

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended August 31, 2024 (IFRS)

October 15, 2024

Company name: baudroie inc.

Listing exchange: Tokyo Stock Exchange

Securities code: 4413

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

Representative: Shigehiro Tominaga, President and Chief Executive Officer

Inquiries: Keisuke Mizushima, General Manager, Business Administration Division

Phone: +81-3-6807-4525

Scheduled date for filing semi-annual securities report: October 15, 2024

Scheduled date for commencing dividend payments: -

Preparation of supplementary materials on financial results: Yes

Holding of financial results briefing session: Yes

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

### 1. Consolidated Financial Results for the six months ended August 31, 2024 (March 1, 2024 to August 31, 2024)

#### (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	%
For the six months ended August 31, 2024	5,291	51.6	1,048	56.2	1,057	58.7	762	55.2	762	55.2	872	77.7
For the six months ended August 31, 2023	3,489	-	670	-	665	-	491	-	491	-	491	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
For the six months ended August 31, 2024	48.02		47.64	
For the six months ended August 31, 2023	30.98		30.67	

(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 August 31, 2024	10,218	6,261	6,261	61.3
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	–	0.00			
Fiscal year ending February 2025 (Forecast)			–	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 August 31, 2024	16,014,154 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 August 31, 2024	5 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)

For the six months ended August 31, 2024	15,873,387 shares	For the six months ended August 31, 2023	15,848,426 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 six months ended August 31, 2024 (March 1, 2024 to August 31, 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 six months ended August 31, 2024 under review based on IFRS (International Financial Reporting Standards), the Group posted revenue of 5,291,928 thousand yen (up 51.6%), operating profit of 1,048,062 thousand yen (up 56.2%), profit before tax of 1,057,048 thousand yen (up 58.7%), profit of 762,219 thousand yen (up 55.2%), and profit attributable to owners of parent of 762,219 thousand yen (up 55.2%), 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 second quarter under review amounted to 10,218,699 thousand yen, an increase of 3,279,570 thousand yen from the end of the previous fiscal year. This was mainly attributable to an increase of 1,560,068 thousand yen in goodwill and an increase of 469,485 thousand yen in Trade and other receivables .

##### (Liabilities)

Total liabilities at the end of the Second quarter under review amounted to 3,956,942 thousand yen, an increase of 1,269,219 thousand yen from the end of the previous fiscal year. This was mainly attributable to an increase of 263,931 thousand yen in Bonds and borrowings (non-current) and increase of 598,351 thousand yen in other current liabilities .

##### (Equity)

Equity at the end of the second quarter under review amounted to 6,261,757 thousand yen, an increase of 2,010,351 thousand yen from the end of the previous fiscal year. This was mainly attributable to an increase of 762,219 thousand yen in retained earnings and an increase of 700,338 thousand yen due to disposal of treasury shares.

#### 2) Cash flows

##### (Cash flows from operating activities)

Net cash provided by operating activities amounted to 751,118 thousand yen (in contrast to net cash provided amounting to 383,389 thousand yen in the first two quarters of the previous fiscal year). This was mainly attributable to the recording of profit before tax of 1,057,048 thousand yen and the recording of depreciation and amortization of 106,256 thousand yen, against income taxes paid of 294,634 thousand yen.

**(Cash flows from investing activities)**

Net cash provided in investing activities amounted to 350,434 thousand yen (in contrast to net cash used amounting to 274,415 thousand yen in the first two quarters of the previous fiscal year). This was mainly attributable to payments for acquisition of subsidiaries of 95,992 thousand yen, against proceeds from acquisition of subsidiaries of 346,355 thousand yen and proceeds from cancellation of insurance funds of 57,192 thousand yen.

