



Business Brain Showa-Ota Inc.

**Supplementary Materials for the Consolidated Financial
Results for the Three Months Ended June 30, 2024**



Highlights for the first three months of FY2024

Revenue, business profit and profit

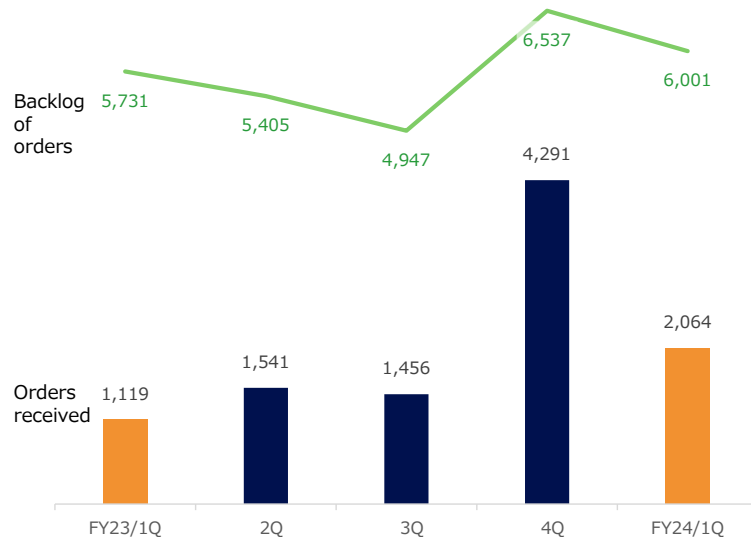
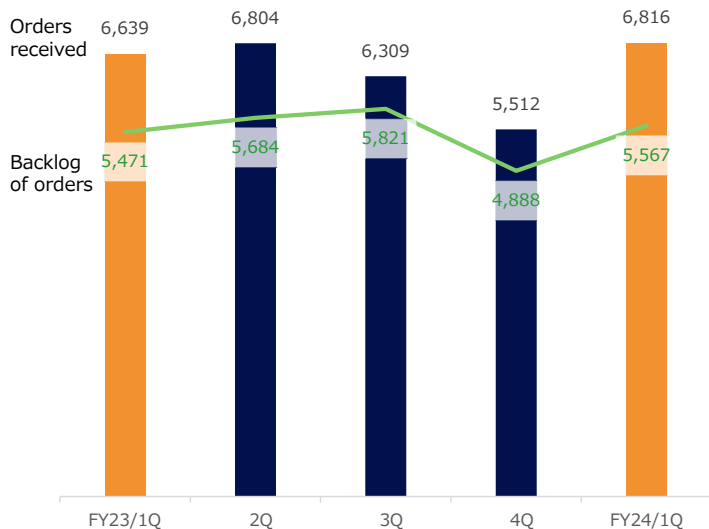
Revenue	Business profit	Profit attributable to owners of parent
8,737 million yen	327 million yen	198 million yen
Year-on-year 2.4% ↑	Year-on-year 39.7% ↓	Year-on-year 98.4% ↓
Progression rate 22.4%	Progression rate 13.6%	Progression rate 8.5%

Orders received and backlog of orders: quarterly change (accounting period)

Order receipt activities were mostly strong for these first three months

Consulting and system development (unit: million yen)

Management services (BPO) (unit: million yen)



Orders received and backlog of orders

Overview of the situation for each business

Consulting and system development business (a 177 million yen increase, +2.7%, compared to the same quarter in the previous year)

- In the previous quarter (the fourth quarter of the fiscal year ended March 31, 2024) this business struggled, but in the current quarter it made a strong start overall (a 23.6% increase compared to the previous quarter)
- The increase compared to the first quarter of the previous year is the approximately 200 million yen of new orders received from Fresco, Inc., while the existing orders are at about the same level as the previous year

