

Summary of Business Results for the Second Quarter Ended September 30, 2020 [Japan GAAP] (Consolidated)

November 12, 2020

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 Expected date of filing of quarterly report: November 13, 2020 Expected starting date of dividend payment: -
 Preparation of quarterly supplementary financial document: None
 Quarterly results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the six months ended September 2020 (April 1, 2020 through September 30, 2020)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sept. 2020	4,989	111.0	376	61.6	549	86.4	316	45.2
Six months ended Sept. 2019	2,365	-1.0	232	-16.3	294	-19.3	217	-17.3

(Note) Comprehensive income:

Year ended September 2020: 321 million yen (47.5%)

Year ended September 2019: 217 million yen (-17.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sept. 2020	66.22	55.04
Six months ended Sept. 2019	45.60	37.89

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sept. 2020	7,516	1,929	25.7
As of Mar. 2020	7,375	1,746	23.7

(Reference) Shareholders' equity:

As of September 2020: 1,929 million yen

As of March 2020: 1,746 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 2020	-	0.00	-	29.00	29.00
Year ending Mar. 2021	-	0.00	-	-	-
Year ending Mar. 2021 (forecast)	-	-	-	29.00	29.00

(Note) Revisions to dividend forecast for the current quarter: None

3. Forecast of consolidated business results for the fiscal year ending March 2021

(April 1, 2020 through March 31, 2021) (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ending Mar. 2021	9,645	98.7	398	-16.6	459	-12.7	230	-37.4

(Note) Revisions to business forecast for the current quarter: None

***Notes**

- (1) Application of accounting procedures specific to preparation of the quarterly financial statements: None
- (2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatement
- | | |
|--|--------|
| ① Changes in accounting policies associated with revision of accounting standards: | : None |
| ② Changes in accounting policies other than ① | : None |
| ③ Changes in accounting estimates | : None |
| ④ Restatement | : None |

(4) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of September 2020	5,161,298 shares
As of March 2020	5,161,298 shares

② Treasury stock at the end of period

As of September 2020	387,634 shares
As of March 2020	387,579 shares

③ Average number of stock during period (quarterly cumulative period)

Six months ended September 2020	4,773,690 shares
Six months ended September 2019	4,773,973 shares

***Quarterly financial summary is not subject to the quarterly review procedures by certified public accountants or auditing firms.**

***Explanation regarding appropriate use of business forecasts and other special instructions**

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. The Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

For the six months ended September 30, 2020, net sales were 4,989,856 thousand yen (up 111.0% YoY), operating income of 376,067 thousand yen (up 61.6% YoY), ordinary income of 549,640 thousand yen (up 86.4% YoY), and net income attributable to owners of parent of 316,133 thousand yen (up 45.2% YoY). The reason for the more than double-fold increase in net sales is due in part to the contribution from M&A, but it is also important factor that existing businesses themselves are growing at double-digit rates. As a result, operating income rose by 61.6%. Profits also increased due to M&A, absorbing amortization of goodwill. Meanwhile, net sales reached 51.7% of the full-year target, almost in line with the plan, and operating income has already reached 94.3%.

The domestic B2C-EC market, which we are targeting, continues to grow at a high rate, but the e-commerce ratio is still low. In addition, client companies are expected to continue to promote digital transformation (DX) in response to structural population decline and deflation. We expect this market to continue to grow over the medium to long term. In particular, building and strengthening own e-commerce site (as opposed to low-cost, high-volume) is at the center of DX transformation, and the growth of our group, which focuses on this support business area, is based on our ability to accurately grasp these market needs.

In addition, during the fiscal year under review, we were able to capture the extraordinary changes in social needs stemming from the COVID-19 crisis, and the impact of these changes had a positive effect on the whole. By sector, the negative impact on the performance of client companies contributed to a slight headwind in the Promotions Business. However, in the Systems Business and Payments Business, the Company is fully covering this by capturing corporate DX investment and rising consumer spending.

The following are the results of the three major sectors.