**(Cash flows from financing activities)**

Net cash used by financing activities amounted to 212,093 thousand yen (in contrast to net cash provided amounting to 197,234 thousand yen in the first two quarters 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 163,822 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 Semi-annual Consolidated Financial Statements and Primary Notes

### (1) Condensed Semi-annual Consolidated Statements of Financial Position

(Thousands of yen)

	Date of transition (As of March 1,2023)	Previous fiscal year (As of February 29,2024)	For the six months ended August 31,2024 (As of August 31,2024)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3,925,835	4,250,479	5,139,939
Trade and other receivables	707,286	950,979	1,420,465
Other financial assets	9,076	7,876	108,022
Other current assets	131,087	146,145	246,031
<b>Total current assets</b>	<b>4,773,286</b>	<b>5,355,481</b>	<b>6,914,457</b>
<b>Non-current assets</b>			
Property, plant and equipment	30,633	235,695	283,604
Right-of-use assets	—	366,512	439,617
Goodwill	215,484	546,730	2,106,798
Intangible assets	72	—	—
Other financial assets	184,313	270,451	348,101
Deferred tax assets	15,698	61,729	95,579
Other non-current assets	222,316	102,527	30,540
<b>Total non-current assets</b>	<b>668,519</b>	<b>1,583,647</b>	<b>3,304,241</b>
<b>Total assets</b>	<b>5,441,805</b>	<b>6,939,128</b>	<b>10,218,699</b>

(Thousands of yen)

	Date of transition (As of March 1,2023)	Previous fiscal year (As of February 29,2024)	For the six months ended August 31,2024 (As of August 31,2024)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	52,988	64,336	78,604
Bonds and borrowings	176,274	233,163	439,987
Lease liabilities	26,123	135,832	301,042
Income taxes payable	227,690	330,973	344,449
Provisions	29,893	2,797	—
Other current liabilities	774,942	962,421	1,560,773
Total current liabilities	1,287,912	1,729,523	2,724,856
Non-current liabilities			
Bonds and borrowings	384,141	585,519	849,450
Lease liabilities	5,283	299,968	279,744
Other financial liabilities	—	67	—
Provisions	2,229	72,644	102,890
Total non-current liabilities	391,653	958,199	1,232,085
Total liabilities	1,679,566	2,687,723	3,956,942
Equity			
Share capital	599,361	601,421	602,110
Capital surplus	554,782	556,842	987,611
Retained earnings	2,574,837	3,735,873	4,498,093
Treasury shares	(272)	(700,355)	(16)
Other components of equity	33,530	57,623	173,958
Total equity attributable to owners of parent	3,762,239	4,251,405	6,261,757
Total equity	3,762,239	4,251,405	6,261,757
Total liabilities and equity	5,441,805	6,939,128	10,218,699

(2) Condensed Semi-annual Consolidated Statements of Profit or Loss and Condensed Semi-annual Consolidated Statements of Comprehensive Income

Condensed Semi-annual Consolidated Statements of Profit or Loss  
For the six months ended August 31, 2024

	(Thousands of yen)	
	For the six months ended August 31, 2023 (March 1, 2023 – August 31, 2023)	For the six months ended August 31, 2024 (March 1, 2024 – August 31, 2024)
Revenue	3,489,781	5,291,928
Cost of sales	2,267,417	3,380,668
Gross profit	1,222,364	1,911,259
Selling, general and administrative expenses	553,145	863,472
Other income	1,840	339
Other costs	74	65
Operating profit	670,984	1,048,062
Finance income	19	15,642
Finance costs	5,010	6,656
Profit before tax	665,994	1,057,048
Income tax expense	174,961	294,828
Profit	491,032	762,219
Profit attributable to		
Owners of parent	491,032	762,219
Profit	491,032	762,219
Earnings per share		
Basic earnings per share (yen)	30.98	48.02
Diluted earnings per share (yen)	30.67	47.64



For the three months ended August 31 , 2024

(Thousands of yen)

	For the three months ended August 31,2023(June 1, 2023 – August 31, 2023)	For the three months ended August 31,2024 (June 1, 2024 – August 31, 2024)
Revenue	1,813,778	2,952,854
Cost of sales	1,159,886	1,913,245
Gross profit	653,892	1,039,608
Selling, general and administrative expenses	257,527	442,737
Other income	—	294
Other costs	74	65
Operating profit	396,290	597,099
Finance income	19	873
Finance costs	2,243	3,871
Profit before tax	394,066	594,102
Income tax expense	103,524	166,110
Profit	290,542	427,991
Profit attributable to		
Owners of parent	290,542	427,991
Profit	290,542	427,991
Earnings per share		
Basic earnings per share (yen)	18.33	26.74
Diluted earnings per share (yen)	18.14	26.54