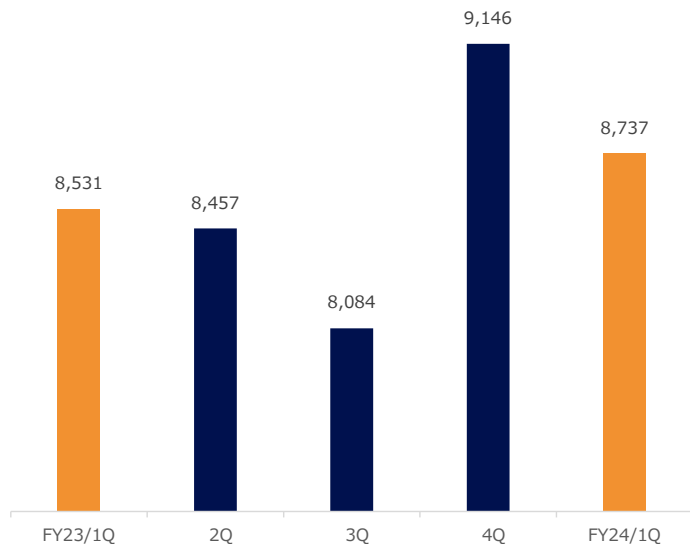
Management services (BPO) business (a 945 million yen increase, +84.5%, compared to the same quarter in the previous year)

- The gaining of large orders for seven-year contracts worth 400 million yen contributed in the HR and payroll related BPO
- The increase in new orders received from Twinkle Co., Ltd. was approximately 600 million yen

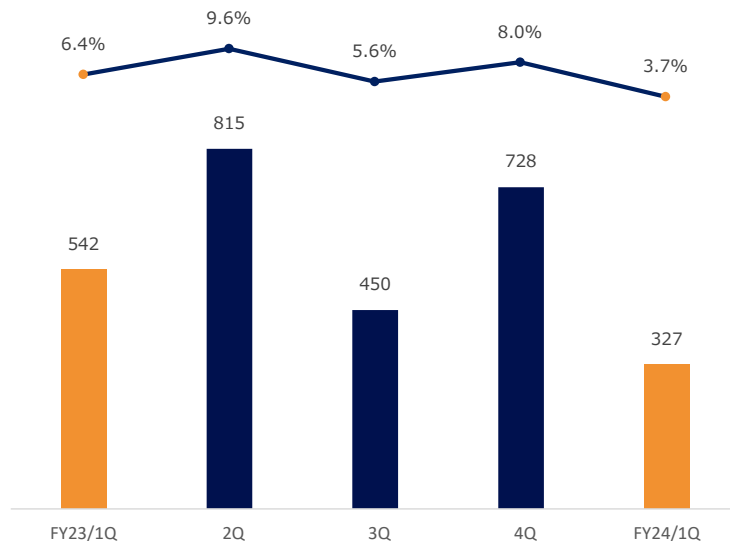
Revenue and business profit: quarterly change (accounting period)

Although sales increased due to the acquisition effect, business profit decreased due to an increase in personnel costs, and other factors

Revenue (unit: million yen)



Business profit (unit: million yen)



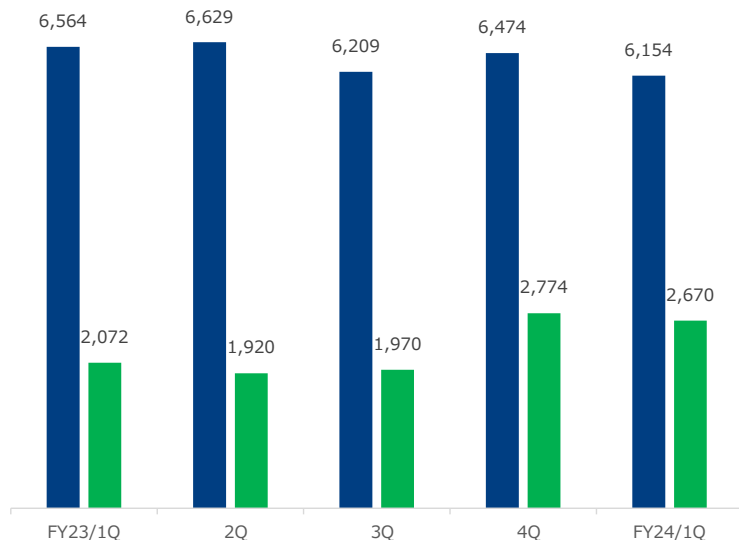
Segment net sales and profit: quarterly change (accounting period)

