

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Based on IFRS)

January 31, 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
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 Administration Division
 Scheduled date to file Quarterly Securities Report: February 14, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts are rounded off to the nearest million yen)

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(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	%
Nine months ended December 31, 2023	25,072	(7.0)	1,815	(26.3)	19,969	–	19,817	–	13,488	–	13,467	–
Nine months ended December 31, 2022	26,952	15.4	2,464	–	2,465	33.2	2,474	29.9	1,527	21.0	1,367	11.7

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2023	1,166.61		1,166.46	
Nine months ended December 31, 2022	114.69		113.29	

(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 December 31, 2023	42,257	28,543	28,111	66.5
As of March 31, 2023	30,393	16,196	14,958	49.2

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, 2023	–	22.00	–	26.00	48.00
Year ending March 31, 2024	–	36.00	–	–	–
Year ending March 31, 2024 (Forecast)	–	–	–	39.00	75.00

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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	34,000	(8.3)	2,400	–	20,598	542.1	20,525	533.2	14,309	592.4	14,279	676.7	1,206.78

4. Notes

(1) Changes in significant subsidiaries during the nine months ended December 31, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): 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 December 31, 2023	12,725,000 shares	As of March 31, 2023	12,725,000 shares
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Number of treasury shares at end of period

As of December 31, 2023	1,146,972 shares	As of March 31, 2023	1,224,807 shares
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Average number of shares during period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023	11,543,822 shares	Nine months ended December 31, 2022	11,918,662 shares
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1. Qualitative information regarding the financial results for the nine months ended December 31, 2023

(1) Explanation of operating results

During the consolidated nine months ended December 31, 2023, the Japanese economy witnessed an ongoing gentle recovery trend as a result of continued inbound demand fueled by the impact of the weak yen, and improvements in the job and income environments. At the same time, concerns about the outlook for the Chinese economy, along with the Russia-Ukraine situation and state of affairs surrounding the Middle East region, also pose downside risks to the undertone of recovery, and the future economic outlook remains uncertain. Despite this economic environment, the group's orders continued to grow steadily from the previous fiscal year, reflecting the growing demand for investment to meet new work styles as a result of digital transformation efforts and the COVID-19 pandemic.

As a result, consolidated orders received during the nine months ended December 31 totaled 23,868 million yen (up 0.5% from the same period of the previous year), and backlog of orders were 10,768 million yen (up 2.8% from the same period of the previous year. (See note below.)

Regarding the management services (BPO) business, due to the nature of the business, it may receive orders over multiple years at once, and the amount of orders received may fluctuate significantly.

(Millions of yen)

	Orders received			Backlog of orders		
	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)
Consulting and system development business	19,105	19,752	647	5,715	5,821	106
Management services (BPO) business	4,638	4,116	(522)	4,756	4,947	191
Total	23,743	23,868	125	10,471	10,768	297

(Note) In May 2023, BBS sold a portion of the shares of the subsidiary Global Security Experts (GSX), a part of the consulting and system development business, and from that month, has treated it as a non-consolidated business. In addition, in the same month, BBS sold all shares of the subsidiary MICS (MICS), a part of the management services (BPO) business, and has treated it as a non-consolidated business since June. To ensure usefulness for comparison, the above "Orders received" and "Backlog of orders" exclude amounts for both companies for the nine months ended December 2022 and the nine months ended December 2023. The orders received by both companies for the nine months ended December 2023 is 1,020 million yen.

Overall revenue declined by 7.0%, due in part to the deconsolidation of GSX.

Gross profit also decreased by 14.0% year-on-year, and selling, general and administrative expenses decreased by 6.8% year-on-year.

In addition, BBS recorded a gain of 2,053 million yen on the sale of GSX and MICS as a gain from the loss of control of subsidiaries, a gain of 16,101 million yen from the revaluation of GSX stock to fair value due to the transition of GSX from a consolidated subsidiary to an equity-method affiliate, for a total gain of 18,154 million yen, and a loss on change in equity of 447 million yen due to a relative decrease in BBS's ownership interest as a result of the exercise of stock options issued by GSX.

As a result, for the nine months ended December 31, BBS reported revenue of 25,072 million yen (down 7.0% year-on-year), business profit of 1,815 million yen (down 26.3% year-on-year), operating profit of 19,969 million yen (up 710.0% year-on-year), quarterly profit before taxes of 19,817 million yen (up 700.9% year-on-year), and profit attributable to owners of the parent of 13,467 million yen (up 885.2% year-on-year).

