

June 11, 2021

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending October 31, 2021 (Japanese GAAP)

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 Scheduled date of dividend payment: –
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Six Months of the Fiscal Year Ending October 31, 2021 (November 1, 2020 to April 30, 2021)

(1) Consolidated business results (Percentages below represent increases (decreases) from the same period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
April 30, 2021	2,093	–	567	–	547	–	372	–
April 30, 2020	–	–	–	–	–	–	–	–

(Note) Comprehensive income First six months ended April 30, 2021: 372 million yen (–%)
 First six months ended April 30, 2020: – million yen (–%)

	Earnings per share		Diluted earnings per share	
Six months ended	Yen		Yen	
April 30, 2021	33.25		33.18	
April 30, 2020	–		–	

(Note) The Company prepares consolidated financial statements from the end of the fiscal year ended October 31, 2020, and therefore does not state year-on-year rates of change in the first six months of the fiscal year ending October 31, 2021 and values and year-on-year rates of change in the first six months of the fiscal year ended October 31, 2020.

(2) Financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of April 30, 2021	7,967		6,725		83.4	
As of October 31, 2020	7,522		6,266		83.3	

(Reference) Equity As of April 30, 2021: 6,640 million yen As of October 31, 2020: 6,266 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2020	–	0.00	–	0.00	0.00
Fiscal year ending October 31, 2021	–	0.00			
Fiscal year ending October 31, 2021 (Forecast)			–	0.00	0.00

(Note) Revisions to the forecasts of cash dividends most recently announced: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending October 31, 2021 (November 1, 2020 to October 31, 2021) (Percentages below represent increases (decreases) from the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Full Year	4,349	–	888	–	885	–	634	–	56.85	

(Notes) 1. Revisions to the forecast of results since most recent announcement: Yes
 For revisions to the forecast of consolidated results, please see Notice on Revisions to the Full-Year Business Results Forecasts released today (June 11, 2021).
 2. Given that the fiscal year ended October 31, 2020 is the first year of preparing consolidated financial results and that the deemed date of acquisition of consolidated subsidiaries is set at the end of the current fiscal year, only the balance sheets are consolidated in the fiscal year ended October 31, 2020. Therefore, the statement of year-on-year rates of change is omitted.

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in scope of consolidation): None
 Newly included: None Excluded: None

- (2) Application of particular accounting treatment concerning preparation of quarterly financial statements: Yes
 (Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (4) Notes to Quarterly Consolidated Financial Statements (Application of particular accounting treatments concerning preparation of quarterly consolidated financial statements)” on page 8 of the Supplementary Information.

- (3) Changes in accounting policies, accounting estimates and restatement
 (i) Changes in accounting policies associated with revision of accounting standards: None
 (ii) Changes in accounting policies other than (i): None
 (iii) Changes in accounting estimates: None
 (iv) Restatement: None

- (4) Number of shares outstanding (common stock)
 (i) Number of shares outstanding (including treasury stock)
 As of April 30, 2021: 11,195,600 shares
 As of October 31, 2020: 11,169,600 shares
 (ii) Number of treasury stock at the end of the period
 As of April 30, 2021: 169 shares
 As of October 31, 2020: 169 shares
 (iii) Average number of shares issued during the period
 Six months ended April 30, 2021: 11,194,631 shares
 Six months ended April 30, 2020: 10,725,200 shares

(Note) On January 12, 2020, the Company implemented a two-for-one common stock split. The number of shares outstanding at end of the period, the number of treasury shares at end of the period, and the average number of shares outstanding during the period were calculated assuming that the stock split was implemented at the beginning of the previous consolidated fiscal year.

* Quarterly financial results are outside the scope of the quarterly review by certified public accountants or audit corporations.

* Explanations and other special notes concerning the appropriate use of business results forecasts
 (Notes on forward-looking statements)

The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors. For assumptions underlying the forecasts and notes regarding the use of the forecasts, please refer to “1. Qualitative Information on Financial Results for the First Six Months Ended April 30, 2021 (3) Explanation Regarding Financial Results Forecasts and Other Forward-Looking Statements” on page 3 of the Supplementary Information.

(How to obtain supplementary documents for quarterly results and details of the results briefing)

The Company will hold an online results briefing for institutional investors and analysts on Friday, June 11, 2021 using its web meeting system. The Company will post the details of the results briefing on its website as soon as it has been held.

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1. Qualitative Information on Financial Results for the First Six Months Ended April 30, 2021

The forward-looking statements made below are forecasts determined by the Group at the end of the first three months under review. The Group prepares consolidated financial statements from the end of the previous fiscal year, and therefore does not conduct a comparative analysis with the same period of the previous fiscal year.

(1) Explanation Regarding Business Results

During the first six months under review, the conditions surrounding the Japanese economy continued to be severe, as Japan continued to be affected by restraints on economic activity and people's movement due to COVID-19.