Compared to the same quarter in the previous year:

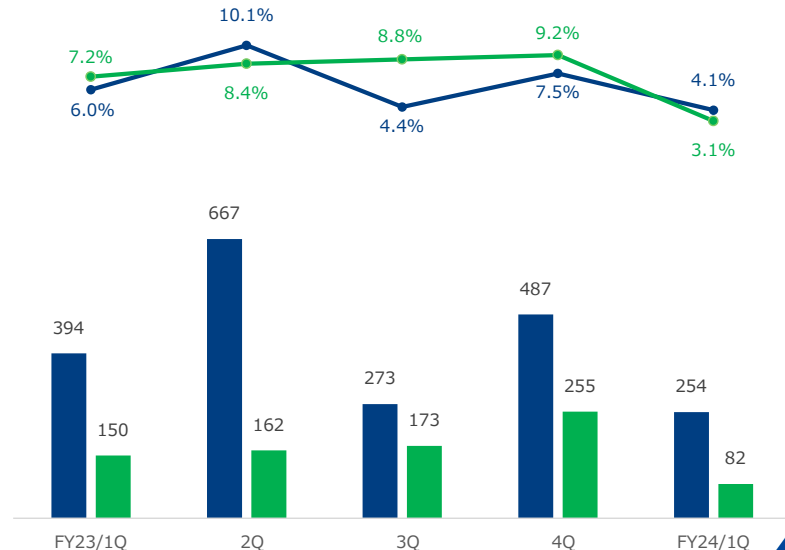
Sales: The increase due to Twinkle in the BPO segment covered the decrease in consulting and system development caused by a decrease in sales from the deconsolidation of GSX

Profit: Profit decreased in both segments due to the increase in personnel costs, and other factors

Segment net sales (unit: million yen)



Segment profit (unit: million yen)



- Consulting and system development business
- Management services (BPO) business

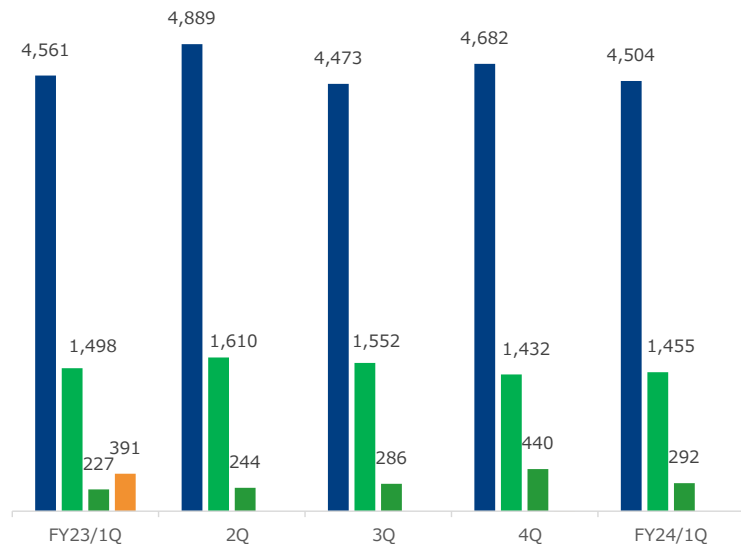
Consulting and system development business: quarterly change (accounting period)