In addition, the group acquired stock in Fresco Inc. in November 2023 and in Twinkle Co., Ltd. in January 2024 to make them new consolidated subsidiaries, but the impact the two companies will have on forecasted overall revenue for the period is anticipated to be around 500 million yen, with only an immaterial impact anticipated on forecasted business profit. In combination with existing businesses, there will be no major change in the overall earnings forecast and so the earnings forecast will not be adjusted.

The revenue and business profit excluding the figures for GSX and MICS, which were excluded from consolidation during the current fiscal year, are as follows. Business profit is calculated by excluding profits and losses arising from non-recurring factors from operating profit.

(Millions of yen)

	Revenue			Business profit		
	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)
Consolidated operating results excluding GSX and MICS	22,512	24,585	2,073	1,892	1,813	(79)
Reference: Consolidated operating results	26,952	25,072	(1,880)	2,464	1,815	(649)

Operating results by segment are as follows.

(Millions of yen)

	Revenue			Business profit		
	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)
Consulting and system development business	21,361	19,402	(1,959)	1,961	1,334	(627)
Management services (BPO) business	5,947	5,962	15	498	485	(13)
Total	27,308	25,364	(1,944)	2,459	1,819	(640)
Adjustments	(356)	(292)	64	5	(4)	(9)
Consolidated	26,952	25,072	(1,880)	2,464	1,815	(649)

For comparison purposes, the following table shows segment operating results excluding the figures for GSX (a subsidiary that is part of the Consulting and System Development segment) and MICS (a subsidiary that is part of the Management Services (BPO) segment), which were excluded from the current consolidated period.

(Millions of yen)

	Revenue			Business profit		
	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)
Consulting and system development business	17,353	19,011	1,658	1,408	1,340	(68)
Management services (BPO) business	5,515	5,866	351	479	477	(2)
Total	22,868	24,877	2,009	1,887	1,817	(70)
Adjustments	(356)	(292)	64	5	(4)	(9)
Consolidated	22,512	24,585	2,073	1,892	1,813	(79)

[Consulting/system development business]

(Millions of yen)

	Revenue			Business profit		
	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)
Accounting system consulting and system development	12,938	13,923	985	1,109	1,033	(76)
System development for the financial industry	3,995	4,660	665	187	291	104
Information security consulting	4,008	391	(3,617)	553	(6)	(559)
PLM support solutions	797	757	(40)	149	54	(95)
(Revenue by business within segment)	(377)	(329)	48	(37)	(38)	(1)
Segment total	21,361	19,402	(1,959)	1,961	1,334	(627)

(Segment information excluding profit and loss of GSX)

(Millions of yen)

	Revenue			Business profit		
	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)
Accounting system consulting and system development	12,938	13,923	985	1,109	1,033	(76)
System development for the financial industry	3,995	4,660	665	187	291	104
PLM support solutions	797	757	(40)	149	54	(95)
(Revenue by business within segment)	(377)	(329)	48	(37)	(38)	(1)
Segment total	17,353	19,011	1,658	1,408	1,340	(68)

The consolidated results of the consulting and system development business for the nine months ended December 31 were revenue of 19,011 million yen (up 9.6% year-on-year) and business profit of 1,340 million yen (down 4.8% year-on-year).

Overall segment revenues for the consolidated nine months ended December 31 increased 9.6% on strong sales in the accounting systems consulting and systems development businesses and systems development for the financial industry.

Despite a steady increase in profit from system development for the financial industry, overall segment business profit declined by 4.8% year-on-year as a result declines in accounting system consulting and PLM support solutions.

[Management service (BPO) business]

(Millions of yen)

	Revenue			Business profit		
	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)
HR and payroll related outsourcing	2,235	2,331	96	371	368	(3)
Outsourcing for global companies	1,380	1,518	138	15	(6)	(21)
Outsourcing for foreign companies	705	766	61	38	39	1
Onsite BPO	1,691	1,431	(260)	73	75	2
(Revenue by business within segment)	(64)	(84)	(20)	1	9	8
Segment total	5,947	5,962	15	498	485	(13)

(Segment information excluding profit and loss of MICS)

(Millions of yen)

	Revenue			Business profit		
	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)	Nine months ended December 2022	Nine months ended December 2023	Year-on-year increase (decrease)
HR and payroll related outsourcing	2,235	2,331	96	371	368	(3)
Outsourcing for global companies	1,380	1,518	138	15	(6)	(21)
Outsourcing for foreign companies	705	766	61	38	39	1
Onsite BPO	1,259	1,335	76	54	67	13
(Revenue by business within segment)	(64)	(84)	(20)	1	9	8
Segment total	5,515	5,866	351	479	477	(2)

The management services (BPO) business posted consolidated revenue of 5,866 million yen (up 6.4% year-on-year) and business profit of 477 million yen (down 0.4% year-on-year) in the nine months ended December 31.