Condensed Semi-annual Consolidated Statements of Comprehensive Income  
For the six months ended August 31 , 2024

(Thousands of yen)

	For the six months ended August 31, 2023 (March 1, 2023 – August 31, 2023)	For the six months ended August 31, 2024 (March 1, 2024 – August 31, 2024)
Profit	491,032	762,219
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	491,032	872,625
Comprehensive income attributable to		
Owners of parent	491,032	872,625
Comprehensive income	491,032	872,625

For the three months ended August 31 , 2024

(Thousands of yen)

	For the three months ended August 31,2023(June 1, 2023 – August 31, 2023)	For the three months ended August 31,2024 (June 1, 2024 – August 31, 2024)
Profit	290,542	427,991
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	—	—
Comprehensive income	290,542	427,991
Comprehensive income attributable to		
Owners of parent	290,542	427,991
Comprehensive income	290,542	427,991

(3) Condensed Semi-annual Consolidated Statements of Changes in Equity  
For the six months ended August 31, 2023 (March 1, 2023 – August 31, 2023)

(Thousands of yen)

	Equity attributable to owners of parent							Total	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity				
					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	—	—	491,032	—	—	—	—	491,032	
Other comprehensive income	—	—	—	—	—	—	—	—	
Comprehensive income	—	—	491,032	—	—	—	—	491,032	
Exercise of share acquisition rights	341	341	—	—	—	—	—	682	
Share-based payment transactions	—	—	—	—	4,219	—	4,219	4,219	
Total transactions with owners	341	341	—	—	4,219	—	4,219	4,901	
Balance as of August 31, 2023	599,702	555,123	3,065,870	(272)	6,328	31,420	37,749	4,258,173	

For the six months ended August 31 , 2024 (March 1, 2024 – August 31, 2024)

(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	—	—	762,219	—	—	—	—	762,219
Other comprehensive income	—	—	—	—	—	110,405	110,405	110,405
Comprehensive income	—	—	762,219	—	—	110,405	110,405	872,625
Issuance of new shares	—	334,554	—	—	—	—	—	334,554
Exercise of share acquisition rights	689	689	—	—	—	—	—	1,378
disposal of treasury shares	—	95,525	—	700,338	—	—	—	795,864
Share-based payment transactions	—	—	—	—	3,817	—	3,817	3,817
Issuance of share acquisition rights	—	—	—	—	2,137	—	2,137	2,137
Forfeiture of share acquisition rights	—	—	—	—	(25)	—	(25)	(25)
Total transactions with owners	689	430,769	—	700,338	5,929	—	5,929	1,137,726
Balance as of August 31,2024	602,110	987,611	4,498,093	(16)	15,472	158,485	173,958	6,261,757

## (4) Condensed Semi-annual Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended August 31, 2023 (March 1, 2023 – August 31, 2023)	For the six months ended August 31, 2024 (March 1, 2024 – August 31, 2024)
Cash flows from operating activities		
Profit before tax	665,994	1,057,048
Depreciation and amortization	19,060	106,256
Share-based payment expenses	4,219	3,817
Increase (decrease) in liability for employee benefits	(2,965)	92,548
Finance income and finance costs	4,990	(8,912)
Decrease (increase) in trade and other receivables	(89,038)	(115,951)
Increase (decrease) in trade and other payables	6,085	(11,395)
Increase (decrease) in other	(22,761)	(71,711)
Subtotal	585,584	1,051,700
Interest received	19	375
Interest paid	(3,901)	(6,322)
Income taxes paid	(198,313)	(294,634)
Net cash provided by (used in) operating activities	383,389	751,118
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,963)	(1,780)
Payments of leasehold and guarantee deposits	(88,780)	(1,263)
Proceeds from refund of leasehold and guarantee deposits	8,655	237
Proceeds from cancellation of insurance funds	74,876	57,192
Proceeds from acquisition of subsidiaries	—	346,355
Payments for acquisition of subsidiaries	(256,148)	(95,992)
Proceeds from distribution of investment in silent partnerships	—	44,217
Other	(1,055)	1,467
Net cash provided by (used in) investing activities	(274,415)	350,434
Cash flows from financing activities		
Proceeds from short-term borrowings	100,000	—
Repayments of short-term borrowings	(33,200)	(17,000)
Proceeds from long-term borrowings	300,000	100,000
Repayments of long-term borrowings	(121,809)	(163,822)
Redemption of bonds	(23,000)	(27,000)
Proceeds from issuance of share acquisition rights	—	2,137
Proceeds from exercise of employee share options	682	1,378
Repayments of lease liabilities	(25,438)	(107,787)
Net cash provided by (used in) financing activities	197,234	(212,093)
Net increase (decrease) in cash and cash equivalents	306,208	889,459
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	4,232,043	5,139,939