Compared to the same quarter in the previous year:

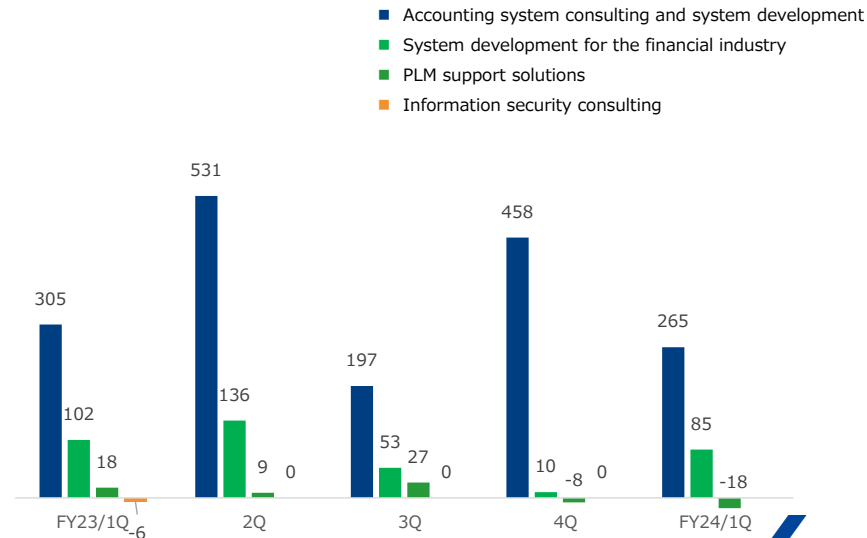
Sales: In the current 1Q we could not recover from the slowdown in orders received in the previous 4Q, so sales declined in each of the segments

Profit: Profit in each of the segments decreased due to the decline in the operation ratio caused by falling sales, and in addition due to the increase in personnel costs, among other factors

Segment net sales (unit: million yen)



Segment profit (unit: million yen)



Consulting and system development business: overview

<ul style="list-style-type: none">■ Accounting system consulting and system development	<ul style="list-style-type: none">• Sales have decreased due to a lack of orders received in the Western Japan region and the allocation of man-hours to research and development, including the development of the next system platform. In addition to the decline in operation, profit margins have also decreased, partly due to sales that take time to reflect increases in personnel costs in prices, such as maintenance contracts.• In the current quarter, orders received were strong primarily in Eastern Japan, but it is expected that many projects will be contributing to sales from the second half onward and that the cumulative total in the first half will be lower than the budget.
<ul style="list-style-type: none">■ System development for the financial industry	<ul style="list-style-type: none">• Both sales and profit were in a declining trend due to a temporary decrease in demand caused by regulatory revisions in the previous fiscal year and due to highly profitable fund wrap sales coming to an end.• This business is developing measures for the next stage of growth, such as enhancing the functions of fund wraps and developing clients other than securities companies.
<ul style="list-style-type: none">■ PLM support solutions	<ul style="list-style-type: none">• The deficit expanded due to continuing efforts to deal with unsuccessful projects from the previous fiscal year and the fact that Fresco, which was acquired in the previous fiscal year, has a structure which produces better results in the second half of the year.• Since the efforts to deal with unsuccessful projects were largely completed in the current quarter, the plan is to move toward recovery from the second quarter onward. Regarding Fresco, orders received are strong and there are no concerns.