Revenue increased as a result of all the segments firming up. Where business profit was concerned, although the onsite BPO business firmed up, the management services (BPO) business as a whole posted a decline in profit as a result of a decline in outsourcing for global companies.

In the nine months to December 31, 2023 the proportional distribution standards for each subsegment making up the management services (BPO) business' within-segment costs were revised, and so business profit for the nine months to December 31, 2022 has been recalculated based on the post-revision standards.

(2) Explanation of financial position

(Assets)

Total consolidated assets at the end of the third quarter were 42,257 million yen, an increase of 11,863 million yen from the end of the previous fiscal year.

Current assets totaled 18,037 million yen, down 2,674 million yen from the end of the previous fiscal year. The main factors were a 400 million yen increase in cash and cash equivalents and a 221 million yen increase in inventories, while contract assets decreased by 142 million yen and trade and other receivables decreased 2,336 million yen due to collection of receivables.

Non-current assets totaled 24,220 million yen, up 14,537 million yen from the end of the previous fiscal year. The main factors

were a 16,566 million yen increase in investments accounted for using equity method and a 1,200 million yen decrease in deferred tax assets.

These are mainly due to the impact of the gain from the sale of GSX shares, which changed from a subsidiary to an affiliate accounted for by the equity method.

(Liabilities)

Total consolidated liabilities at the end of the third quarter amounted to 13,714 million yen, down 484 million yen from the end of the previous fiscal year.

Current liabilities totaled 6,679 million yen, down 3,301 million yen from the end of the previous fiscal year. The main factors were a 1,190 million yen decrease in contract liabilities, an 851 million yen decrease in income taxes payable, and an 86 million yen decrease in trade and other payables due to debt payments.

Non-current liabilities totaled 7,035 million yen, up 2,817 million yen from the end of the previous fiscal year. The main factors were a 3,998 million yen increase in deferred tax liabilities and a 670 million yen decrease in lease liabilities.

(Capital)

Total consolidated shareholders' equity at the end of the third quarter amounted to 28,543 million yen, an increase of 12,347 million yen from the end of the previous fiscal year. This was mainly due to an increase in retained earnings of 12,772 million yen.

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

There is no change to the consolidated earnings forecast for the full year announced in the "Notice of Revision of Earnings Forecast" dated July 31, 2023.

Condensed quarterly consolidated financial statements
Condensed quarterly consolidated statement of financial position

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	10,217,084	10,617,002
Trade and other receivables	6,407,932	4,072,393
Contract assets	1,335,370	1,193,496
Other financial assets	1,108,605	1,108,352
Inventories	122,235	343,375
Other current assets	1,519,694	702,129
Total current assets	20,710,920	18,036,747
Non-current assets		
Property, plant and equipment	831,929	726,699
Right-of-use assets	3,073,672	2,420,345
Goodwill	521,694	663,553
Intangible assets	486,007	485,792
Investments accounted for using equity method	151,394	16,717,567
Other financial assets	2,654,114	2,414,195
Deferred tax assets	1,951,167	751,651
Retirement benefit asset	2,434	2,350
Other non-current assets	10,048	37,608
Total non-current assets	9,682,459	24,219,760
Total assets	30,393,379	42,256,507

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	87,646	20,032
Lease liabilities	708,736	722,360
Trade and other payables	2,379,098	2,293,160
Other financial liabilities	294,339	207,246
Income taxes payable	1,385,181	534,624
Provisions	106,251	80,638
Contract liabilities	1,507,819	317,821
Other current liabilities	3,510,913	2,502,937
Total current liabilities	9,979,983	6,678,818
Non-current liabilities		
Borrowings	180,172	–
Lease liabilities	2,407,788	1,737,655
Other financial liabilities	111,793	31,304
Retirement benefit liability	403,568	392,073
Provisions	294,830	308,678
Non-Current liability for stock benefit	448,585	188,616
Deferred tax liabilities	–	3,998,155
Other non-current liabilities	370,934	378,286
Total non-current liabilities	4,217,670	7,034,767
Total liabilities	14,197,653	13,713,585
Equity		
Share capital	2,233,490	2,233,490
Capital surplus	4,235,878	4,444,646
Retained earnings	9,489,583	22,261,169
Treasury shares	(1,159,720)	(1,086,069)
Other components of equity	159,220	257,467
Total equity attributable to owners of parent	14,958,451	28,110,703
Non-controlling interests	1,237,275	432,219
Total equity	16,195,726	28,542,922
Total liabilities and equity	30,393,379	42,256,507

