which were separately presented under Japanese GAAP, are presented as “bonds and borrowings” (current) under IFRS accounting standards.
- “Bonds payable” and “long-term borrowings,” which were separately presented under Japanese GAAP, are presented as “bonds and borrowings” (non-current) under IFRS accounting standards.
- “Share acquisition rights,” which were separately presented under Japanese GAAP, are included in “other components of equity” under IFRS accounting standards.
- Items presented as “non-operating income,” “non-operating expenses,” “extraordinary income” and “extraordinary losses” under Japanese GAAP are presented as “finance income and finance costs” for items related to finance, “other operating income” and “other operating expenses” for other items under IFRS accounting standards.

(2) Difference in recognition and measurement

A. Leases

Under Japanese GAAP, lessee’s leases were classified into finance leases or operating leases, and the method for regular lease transactions was applied to the accounting treatment of operating leases. Under IFRS accounting standards, such classification will not be conducted for lessee’s leases, and right-of-use assets and lease liabilities are recognized for all leases, excluding short-term leases and leases with small underlying assets.

B. Property, plant and equipment

- (1) Under Japanese GAAP, accounting treatment to deduct asset retirement obligations from leasehold deposits is used, while under IFRS accounting standards, asset retirement obligations are recorded as liabilities and are depreciated after adding the amount to the acquisition cost of the corresponding property, plant and equipment.
- (2) Depreciation of property, plant and equipment has changed due to reviewing of method of depreciation and others conducted in line with the application of IFRS accounting standards.

C. Goodwill

Under Japanese GAAP, “goodwill” was to be amortized over the estimated period of its effect. Under the IFRS accounting standards, however, since it will not be amortized after the date of transition, “selling, general and administrative expenses” has decreased and “goodwill” has increased.

D. Equity instruments and debt instruments

Under Japanese GAAP, unlisted shares and others with no market prices as well as debt securities held to maturity were recorded at acquisition cost with impairment losses recognized according to financial conditions of the issuer. Under IFRS accounting standards, such financial instruments are evaluated at fair value, with ex post facto changes recognized as profit or loss. However, among equity instruments, for financial assets designated as measured at fair value through other comprehensive income, changes in fair value is recognized as other comprehensive income.

E. Derivative

Under Japanese GAAP, special treatment was applied for interest swaps that meet specific requirements. Under IFRS accounting standards, “other financial assets” (non-current) and “other financial liabilities” (non-current) are adjusted as interest swaps are measured at fair value.

F. Reconciliation of tax effect

“Income tax”, “Deferred tax assets” and “deferred tax liabilities” have been reconciled to reflect the temporary differences arising from the transition from Japanese GAAP to IFRS accounting standards. In addition, with the application of IFRS accounting standards, recoverability of all deferred tax assets are being reconsidered.

G. Employee benefits accruals

Under Japanese GAAP, accounting treatment was not executed for unused paid holidays, but under IFRS accounting standards, it is recorded as liabilities in other current liabilities.

H. Retained earnings

(Difference in recognition and measurement)

The impact of applying IFRS accounting standards on retained earnings is as follows.

	(Thousands of yen)		
	Date of transition (March 1, 2023)	First quarter of previous fiscal year (May 31, 2023)	Previous fiscal year (February 29, 2024)
A. Leases	-	8	250
B. Property, plant and equipment	2,498	2,147	(242)
C. Goodwill	-	16,466	65,864
D. Equity instruments and debt instruments	94,468	69,308	50,380
E. Derivative	472	(88)	(46)
F. Reconciliation of tax effect	-	15,374	-
G. Employee benefit accruals	(81,304)	(84,768)	(110,726)
Total	16,134	18,447	5,479

4) Reconciliation of cash flows

- Previous fiscal year (March 1, 2023 to February 29, 2024)

There are no material differences between consolidated statement of cash flows under Japanese GAAP and consolidated statement of cash flows under IFRS accounting standards.