<Systems Business Sector>

Sales in the Systems Business doubled to 1,889,415 thousand yen (up 101.5% YoY). Although there is a contribution from M&A, existing businesses are also steadily growing by accurately grasping the increasing DX investment demand by customers.

The Systems Business covers SaaS type EC systems (service name: shopsserve) and PaaS type EC systems (service name: Sell Side Solution). In addition to helping customers build their e-commerce businesses initially, their ongoing use, maintenance, and additional development will make this a highly stocked sector, which is expected to grow with the growth of the e-commerce market, but before that the business is a stable revenue base.

In addition, from this period, the settlement agency service has been carved out of the system business and recorded as the settlement business.

<Settlement Business Sector>

Sales in the Settlement Business were 1,169,989 thousand yen (up 38.4% YoY). This is the result of our ability to accurately grasp the increasing stay-at-home demand and to significantly increase sales at client companies.

The profit structure of the Settlement Business is linked to the EC sales of client companies, and the structure is that growth is accompanied linearly by growth in the EC market.

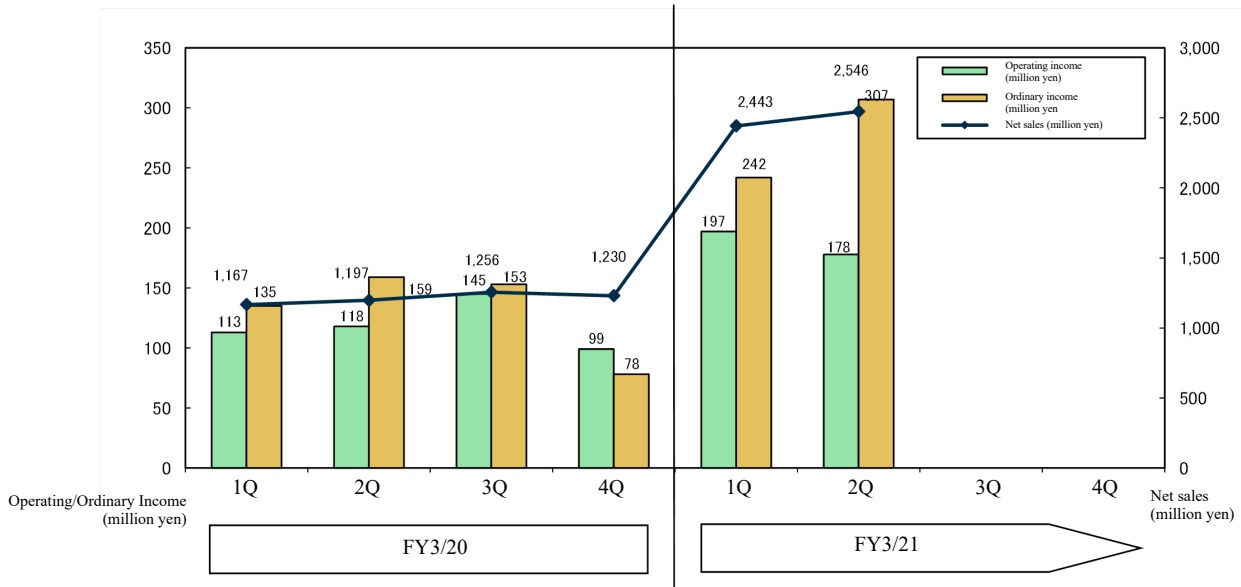
<Promotions Business Sector>

Sales in the Promotions Business more than tripled to 1,914,507 thousand yen (up 228.6% YoY). Contributions from M&A amid the headwinds caused by COVID-19 have generally been favorable, albeit slightly weaker, compared to the plan.