Condensed quarterly consolidated statements of income and condensed quarterly consolidated statements of comprehensive income
Condensed quarterly consolidated statements of income

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Revenue	26,952,113	25,071,942
Cost of sales	20,280,458	19,333,878
Gross profit	6,671,655	5,738,064
Selling, general and administrative expenses	4,234,329	3,944,372
Gain on loss of control of subsidiaries	–	18,154,037
Other income	28,583	27,187
Other expenses	535	5,895
Operating profit	2,465,374	19,969,021
Finance income	41,011	53,145
Finance costs	67,830	20,947
Share of profit (loss) of investments accounted for using equity method	35,723	263,097
Loss (profit) on change in equity	–	(447,221)
Profit before tax	2,474,278	19,817,095
Income tax expense	947,430	6,329,043
Profit	1,526,848	13,488,052
Profit attributable to		
Owners of parent	1,367,005	13,467,192
Non-controlling interests	159,843	20,860
Profit	1,526,848	13,488,052
Earnings per share		
Basic earnings per share	114.69	1,166.61
Diluted earnings per share	113.29	1,166.46

Condensed quarterly consolidated statements of comprehensive income

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	1,526,848	13,488,052
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	26,827	118,015
Share of other comprehensive income of investments accounted for using equity method	–	(858)
Total of items that will not be reclassified to profit or loss	26,827	117,157
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,875	1,606
Total of items that may be reclassified to profit or loss	1,875	1,606
Other comprehensive income, net of tax	28,702	118,763
Comprehensive income	1,555,550	13,606,815
Comprehensive income attributable to		
Owners of parent	1,399,750	13,585,755
Non-controlling interests	155,800	21,060
Comprehensive income	1,555,550	13,606,815

Condensed quarterly consolidated statement of changes in equity

Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(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, 2022	2,233,490	2,835,065	8,249,956	(196,795)	3,363	95,227
Profit			1,367,005			
Other comprehensive income					2,760	29,985
Comprehensive income	–	–	1,367,005	–	2,760	29,985
Purchase of treasury shares		(2,716)		(525,113)		
Dividends			(609,071)			
Share-based payment transactions		62,899		34,850		
Changes in ownership interest in subsidiaries		1,317,202				
Other		1,684	9			
Total transactions with owners	–	1,379,069	(609,062)	(490,263)	–	–
Balance at December 31, 2022	2,233,490	4,214,134	9,007,899	(687,058)	6,123	125,212

	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, 2022	–	98,589	13,220,305	821,383	14,041,689
Profit		–	1,367,005	159,843	1,526,848
Other comprehensive income		32,745	32,745	(4,043)	28,702
Comprehensive income	–	32,745	1,399,750	155,800	1,555,550
Purchase of treasury shares		–	(527,829)		(527,829)
Dividends		–	(609,071)	(22,868)	(631,939)
Share-based payment transactions		–	97,749	19,184	116,933
Changes in ownership interest in subsidiaries		–	1,317,202	81,894	1,399,096
Other		–	1,693	216	1,908
Total transactions with owners	–	–	279,744	78,426	358,169
Balance at December 31, 2022	–	131,334	14,899,799	1,055,609	15,955,408

Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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			13,467,192			
Other comprehensive income					1,392	118,029
Comprehensive income	–	–	13,467,192	–	1,392	118,029
Purchase of treasury shares				(140,122)		
Dividends			(715,204)			
Share-based payment transactions		209,935		213,773		
Increase (decrease) by business combination						
Changes in ownership interest in subsidiaries		(959)				
Loss of control of subsidiaries			20,316			(20,316)
Other		(208)	(718)			
Total transactions with owners	–	208,768	(695,606)	73,651	–	(20,316)
Balance at December 31, 2023	2,233,490	4,444,646	22,261,169	(1,086,069)	8,512	249,813

	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		–	13,467,192	20,860	13,488,052
Other comprehensive income	(858)	118,563	118,563	200	118,763
Comprehensive income	(858)	118,563	13,585,755	21,060	13,606,815
Purchase of treasury shares		–	(140,122)		(140,122)
Dividends		–	(715,204)	(10,350)	(725,554)
Share-based payment transactions		–	423,708	3,385	427,093
Increase (decrease) by business combination		–	–	90,000	90,000
Changes in ownership interest in subsidiaries		–	(959)	3,320	2,361
Loss of control of subsidiaries		(20,316)	–	(912,338)	(912,338)
Other		–	(926)	(133)	(1,059)
Total transactions with owners	–	(20,316)	(433,503)	(826,116)	(1,259,619)
Balance at December 31, 2023	(858)	257,467	28,110,703	432,219	28,542,922