## (5) Notes to Condensed Semi-annual 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
<b>Assets</b>						<b>Assets</b>
<b>Current assets</b>						<b>Current assets</b>
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
<b>Total current assets</b>	<b>4,747,481</b>	<b>–</b>	<b>25,805</b>	<b>4,773,286</b>		<b>Total current assets</b>
<b>Non-current assets</b>						<b>Non-current assets</b>
<b>Property, plant and equipment</b>						
Buildings, net	21,507	3,992	5,134	30,633	B	Property, plant and equipment
Tools, furniture and fixtures, net	3,992	(3,992)	–	–		
<b>Intangible assets</b>						
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
<b>Total non-current assets</b>	<b>480,102</b>	<b>–</b>	<b>188,416</b>	<b>668,519</b>		<b>Total non-current assets</b>
<b>Total assets</b>	<b>5,227,584</b>	<b>–</b>	<b>214,221</b>	<b>5,441,805</b>		<b>Total assets</b>



(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
<b>Liabilities</b>						<b>Liabilities and equity</b>
						<b>Liabilities</b>
<b>Current liabilities</b>						<b>Current liabilities</b>
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
<b>Total current liabilities</b>	<b>1,128,758</b>	<b>–</b>	<b>159,154</b>	<b>1,287,912</b>		<b>Total current liabilities</b>
<b>Non-current liabilities</b>						<b>Non-current liabilities</b>
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
<b>Total non-current liabilities</b>	<b>384,141</b>	<b>–</b>	<b>7,512</b>	<b>391,653</b>		<b>Total non-current liabilities</b>
<b>Total liabilities</b>	<b>1,512,900</b>	<b>–</b>	<b>166,666</b>	<b>1,679,566</b>		<b>Total liabilities</b>
<b>Net assets</b>						<b>Equity</b>
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
<b>Total net assets</b>	<b>3,714,683</b>	<b>–</b>	<b>47,555</b>	<b>3,762,239</b>		<b>Total equity</b>
<b>Total liabilities and net assets</b>	<b>5,227,584</b>	<b>–</b>	<b>214,221</b>	<b>5,441,805</b>		<b>Total liabilities and equity</b>

As of August 31,2023

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
<b>Assets</b>						<b>Assets</b>
<b>Current assets</b>						<b>Current assets</b>
Cash and deposits	4,232,043	–	–	4,232,043		Cash and cash equivalents
Accounts receivable - trade and contract assets	896,967	(39,677)	–	857,290		Trade and other receivables
Other	119,324	35,119	19,286	173,729		Other current assets
	–	4,558	6,005	10,563	A	Other financial assets
<b>Total current assets</b>	<b>5,248,336</b>	<b>–</b>	<b>25,291</b>	<b>5,273,627</b>		<b>Total current assets</b>
<b>Non-current assets</b>						<b>Non-current assets</b>
Property, plant and equipment	39,082	–	11,882	50,965	B	Property, plant and equipment
	–	–	59,382	59,382	A	Right-of-use assets
<b>Intangible assets</b>						
Goodwill	504,724	–	42,005	546,730	C	Goodwill
Other	–	–	–	–		Intangible assets
<b>Investments and other assets</b>						
Investment securities	3,000	156,041	108,165	267,207	A,B,D,E	Other financial assets
Deferred tax assets	72,427	–	(1,398)	71,029	F	Deferred tax assets
Other	227,082	(156,041)	59,553	130,593		Other non-current assets
<b>Total non-current assets</b>	<b>846,317</b>	<b>–</b>	<b>279,592</b>	<b>1,125,910</b>		<b>Total non-current assets</b>
<b>Total assets</b>	<b>6,094,653</b>	<b>–</b>	<b>304,884</b>	<b>6,399,537</b>		<b>Total assets</b>

