

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2024 (Based on IFRS)

November 8, 2024

Company name: BUSINESS BRAIN SHOWA・OTA INC.
 Stock exchange listing: Tokyo
 Securities code: 9658 URL <https://www.bbs.co.jp>
 Representative: President Kazuhiro Komiya
 Senior Executive Officer
 Inquiries: General Manager Hitoshi Uehara TEL 03-3507-1302
 Administration Division
 Scheduled date to file Semi-annual Securities Report: November 14, 2024
 Scheduled date to commence dividend payments: November 29, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts are rounded off to the nearest million yen)

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Revenue		Business profit		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	18,064	6.3	1,175	(13.9)	1,176	(94.0)	1,390	(92.8)	1,003	(92.4)	992	(92.5)
Six months ended September 30, 2023	16,988	(3.6)	1,365	(10.8)	19,519	–	19,281	–	13,152	–	13,138	–

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2024	85.50		85.46	
Six months ended September 30, 2023	1,139.38		1,139.26	

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2024	44,404	30,138	29,691	66.9
As of March 31, 2024	44,804	29,398	28,962	64.6

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2024	–	36.00	–	39.00	75.00
Year ending March 31, 2025	–	37.00	–	–	–
Year ending March 31, 2025 (Forecast)	–	–	–	41.00	78.00

3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

Percentages indicate year-on-year changes

	Revenue		Business profit		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	39,070	14.2	2,400	(5.6)	2,400	(88.4)	2,800	(86.4)	2,370	(83.3)	2,340	(83.5)	202.56

4. Notes

(1) Significant changes in the scope of consolidation during the six months ended September 30, 2024: Yes

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

Changes in accounting policies required by IFRS: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

(3) Number of issued shares (ordinary shares)

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

As of September 30, 2024	12,725,000 shares	As of March 31, 2024	12,725,000 shares
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Number of treasury shares at end of period

As of September 30, 2024	1,104,073 shares	As of March 31, 2024	1,142,526 shares
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Average number of shares during period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	11,600,205 shares	Six months ended September 30, 2023	11,530,966 shares
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1. Overview of operating results

(1) Overview of operating results for the six months ended September 30, 2024

During the consolidated six months ended September 30, 2024, the Japanese economy showed signs of a gentle recovery centered on domestic demand, against the backdrop of improvements in the employment and income environment and growth in inbound consumption. On the other hand, the future outlook remains uncertain as a result of the situations in Ukraine and the Middle East becoming drawn out, China's slowing economy, and the economic impact of revisions to interest rate policies, particularly in Europe and the U.S.

Amid this economic environment, following on from the previous period, the orders received by the Group continued to be favorable.

As a result, orders received in the consolidated six months ended September 30 totaled 18,867 million yen (up 17.2% year-on-year), and backlog of orders was 12,228 million yen (up 10.3% year-on-year).

Revenue grew substantially compared to the previous year due to the impact of the management services (BPO) business' consolidation of Twinkle Co., Ltd. Nevertheless, despite the revenue growth arising from the consulting and system development business' consolidation of Fresco Inc., the impact of the deconsolidation of Global Security Experts Inc. resulted in revenue declining compared to the same period of the previous year, and consequently overall revenue rose by 6.3% compared to the same period of the previous year, to 18,064 million yen.

Where gross profit was concerned, despite the growth in revenue, costs for the period exceeded those for the same period of the previous year due to increases in personnel costs and other costs, and so gross profit remained mostly flat, increasing by 0.7% year-on-year.

Selling, general and administrative expenses likewise climbed by 7.6% year-on-year as a result of increases in personnel costs, recruitment costs and other costs.

As a result, for the consolidated six months ended September 30, BBS reported revenue of 18,064 million yen (up 6.3% year-on-year), business profit of 1,175 million yen (down 13.9% year-on-year), operating profit of 1,176 million yen (down 94.0% year-on-year), half-year profit before taxes of 1,390 million yen (down 92.8% year-on-year) and half-year profit attributable to owners of the parent of 992 million yen (down 92.5% year-on-year).

Incidentally, operating profit, half-year profit before taxes and half-year profit attributable to owners of the parent declined for the interim period in part due to factors such as the profit of 18,154 million yen posted in the previous year accompanying the loss of control of subsidiaries.

Operating results by segment are as follows.

The results for the consulting and system development business for the consolidated six months ended September 30 were revenue of 12,848 million yen (down 2.6% year-on-year) and segment profit of 913 million yen (down 13.9% year-on-year).

Revenue for the consolidated six months ended September 30 declined due to the information security consulting business becoming a company accounted for using the equity method as a result of the sale of some Global Security Experts Inc. shares, and increased due to the new consolidation arising from PLM support solutions business acquiring Fresco Inc.'s shares. Nevertheless, across the overall business, revenue for the interim period declined due to a downturn in accounting system consulting and system development, and system development for the financial industry.

In terms of segment profits, they declined compared to the same period of the previous year for all businesses within segment.