However, in the consulting service market in which the Group operates, there was increasing need for consulting services supporting various aspects of corporate activities such as the restructuring of industries, the improvement of work efficiency, and the creation of new business models to enhance corporate value, as well as the utilization of digital technologies essential in the achievement of these objectives. Among these needs, the need for consulting continued to be high in areas surrounding the reduction of costs, given the increasing personnel expenses and uncertain economic conditions, etc.

In this business environment, the Group has continued to conduct business activities through negotiating and providing consulting services via the internet and promoting people's working from home and worked to conclude agreements by expanding its sales partners, strengthening relationships and increasing sales staff. In consulting services, the Group has expanded into additional business areas such as sales growth, consulting in the areas of the environment and risk management and the operation of funds, while continuing to promote a wide range of cost management spanning from BPO to BPR.

For the fiscal year ending October 31, 2021, sales in the first half were relatively small from the planning stage due to the impact of restrictions on sales activities during the state of emergency that began in April 2020, but the results forecasts for the current fiscal year are expected to be achieved due to an increase in sales in the second half. In this environment, operating results for the first six months under review recorded net sales of 2,093 million yen, operating profit of 567 million yen, ordinary profit of 547 million yen and profit attributable to owners of parent of 372 million yen. Segment information is not shown because the Group's operations are limited to the single segment of the consulting business.

(2) Explanation Regarding Financial Position

(i) Assets, liabilities and net assets

(Assets)

Net assets at the end of the first six months under review totaled 7,967 million yen, an increase of 444 million yen from the end of the previous fiscal year.

Current assets increased 305 million yen from the end of the previous fiscal year, to 6,979 million yen. This was mainly attributable to an increase of 282 million yen in cash and deposits.

Non-current assets increased 139 million yen from the end of the previous fiscal year, to 987 million yen. This was chiefly due to increases of 132 million yen in investment securities, 57 million yen in leasehold deposits and guarantee deposits and 37 million yen in accumulated depreciation of property, plant and equipment.

(Liabilities)

Liabilities at the end of the first six months under review totaled 1,241 million yen, a decrease of 14 million yen from the end of the previous fiscal year.

Current liabilities increased 30 million yen from the end of the previous fiscal year, to 943 million yen. This was mainly attributable to increases of 103 million yen in unearned revenue and 24 million yen in asset retirement obligations due to reclassification from non-current liabilities, offsetting decreases of 40 million yen in accrued expenses and 40 million yen in current portion of bonds payable.

Non-current liabilities declined 45 million yen from the end of the previous fiscal year, to 298 million yen. This was chiefly due to the posting of asset retirement obligations in current liabilities.

(Net assets)

Net assets at the end of the first six months under review totaled 6,725 million yen, an increase of 458 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 372 million yen in retained earnings due to the posting of profit attributable to owners of parent.

(ii) Cash flows

Cash and cash equivalents (net cash) during the six months ended April 30, 2021 increased by 282 million yen from the end of the previous fiscal year, to 6,234 million yen.

Cash flows and the factors contributing to them during the six months ended April 30, 2021 were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 471 million yen. This was mainly attributable to 547 million yen in profit before income taxes, a 103 million yen increase in unearned revenue, and 193 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was 223 million yen. This was mainly attributable to 154 million yen spent on the purchase of investment securities and 57 million yen spent on payments of leasehold deposits.

(Cash flows from financing activities)

Net cash provided by financing activities was 33 million yen. This was mainly attributable to proceeds from the issuing of shares to non-controlling shareholders of 84 million yen, the redemption of bonds of 40 million yen and repayments of long-term borrowings of 12 million yen.

(3) Explanation Regarding Financial Results Forecasts and Other Forward-Looking Statements

We have revised our forecast of the full-year results for the fiscal year ending October 31, 2021, reflecting the generation of development expenses for new products as a result of starting the development of a new platform. For details, please see the Notice Concerning Revisions to the Full-Year Results Forecast released today (June 11, 2021).

Results forecasts are prepared based on the information available to the Company at the present moment, and actual results may differ from forecasts due to various future factors.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousand yen)