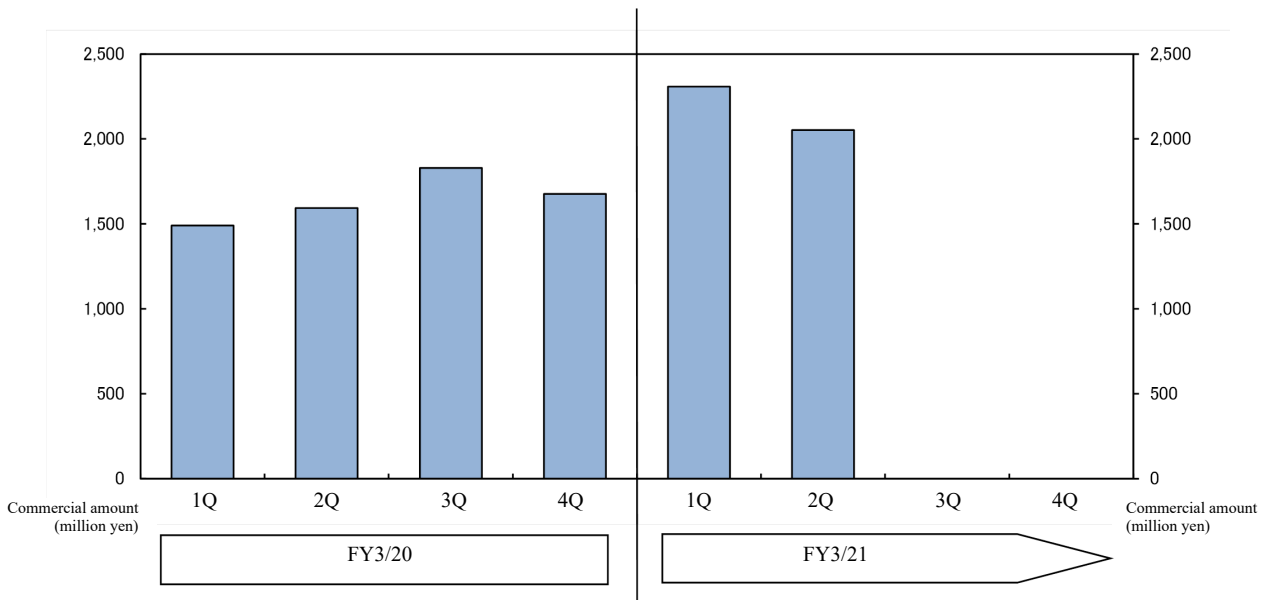
The Promotions Business supports the attraction of customers and the production of websites, and this business itself is a highly recurring business. In addition, this business directly leads to an increase in e-commerce sales by client companies, which will also contribute to earnings in the Settlement Business.

Looking ahead to the third and fourth quarters, client companies' DX investment appears to be rising further, and we expect that the stay-at-home trend has established EC consumption habits, which will continue to provide a tailwind.

(Quarterly Sales and Profits)



(Amount of commercial distribution per store)



(2) Financial Position

① Assets, Liabilities and Net Assets

Total assets at the end of the second quarter amounted to 7,516,717 thousand yen.

The financial position at the end of the second quarter of the current fiscal year is as follows.

Assets

Total assets at the end of the second quarter amounted to 7,516,717 thousand yen, an increase of 140,888 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 76,464 thousand yen in cash and deposits and an increase of 103,720 thousand yen in shares of subsidiaries and affiliates.

Liabilities

The balance of liabilities at the end of the second quarter of the current fiscal year decreased by 41,989 thousand yen from the end of the previous fiscal year to 5,587,228 thousand yen. This was mainly due to an increase in deposits received of 152,673 thousand yen and a decrease in accounts payable-trade of 183,139 thousand yen.

Net assets

The balance of net assets at the end of the second quarter increased by 182,878 thousand yen from the end of the previous fiscal year to 1,929,488 thousand yen. This was due to the recording of 316,133 thousand yen as net income attributable to owners of parent, despite the payment of 138,437 thousand yen in dividends for the fiscal year ended March 2020. As a result, the equity ratio was 25.7% (up 2.0 percentage points from the end of the previous fiscal year).

② Cash Flows

The balance of cash and cash equivalents (hereinafter referred to as "cash") at the end of the second quarter increased by 75,565 thousand yen from the end of the previous fiscal year to 3,364,314 thousand yen (up 2.3% from the end of the previous fiscal year).