Incidentally, BBS Managed Service Inc., which was established in February 2024, began operations during the consolidated six months ended September 30. Its segment classification is the consulting and system development business.

The management services (BPO) business reported revenue of 5,383 million yen for the consolidated six months ended September 30 (up 34.9% year-on-year), and segment profits of 260 million yen (down 16.6% year-on-year).

Where segment profits were concerned, although the outsourcing business for foreign companies and onsite BPO business performed favorably, profits at other businesses declined and so segment profits for the management services (BPO) business as a whole declined.

(2) Overview of financial position for the six months ended September 30, 2024

Assets

Total consolidated assets at the end of the interim period were 44,404 million yen, down by 400 million yen from the end of the previous fiscal year.

Current assets totaled 17,831 million yen, a decrease of 182 million yen from the end of the previous fiscal year. The main factors were that although cash and cash equivalents grew by 1,233 million yen, contract assets grew by 115 million yen and inventories grew by 98 million yen, trade and other receivables declined by 890 million yen, and other financial assets declined by 801 million yen.

Non-current assets totaled 26,573 million yen, a decrease of 218 million yen compared to the end of the previous fiscal year. The main factors were that although investments accounted for using equity method increased by 129 million yen, right of use assets decreased by 286 million yen and deferred tax assets declined by 70 million yen.

Liabilities

Total consolidated liabilities at the end of the interim period were 14,266 million yen, a decrease of 1,140 million yen from the end of the previous fiscal year.

Current liabilities totaled 6,929 million yen, a decrease of 1,119 million yen from the end of the previous fiscal year. The main factors were an 854 million yen decrease in trade and other payables as a result of payment of liabilities, a decrease of 115 million yen in other current liabilities and a decrease of 219 million yen in income taxes payable.

Non-current liabilities totaled 7,337 million yen, a decrease of 20 million yen from the end of the previous fiscal year. The main factors were that although retirement benefit liabilities increased by 93 million yen, deferred tax liabilities increased by 81 million yen and provisions increased by 80 million yen, lease liabilities decreased by 272 million yen.

Capital

Total consolidated shareholders' equity at the end of the six months ended September 30 totaled 30,138 million yen, an increase of 739 million yen from the end of the previous fiscal year.

(3) Explanation of consolidated earnings forecasts and other forward-looking information

There are no changes to the full year earnings forecast announced in the "Notice of Revision of Earnings Forecast," dated August 13, 2024.

Condensed semi-annual consolidated financial statements
Condensed semi-annual consolidated statement of financial position

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and cash equivalents	9,906,142	11,139,043
Trade and other receivables	5,238,772	4,348,680
Contract assets	978,154	1,092,967
Other financial assets	1,108,665	307,415
Inventories	96,536	194,318
Other current assets	684,778	748,253
Total current assets	18,013,047	17,830,676
Non-current assets		
Property, plant and equipment	682,465	656,042
Right-of-use assets	2,716,010	2,429,732
Goodwill	2,063,630	2,063,630
Intangible assets	1,020,078	1,029,941
Investments accounted for using equity method	16,735,772	16,864,485
Other financial assets	2,840,260	2,808,787
Deferred tax assets	674,044	604,009
Retirement benefit asset	20,228	84,393
Other non-current assets	38,327	31,996
Total non-current assets	26,790,814	26,573,015
Total assets	44,803,861	44,403,691

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	15,034	4,538
Lease liabilities	747,149	732,759
Trade and other payables	2,620,548	1,766,488
Other financial liabilities	228,185	225,265
Income taxes payable	575,443	356,475
Provisions	43,389	10,497
Contract liabilities	310,020	439,682
Other current liabilities	3,508,564	3,393,155
Total current liabilities	8,048,332	6,928,859
Non-current liabilities		
Lease liabilities	2,009,277	1,737,735
Other financial liabilities	66,726	39,765
Retirement benefit liability	319,532	412,539
Provisions	307,792	387,592
Non-Current liability for stock benefit	209,881	218,155
Deferred tax liabilities	4,133,174	4,214,421
Other non-current liabilities	310,856	326,881
Total non-current liabilities	7,357,238	7,337,088
Total liabilities	15,405,570	14,265,947
Equity		
Share capital	2,233,490	2,233,490
Capital surplus	4,480,606	4,492,698
Retained earnings	23,049,377	23,593,725
Treasury shares	(1,082,122)	(1,045,761)
Other components of equity	280,320	416,997
Total equity attributable to owners of parent	28,961,671	29,691,149
Non-controlling interests	436,619	446,595
Total equity	29,398,291	30,137,744
Total liabilities and equity	44,803,861	44,403,691

Condensed semi-annual consolidated statements of income and condensed semi-annual consolidated statements of comprehensive income