	Previous fiscal year (As of October 31, 2020)	First six-month period (As of April 30, 2021)
Assets		
Current assets		
Cash and deposits	5,952,812	6,234,815
Accounts receivable - trade	629,078	631,776
Work in process	43,279	3,904
Supplies	386	341
Other	49,103	108,951
Total current assets	6,674,660	6,979,788
Non-current assets		
Property, plant and equipment	44,753	7,403
Intangible assets		
Goodwill	369,054	353,677
Software	47,767	42,354
Other	26	26
Total intangible assets	416,848	396,057
Investments and other assets	386,451	584,063
Total non-current assets	848,053	987,524
Total assets	7,522,713	7,967,312
Liabilities		
Current liabilities		
Accounts payable - trade	28,314	20,290
Current portion of bonds payable	80,000	40,000
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	25,200	18,900
Accounts payable - other	147,427	143,671
Accrued expenses	212,763	171,918
Income taxes payable	193,428	201,787
Provision for bonuses	10,368	9,953
Asset retirement obligations	—	24,000
Other	115,193	213,048
Total current liabilities	912,695	943,570
Non-current liabilities		
Bonds payable	240,000	240,000
Long-term borrowings	50,800	44,500
Retirement benefit liability	13,539	13,539
Asset retirement obligations	38,928	0
Total non-current liabilities	343,268	298,039
Total liabilities	1,255,963	1,241,609
Net assets		
Shareholders' equity		
Share capital	2,025,041	2,025,925
Capital surplus	2,015,041	2,015,925
Retained earnings	2,227,213	2,599,589
Treasury shares	(546)	(546)
Total shareholders' equity	6,266,750	6,640,893
Non-controlling interests	—	84,809
Total net assets	6,266,750	6,725,703
Total liabilities and net assets	7,522,713	7,967,312

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly consolidated statement of income)

(First six-month period)

	(Unit: Thousand yen)
	First six-month period (from November 1, 2020 to April 30, 2021)
Net sales	2,093,540
Cost of sales	790,226
Gross profit	1,303,313
Selling, general and administrative expenses	736,270
Operating profit	567,043
Non-operating income	
Interest income	54
Government subsidies received	2,000
Miscellaneous income	1,912
Total non-operating income	3,967
Non-operating expenses	
Interest expenses	799
Interest expenses on bonds	160
Loss on investments in investment partnerships	22,051
Miscellaneous losses	358
Total non-operating expenses	23,369
Ordinary profit	547,641
Extraordinary income	
Gain on sale of non-current assets	154
Total extraordinary income	154
Profit before income taxes	547,795
Income taxes	175,528
Profit	372,267
Loss attributable to non-controlling interests	(108)
Profit attributable to owners of parent	372,376

(Quarterly consolidated statement of comprehensive income)

(First six-month period)

(Unit: Thousand yen)

	First six-month period (from November 1, 2020 to April 30, 2021)
Profit	372,267
Comprehensive income	372,267
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	372,376
Comprehensive income attributable to non-controlling interests	(108)

(3) Quarterly consolidated statement of cash flows

(Unit: Thousand yen)

	First six-month period (from November 1, 2020 to April 30, 2021)
Cash flows from operating activities	
Profit before income taxes	547,795
Depreciation	31,834
Amortization of goodwill	15,377
Increase (decrease) in provision for bonuses	(415)
Interest income	(54)
Government subsidies received	(2,000)
Interest expenses	959
Loss (gain) on investments in investment partnerships	22,051
Loss (gain) on sale of property, plant and equipment	(154)
Decrease (increase) in trade receivables	(2,698)
Decrease (increase) in inventories	39,420
Decrease (increase) in prepaid expenses	(24,825)
Increase (decrease) in accounts payable - trade	(8,023)
Increase (decrease) in accounts payable - other	(3,755)
Increase (decrease) in accrued expenses	(40,845)
Increase (decrease) in accrued consumption taxes	(12,961)
Increase (decrease) in unearned revenue	103,241
Other, net	(1,065)
Subtotal	663,879
Interest received	54
Interest paid	(959)
Government subsidies received	2,000
Income taxes paid	(193,428)
Net cash provided by (used in) operating activities	471,547
Cash flows from investing activities	
Proceeds from sale of property, plant and equipment	154
Purchase of intangible assets	(4,000)
Purchase of investment securities	(154,373)
Payments of leasehold deposits	(57,803)
Other, net	(7,500)
Net cash provided by (used in) investing activities	(223,521)
Cash flows from financing activities	
Repayments of long-term borrowings	(12,600)
Redemption of bonds	(40,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,768
Proceeds from share issuance to non-controlling shareholders	84,809
Net cash provided by (used in) financing activities	33,977
Net increase (decrease) in cash and cash equivalents	282,002
Cash and cash equivalents at beginning of period	5,952,812
Cash and cash equivalents at end of period	6,234,815

(4) Notes to Quarterly Consolidated Financial Statements

(Note regarding going concern assumptions)

Not applicable.

(Notes in the case of significant changes in shareholders' equity)

Not applicable.

(Application of particular accounting treatments concerning preparation of quarterly consolidated financial statements)

The Company calculates tax expenses by rationally estimating the effective tax rate after applying tax effect accounting to profit before income taxes in the consolidated fiscal year that includes the six months under review and multiplying profit before income taxes by the estimated effective tax rate.

(Segment information, etc.)

Segment information

Segment information is not shown because the Group's operations are limited to the single segment of the consulting business.