Cash flows for the second quarter of the current fiscal year were as follows:

Cash flows from operating activities

Net cash provided by operating activities was 342,623 thousand yen (92,792 thousand yen of increase in the same period of the previous fiscal year). The major factors behind the increase were income before income taxes and minority interests of 419,017 thousand yen and an increase in deposits received of 152,673 thousand yen.

Cash flows from investing activities

Net cash used in investing activities was 29,779 thousand yen (23,218 thousand yen of increase in the same period of the previous fiscal year). The major factor behind the increase was proceeds from collection of lease deposits of 56,969 thousand yen, and the major factor behind the decrease was payment of 97,984 thousand yen for lease deposits.

Cash flows from financing activities

Net cash used in financing activities was 237,051 thousand yen (138,073 thousand yen of decrease in the same period of the previous fiscal year). The major factors behind the decrease were dividends paid of 138,320 thousand yen and repayments of current portion of long-term debt of 65,004 thousand yen.

(3) Consolidated Earnings Forecasts and Other Forward-Looking Information

We made no changes to the forecasts for the fiscal year ending March 2021 announced in "Notice of Revisions to Consolidated Earnings Forecast Due to Changes in Accounting Practices, etc." on August 12, 2020.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(Thousand yen)

	Previous fiscal year (March 31, 2020)	Current Second Quarter (September 30, 2020)
Assets		
Current assets		
Cash and deposits	3,288,953	3,365,417
Accounts receivable	1,287,962	1,159,375
Work in process	110,256	100,042
Supplies	15,706	15,992
Crypto assets	11,015	18,778
Other	257,506	372,320
Allowance for doubtful accounts	-1,175	-1,135
Total current assets	4,970,225	5,030,791
Noncurrent assets		
Property, plant and equipment		
Tools, furniture, and fixtures, net	106,552	105,660
Other, net	156,123	156,798
Total property, plant and equipment	262,675	262,459
Intangible assets		
Goodwill	609,793	581,398
Customer-related assets	557,000	529,150
Other	130,903	124,229
Total intangible assets	1,297,697	1,234,777
Investments and other assets		
Investment securities	198,690	200,608
Gain on sales of stock of affiliates	202,363	306,083
Lease deposits	374,615	415,630
Other	85,079	81,884
Allowance for doubtful accounts	-15,518	-15,518
Total investments and other assets	845,230	988,689
Total noncurrent assets	2,405,603	2,485,926
Total assets	7,375,828	7,516,717

(Thousand yen)

	Previous fiscal year (March 31, 2020)	Current Second Quarter (September 30, 2020)
Liabilities		
Current liabilities		
Accounts payable	1,016,490	833,351
Current portion of long-term loans payable	130,008	130,008
Accounts payable	110,775	136,640
Income taxes payable	148,013	164,012
Deposits received	1,855,400	2,008,073
Asset retirement obligations	-	79,890
Other	277,641	253,917
Total current liabilities	3,538,329	3,605,894
Long-term liabilities		
Bond with stock acquisition right	999,600	999,600
Asset retirement obligations	57,284	56,816
Long-term loan payable	862,848	797,844
Other	171,156	127,073
Total long-term liabilities	2,090,888	1,981,334
Total liabilities	5,629,218	5,587,228
Net assets		
Shareholders' equity		
Capital stock	523,328	523,328
Retained earnings	1,548,009	1,725,705
Treasury stock	-324,444	-324,519
Total shareholders' equity	1,746,893	1,924,514
Other accumulated comprehensive income		
Valuation difference on securities	-283	4,974
Total other accumulated comprehensive income	-283	4,974
Total net assets	1,746,610	1,929,488
Total liabilities and net assets	7,375,828	7,516,717

(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income
Quarterly Consolidated Statement of Income
Second Quarter

(Thousand yen)