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
<b>Liabilities</b>						
<b>Liabilities and equity</b>						
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable - trade	12,322	67,800	(14,780)	65,342		Trade and other payables
short-term borrowings	66,800	208,632	–	275,432		Bonds and borrowings
Current portion of bonds payable	23,000	(23,000)	–	–		
Current portion of long-term borrowings	185,632	(185,632)	–	–		
	–	–	58,131	58,131	A	Lease liabilities
Income taxes payable	280,377	–	(37,584)	242,793	F	Income taxes payable
Provision for bonuses	121,772	(121,772)	–	–		
	–	–	29,893	29,893	B	Provisions
Other	624,112	53,972	134,808	812,892	G	Other current liabilities
<b>Total current liabilities</b>	<b>1,314,017</b>	<b>–</b>	<b>170,468</b>	<b>1,484,485</b>		<b>Total current liabilities</b>
<b>Non-current liabilities</b>						
Bonds payable	16,000	588,095	–	604,095		Bonds and borrowings
Long-term borrowings	588,095	(588,095)	–	–		
	–	–	40,459	40,459	A	Lease liabilities
	–	–	427	427	E	Other financial liabilities
	–	–	11,896	11,896	B	Provisions
<b>Total non-current liabilities</b>	<b>604,095</b>	<b>–</b>	<b>52,783</b>	<b>656,878</b>		<b>Total non-current liabilities</b>
<b>Total liabilities</b>	<b>1,918,112</b>	<b>–</b>	<b>223,251</b>	<b>2,141,364</b>		<b>Total liabilities</b>
<b>Net assets</b>						
Share capital	599,702	–	–	599,702		Share capital
Capital surplus	555,123	–	–	555,123		Capital surplus
Retained earnings	3,015,658	–	50,212	3,065,870	H	Retained earnings
Treasury shares	(272)	–	–	(272)		Treasury shares
Share acquisition rights	6,328	(6,328)	–	–		
	–	6,328	31,420	37,749		Other components of equity
	–	–	–	4,258,173		Equity attributable to owners of parent
<b>Total net assets</b>	<b>4,176,540</b>	<b>–</b>	<b>81,632</b>	<b>4,258,173</b>		<b>Total equity</b>
<b>Total liabilities and net assets</b>	<b>6,094,653</b>	<b>–</b>	<b>304,884</b>	<b>6,399,537</b>		<b>Total liabilities and equity</b>

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
<b>Assets</b>						<b>Assets</b>
<b>Current assets</b>						<b>Current assets</b>
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
<b>Total current assets</b>	<b>5,336,920</b>	<b>–</b>	<b>18,560</b>	<b>5,355,481</b>		<b>Total current assets</b>
<b>Non-current assets</b>						<b>Non-current assets</b>
<b>Property, plant and equipment</b>						
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
<b>Intangible assets</b>						
Goodwill	471,792	–	74,938	546,730	C	Goodwill
Other	–	–	–	–		Intangible assets
<b>Investments and other assets</b>						
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
<b>Total non-current assets</b>	<b>922,791</b>	<b>–</b>	<b>660,856</b>	<b>1,583,647</b>		<b>Total non-current assets</b>
<b>Total assets</b>	<b>6,259,712</b>	<b>–</b>	<b>679,416</b>	<b>6,939,128</b>		<b>Total assets</b>