Condensed semi-annual consolidated statements of income

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Revenue	16,987,700	18,063,713
Cost of sales	12,986,739	14,032,839
Gross profit	4,000,961	4,030,874
Selling, general and administrative expenses	2,650,543	2,851,886
Gain on loss of control of subsidiaries	18,154,037	–
Other income	20,685	15,564
Other expenses	6,220	18,851
Operating profit	19,518,920	1,175,701
Finance income	25,871	76,679
Finance costs	16,420	7,870
Share of profit (loss) of investments accounted for using equity method	166,803	185,478
Loss on change in equity	414,292	40,349
Profit before tax	19,280,882	1,389,639
Income tax expense	6,128,832	386,421
Profit	13,152,050	1,003,218
Profit attributable to		
Owners of parent	13,138,179	991,859
Non-controlling interests	13,871	11,359
Profit	13,152,050	1,003,218
Earnings per share		
Basic earnings per share	1,139.38	85.50
Diluted earnings per share	1,139.26	85.46

Condensed semi-annual consolidated statements of comprehensive income

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	13,152,050	1,003,218
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	63,908	95,752
Share of other comprehensive income of investments accounted for using equity method	7,064	43,123
Total of items that will not be reclassified to profit or loss	70,972	138,875
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,929	(370)
Total of items that may be reclassified to profit or loss	1,929	(370)
Other comprehensive income, net of tax	72,901	138,505
Comprehensive income	13,224,951	1,141,723
Comprehensive income attributable to		
Owners of parent	13,211,363	1,128,537
Non-controlling interests	13,588	13,186
Comprehensive income	13,224,951	1,141,723

Condensed semi-annual consolidated statement of changes in equity

Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(Thousands of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance at April 1, 2023	2,233,490	4,235,878	9,489,583	(1,159,720)	7,120	152,101
Profit			13,138,179			
Other comprehensive income					2,135	63,985
Comprehensive income	–	–	13,138,179	–	2,135	63,985
Purchase of treasury shares				(92)		
Dividends			(299,005)			
Share-based payment transactions		26,184		57,713		
Changes in ownership interest in subsidiaries		(959)				
Loss of control of subsidiaries			20,317			(20,317)
Other		11	(718)			
Total transactions with owners	–	25,236	(279,406)	57,621	–	(20,317)
Balance at September 30, 2023	2,233,490	4,261,114	22,348,356	(1,102,099)	9,255	195,768

	Equity attributable to owners of parent			Non-controlling interests	Total
	Other components of equity		Total		
	Share of other comprehensive income of investments accounted for using equity method	Total			
Balance at April 1, 2023	–	159,220	14,958,451	1,237,275	16,195,726
Profit		–	13,138,179	13,871	13,152,050
Other comprehensive income	7,064	73,184	73,184	(283)	72,901
Comprehensive income	7,064	73,184	13,211,363	13,588	13,224,951
Purchase of treasury shares		–	(92)		(92)
Dividends		–	(299,005)	(10,350)	(309,355)
Share-based payment transactions		–	83,897	3,385	87,282
Changes in ownership interest in subsidiaries		–	(959)	3,320	2,361
Loss of control of subsidiaries		(20,317)	–	(912,338)	(912,338)
Other		–	(707)	369	(338)
Total transactions with owners	–	(20,317)	(216,866)	(915,614)	(1,132,480)
Balance at September 30, 2023	7,064	212,087	27,952,948	335,249	28,288,197

Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(Thousands of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance at April 1, 2024	2,233,490	4,480,606	23,049,377	(1,082,122)	10,208	279,523
Profit			991,859			
Other comprehensive income					(1,326)	94,881
Comprehensive income	–	–	991,859	–	(1,326)	94,881
Purchase of treasury shares				(106)		
Disposal of treasury shares				21,787		
Dividends			(451,716)			
Share-based payment transactions		14,219		14,680		
Changes in ownership interest in subsidiaries		(2,127)				
Other			4,205			
Total transactions with owners	–	12,092	(447,511)	36,361	–	–
Balance at September 30, 2024	2,233,490	4,492,698	23,593,725	(1,045,761)	8,881	374,403

	Equity attributable to owners of parent			Non-controlling interests	Total
	Other components of equity		Total		
	Share of other comprehensive income of investments accounted for using equity method	Total			
Balance at April 1, 2024	(9,409)	280,320	28,961,671	436,619	29,398,291
Profit			991,859	11,359	1,003,218
Other comprehensive income	43,123	136,678	136,678	1,827	138,505
Comprehensive income	43,123	136,678	1,128,537	13,186	1,141,723
Purchase of treasury shares			(106)		(106)
Disposal of treasury shares			21,787		21,787
Dividends			(451,716)	(9,337)	(461,053)
Share-based payment transactions			28,899	(159)	28,740
Changes in ownership interest in subsidiaries			(2,127)	7,127	5,000
Other			4,205	(841)	3,362
Total transactions with owners	–	–	(399,059)	(3,210)	(402,270)
Balance at September 30, 2024	33,713	416,997	29,691,149	446,595	30,137,744