	Previous Second Quarter (April 1, 2019 to September 30, 2019)	Current Second Quarter (April 1, 2020 to September 30, 2020)
Net sales	2,365,255	4,989,856
Cost of sales	1,625,376	3,826,103
Gross profit	739,879	1,163,753
Selling, general and administrative expenses	507,235	787,685
Operating income	232,643	376,067
Non-operating income		
Interest income	3	5
Gain on sale of investment securities	-	62,723
Equity in income of affiliates	54,793	108,924
Valuation gain of crypto asset	7,190	7,783
Miscellaneous income	534	1,245
Total non-operating income	62,520	180,682
Non-operating expenses		
Interest expenses	-	3,709
Loss on cancellation of leases	-	3,069
Foreign exchange loss	146	228
Miscellaneous expenses	113	102
Total non-operating expenses	260	7,109
Ordinary income	294,904	549,640
Extraordinary loss		
Impairment loss	-	130,622
Total extraordinary loss	-	130,622
Income before income taxes	294,904	419,017
Income taxes	78,282	147,853
Income taxes-deferred	-1,049	-44,969
Total income tax	77,233	102,884
Net income	217,671	316,133
Net income attributable to owners of non-controlling shareholders	-	-
Net income attributable to owners of parent	217,671	316,133

Quarterly Consolidated Statements of Comprehensive Income
Second Quarter

(Thousand yen)

	Previous Second Quarter (April 1, 2019 to September 30, 2019)	Current Second Quarter (April 1, 2020 to September 30, 2020)
Net income	217,671	316,133
Other comprehensive income		
Valuation difference on securities	252	5,257
Total other comprehensive income	252	5,257
Comprehensive income	217,924	321,391
Breakdown		
Comprehensive income attributable to owners of parent	217,924	321,391
Comprehensive income attributable to owners of non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	Previous Second Quarter (April 1, 2019 to September 30, 2019)	Current Second Quarter (April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Income before income taxes	294,904	419,017
Goodwill	1,097	44,509
Depreciation and amortization	29,144	99,203
Impairment loss	-	130,622
Increase (decrease) in allowance for doubtful accounts	-102	-39
Interest and dividend income	-3	-5
Interest expenses	-	3,709
Foreign exchange loss (gain)	146	228
Loss (gain) on sale of investment securities	-	-62,723
Gain on forfeiture of unclaimed dividends	-348	-
Valuation loss (gain) on crypto assets	-7,190	-7,783
Equity loss (gain) of affiliated companies	-54,793	-108,924
Decrease (increase) in notes and accounts receivable-trade	4,475	138,929
Increase (decrease) in notes and accounts payable-trade	613	-187,948
Increase (decrease) in accounts payable-other	-13,280	8,108
Increase (decrease) in deposits received	-86,185	152,673
Decrease (increase) in other assets	3,937	-207,383
Increase (decrease) in other liabilities	-12,706	52,246
Subtotal	159,711	474,439
Interest and dividends received	3	5,209
Interest paid	-	-3,709
Income taxes paid	-66,921	-133,316
Cash flows from operating activities	92,792	342,623
Cash flows from investing activities		
Purchases of property, plant and equipment	-2,244	-81,118
Purchases of intangible assets	-973	-37,660
Purchases of investment securities	-20,000	-
Proceeds from sales of investment securities	-	68,384
Proceeds from withdrawal of deposits paid	-	61,630
Payments for lease deposits	-	-97,984
Proceeds from collection of lease deposits	-	56,969
Cash flows from investing activities	-23,218	-29,779
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	-30,000
Repayment of current portion of long-term loans payable	-	-65,004
Repayment of lease obligations	-576	-2,753
Purchase of treasury stock	-144	-75
Dividends paid	-137,662	-138,320
Other	310	-898
Cash flows from financing activities	-138,073	-237,051
Effect of exchange rate change on cash and cash equivalents	-146	-228
Net increase (decrease) in cash and cash equivalents	-68,644	75,565
Cash and cash equivalents at beginning of period	2,976,494	3,288,749
Cash and cash equivalents at beginning of quarter	2,907,849	3,364,314

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment information)

Since our group operate with a single segment, the segment information is omitted.