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
<b>Liabilities</b>						<b>Liabilities and equity</b>
<b>Current liabilities</b>						<b>Liabilities</b>
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
<b>Total current liabilities</b>	<b>1,476,347</b>	<b>-</b>	<b>253,176</b>	<b>1,729,523</b>		<b>Total current liabilities</b>
<b>Non-current liabilities</b>						<b>Non-current liabilities</b>
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
<b>Total non-current liabilities</b>	<b>585,519</b>	<b>-</b>	<b>372,680</b>	<b>958,199</b>		<b>Total non-current liabilities</b>
<b>Total liabilities</b>	<b>2,061,866</b>	<b>-</b>	<b>625,856</b>	<b>2,687,723</b>		<b>Total liabilities</b>
<b>Net assets</b>						<b>Equity</b>
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
<b>Total net assets</b>	<b>4,197,845</b>	<b>-</b>	<b>53,559</b>	<b>4,251,405</b>		<b>Total equity</b>
<b>Total liabilities and net assets</b>	<b>6,259,712</b>	<b>-</b>	<b>679,416</b>	<b>6,939,128</b>		<b>Total liabilities and equity</b>

② Reconciliation of comprehensive income

For the six months ended August 31, 2023 (March 1, 2023 – August 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	3,489,781	–	–	3,489,781		Revenue
Cost of sales	2,257,046	–	10,370	2,267,417	G	Cost of sales
Gross profit	1,232,734	–	(10,370)	1,222,364		Gross profit
Selling, general and administrative expenses	576,990	1,082	(24,927)	553,145	A,B,C,G	Selling, general and administrative expenses
	–	1,840	–	1,840		Other income
	–	5,387	(5,312)	74		Other expenses
Operating profit	655,744	(4,629)	19,870	670,984		Operating profit
Non-operating income	1,859	(1,859)	–	–		
Non-operating expenses	3,910	(3,910)	–	–		
Extraordinary income	36,264	(36,264)	–	–		
Extraordinary losses	5,312	(5,312)	–	–		
	–	36,283	(36,264)	19	D	Finance income
	–	3,836	1,173	5,010	A,D	Finance costs
Profit before income taxes	684,644	(1,082)	(17,567)	665,994		Profit before tax
Total income taxes	227,689	(1,082)	(51,644)	174,961	F	Income tax expense
Profit	456,955	–	34,077	491,032		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	456,955	–	34,077	491,032		Comprehensive income

For the three months ended August 31 , 2023 (June 1,2023 – August 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	1,813,778	–	–	1,813,778		Revenue
Cost of sales	1,154,504	–	5,381	1,159,886	G	Cost of sales
Gross profit	659,274	–	(5,381)	653,892		Gross profit
Selling, general and administrative expenses	269,607	541	(12,621)	257,527	A,B,C,G	Selling, general and administrative expenses
	–	–	–	–		Other income
	–	1,635	(1,561)	74	A	Other expenses
Operating profit	389,666	(2,176)	8,800	396,290		Operating profit
Non-operating income	19	(19)	–	–		
Non-operating expenses	1,988	(1,988)	–	–		
Extraordinary income	–	–	–	–		
Extraordinary losses	1,561	(1,561)	–	–		
	–	19	–	19	D	Finance income
	–	1,914	329	2,243	A,B	Finance costs
Profit before income taxes	386,136	(541)	8,470	394,066		Profit before tax
Total income taxes	127,359	(541)	(23,294)	103,524	F	Income tax expense
Profit	258,776	–	31,765	290,542		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	258,776	–	31,765	290,542		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.

	Date of transition (March 1, 2023)	For the six months ended August 31, 2023 (August 31, 2023)	(Thousands of yen) Previous fiscal year (February 29, 2024)
A. Leases	–	31	250
B. Property, plant and equipment	2,498	(663)	(242)
C. Goodwill	–	32,932	65,864
D. Equity instruments and debt instruments	94,468	69,308	50,380
E. Derivative	472	(296)	(46)
F. Reconciliation of tax effect	–	37,584	–
G. Employee benefit accruals	(81,304)	(88,683)	(110,726)
Total	16,134	50,212	5,479

#### 4) Reconciliation of cash flows

- For the six months ended August 31, 2023 and 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.