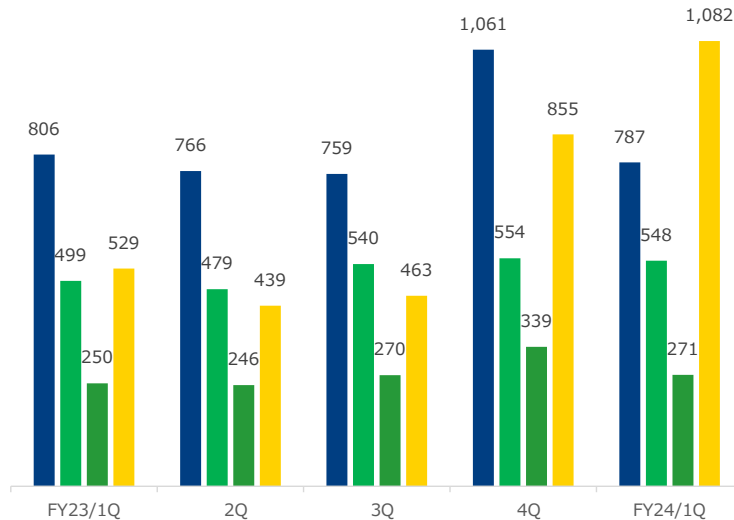
Management services (BPO) business: quarterly change (accounting period)

Compared to the same quarter in the previous year:

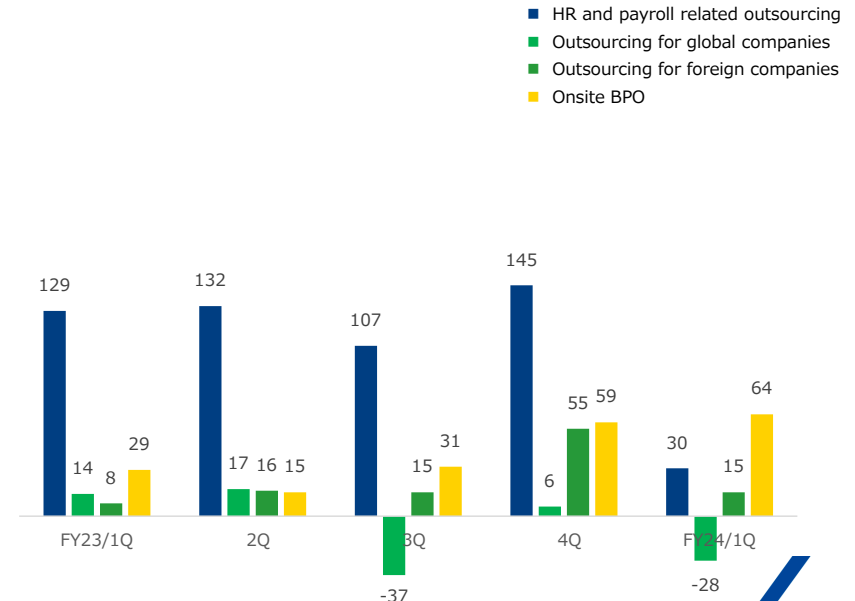
Sales: Sales trended strongly except for HR and payroll related sales, and onsite BPO sales increased due to the acquisition of Twinkle

Profit: HR and payroll related profit greatly decreased, partly due to temporary factors, and outsourcing for global companies recorded negative profit due to the increase in the investment burden

Segment net sales (unit: million yen)



Segment profit (unit: million yen)



Management services (BPO) business: overview

■ HR and payroll related outsourcing

- Regarding the current quarter, sales and profit decreased due to sluggish sales from implementation consulting and system development for new projects. In particular, the contribution of new projects to profit was large in 1Q in the previous fiscal year, so there was a relatively large decrease in profit in the current quarter.
- The factors behind the decrease in profits include an increase in expenses of approximately 50 million yen due to our revision of the share of the burden of internal expenses in conjunction with our restructuring, a decrease in profits of approximately 30 million yen due to the aforementioned decrease in new projects and other factors, and an increase in expenses including other personnel costs, etc. of approximately 20 million yen. In outsourcing there are many annual contracts, so the cost rises will be reflected when the contracts are revised going forward.

■ Outsourcing for global companies

- The deficit is expanding due to unachieved sales and personnel cost increases in financial settlement BPO.
- We are moving toward profitability by improving our cost structure through continuation of automation research, streamlining of projects, and switching to in-house manufacturing. For example, we have opened the Sapporo BPO Center.

■ Outsourcing for foreign companies

- There were no large changes to the environment. This segment trended strongly.

■ Onsite BPO

- The increase due to Twinkle was approximately 680 million yen in sales and approximately 50 million yen in profit.

(Reference) Revenue and business profit by sub-segment

(Unit: million yen)	Cumulative total for the three months ended June 30, 2024	
	Revenue	Business profit
Consulting and system development business		
Accounting system consulting and system development	4,504	265
System development for the financial industry	1,455	85
PLM support solutions	292	-18
Adjustment	-97	-78
Segment total	6,154	254
Management services (BPO) business		
HR and payroll related outsourcing	787	30
Outsourcing for global companies	548	-28
Outsourcing for foreign companies	271	15
Onsite BPO	1,082	64
Adjustment	-18	0
Segment total	2,670	82
Total	8,824	336
Adjustment amount	-87	-9
Consolidated	8,737	327

About the revision of the forecast of financial results

Announced August 13, 2024

(Unit: million yen)

		Revenue	Business profit	Operating profit	Profit before tax	Current term (interim) profit	Current (interim) profit attributable to owners of parent
Full year	Previously announced forecast (A)	40,000	2,790	2,790	3,210	2,660	2,630
	New revised forecast (B)	39,070	2,400	2,400	2,800	2,370	2,340
	Change amount (B-A)	(930)	(390)	(390)	(410)	(290)	(290)
	Change percentage (%)	(2.3)	(14.0)	(14.0)	(12.8)	(10.9)	(11.0)
Interim	Previously announced forecast (A)	19,030	1,340	1,340	1,540	1,480	1,470
	New revised forecast (B)	18,100	940	940	1,120	830	820
	Change amount (B-A)	(930)	(400)	(400)	(420)	(650)	(650)
	Change percentage (%)	(4.9)	(29.9)	(29.9)	(27.3)	(43.9)	(44.2)

About the revision of the forecast of financial results

The reasons for the revision

(About the decrease in revenue and business profit)

- In the second cumulative quarterly accounting period, the subsidiary we acquired in the previous fiscal year will contribute to the financial results, but due to the impact of the lack of orders received and the increase in expenses such as personnel costs, etc. in the fourth quarter in the previous fiscal year, both revenue and business profit are expected to be below the initial forecast.
- Regarding the second half of the year, we are expecting to be able to achieve financial results in line with the initial forecast because the orders received were strong in the first three months under review and we believe that the increase in expenses will be reflected more in selling prices, etc.
- Therefore, in the full year forecast of financial results, we expect that the shortfalls from the second cumulative quarterly accounting period will largely remain, but there will be no expansion of the shortfalls.

(About the profit in the second cumulative quarterly accounting period)

- Regarding profit in the second cumulative quarterly accounting period, in the initial forecast we expected to record the full amount of deferred tax assets corresponding to the retained loss held by the subsidiary that was absorbed and merged at the beginning of the fiscal year, but in IFRS the method of recognizing deferred tax assets throughout the year is a more desirable method, so we have used the latter method for recording them in the first three months under review, and we expect to use a similar method for profit in the second cumulative quarterly accounting period. As a result, profit in the second cumulative quarterly accounting period has greatly decreased compared to the initial forecast, but over the full year the impact of this change to the accounting treatment will be eliminated.

About BBS

Since its founding in 1967, BBS has been working closely with Japanese companies to support the management and accounting of our customers.

BBS provides consulting, system integration, and management services (business process outsourcing) with regards to management accounting, and has stipulated that the BBS cycle is the foundation of these three services. The BBS cycle enables effective and continuous support in a variety of stages from the strategies and plan formulation of our customers to operation and consolidation.

As experts in management accounting transcending the accounting field, we are a Back Office Comprehensive Supporter providing support to our customers.

Together for Value



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