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## Summary of Consolidated Financial Results for 1<sup>st</sup> quarter of the Year ending March 31, 2025 (Based on Japanese GAAP)

August 9, 2024

Company Name: ITbook Holdings Co., LTD. Listed Stock Exchange: Tokyo  
 Stock code: 1447 URL <https://www.itbook-hd.co.jp>  
 Representative: (title) Representative Director & President (name) Toshimori Mae  
 Senior Executive Officer, General  
 Contact person: (title) Manager of Management (name) Takashi Noma TEL 03-6770-9970  
 Headquarters and CFO  
 Scheduled start date of dividend payment -  
 Preparation of supplementary material on quarterly financial results: No  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

### 1. Consolidated operating results for the 1<sup>st</sup> quarter ended June 30, 2024 of the Year ending March 31, 2025 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (Percentages indicate changes compared with the 1<sup>st</sup> quarter of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Quarterly net profit attributable to owners of parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
1 <sup>st</sup> Quarter of the FY ending March 31, 2025	6,977	1.8	△29	—	△4	—	△101	—
1 <sup>st</sup> Quarter of the FY ended March 31, 2024	6,851	2.2	△30	—	20	—	2	—

(note) Comprehensive income: 1<sup>st</sup> Quarter of the FY ending March 31, 2025 △148 JPY million (—%)  
 1<sup>st</sup> Quarter of the FY ended March 31, 2024 △34 JPY million (—%)

	Earnings per share of quarterly net profit	Diluted earnings per share of quarterly net profit
	JPY	JPY
1 <sup>st</sup> Quarter of the FY ending March 31, 2025	△4.14	—
1 <sup>st</sup> Quarter of the FY ended March 31, 2024	0.12	—

(note) 1. “Diluted earnings per share of quarterly net profit” for the 1<sup>st</sup> quarter consolidated cumulative period of the previous fiscal year ended March 31, 2024 is not stated because there are no dilutive stocks.  
 2. “Diluted earnings per share of quarterly net profit” for the 1<sup>st</sup> quarter consolidated cumulative period of the current fiscal year ending March 31, 2025 is not stated because there is a quarterly net loss per share, although there are diluted shares.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	JPY million	JPY million	%
1 <sup>st</sup> Quarter of FY ending March 31, 2025	16,198	2,972	17.0
FY ended March 31, 2024	18,051	3,120	16.0

(reference) Equity capital 21<sup>st</sup> Quarter of FY ending March 31, 2025 JPY 2,757 million  
 FY ended March 31, 2024 JPY 2,895 million

### 2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year end	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal Year ended March 2024	—	0.00	—	0.00	0.00
Fiscal Year ended March 2025	—				
Fiscal Year ending March 2025 (forecast)		0.00	—	6.00	6.00

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

(Percentages indicate changes compared with the 1st quarter of the previous fiscal year)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Earnings per share
	JPY million	%	JPY million	%	JPY million		JPY million	%	JPY
Full fiscal year	31,300	6.9	1,090	52.7	970	26.3	280	52.8	11.45

(Note) Whether or not there has been any revision from the most recently announced earnings forecast: None

\*Notes

(1) Significant changes in the scope of consolidation during the cumulative period of current quarter ended June 30, 2024: No

New 0 companies (name of company) - excluded 0 companies (name of company) -

(2) Application of accounting treatments specific to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please see attached document titled "2. Quarterly consolidated financial statements and major notes (3) Notes regarding quarterly consolidated financial statements (application of accounting treatments specific to the preparation of quarterly consolidated financial statements)" on page 9.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

① Changes in accounting policies due to revisions to accounting standards and other regulations : Yes

② Changes in accounting policies due to other than above ① : Yes

③ Changes in accounting estimates : No

④ Restatement of prior period financial statements : No

(Note) For details, please see attached document titled "2. Quarterly consolidated financial statements and major notes (3) Notes regarding quarterly consolidated financial statements (Changes in accounting policy)" on page 9.

(4) Number of issued shares (common shares)

① Total number of issued shares at the end of current 1<sup>st</sup> quarter and the previous fiscal year (including treasury shares)

As of June 30, 2024 (1 <sup>st</sup> Quarter of FY ending March 2025)	24,446,958 shares	As of March 31, 2024	24,446,958 shares
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② Number of treasury shares at the end of current 1<sup>st</sup> quarter and the previous fiscal year

As of June 30, 2024 (1 <sup>st</sup> Quarter of FY ending March 2025)	185 shares	As of March 31, 2024	- shares
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③ Average number of shares during the period of fiscal year

During 1 <sup>st</sup> Quarter of FY ending March 2025	24,446,890 shares	During 1 <sup>st</sup> Quarter of FY ended March 31, 2024	24,133,135 shares
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\* Review of the attached quarterly consolidated financial statements by a certified public accountant or auditing firm: None

\* Explanation regarding the appropriate use of earnings forecasts and other special notes

- Statements regarding the future, such as business performance forecasts, contained in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and the Company is not committed to achieving these assumptions. Actual results may differ significantly due to a range of factors. Regarding the use of the conditions underlying the performance forecasts and precautions on the use of the performance forecasts, please refer to the attached documents titled "1. Qualitative information regarding current quarter results (3) Explanation regarding future earnings forecast information such as consolidated earnings forecasts" on page 4.

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## 1. Qualitative information regarding current quarter results ended June 30, 2024

### (1) Explanation of operating results for the 1st quarter ended June 30, 2024

During the current first quarter of the fiscal year ending March 31, 2025, the Japanese economy continued to show a gradual recovery trend, with improvements in corporate profits, employment and capital investment, and the income environment. On the other hand, the outlook for the global economy remained uncertain due to concerns about the effects of global financial tightening and the unstable international situation.

In the information services industry, which is one of our group's core businesses, it has continued to move away from legacy systems and shift to social digital transformation, and companies are actively investing in IT such as the growing popularity of cloud computing, expanding the use of big data and AI, and promotion of IoT, etc., where the total sales of the information services industry in May 2024 increased by 3.9% compared to the same month of the previous year (Source: "Current Statistics on Specified Service Industries", Ministry of Economy, Trade and Industry). On the other hand, there was a strong sense of a shortage of engineers, and the situation has continued to be difficult in terms of securing human resources.

In the construction industry, which is another core business, the number of new housing starts increased by 1.0% compared to the same period of previous fiscal year (Source: "Statistical Survey on Construction Starts," Ministry of Land, Infrastructure, Transport and Tourism). Furthermore, the number of new housing starts has continued to be on the downward trend, as housing sales prices rise or remain high due to soaring material prices and consumer confidence has declined due to rising prices, etc.

Under such business environment, our group has promoted business in each segment with the aim of increasing corporate value.

Our group's business results for the first quarter of the current consolidated cumulative period are as follows: sales was JPY 6,977,159,000 (101.8% compared to the corresponding period of previous fiscal year), gross profit was JPY 1,712,562,000 (97.5% compared to the corresponding period of previous fiscal year), selling, general and administrative expenses was JPY 1,742,182,000 (97.5% compared to the corresponding period of previous fiscal year), operating loss was JPY -29,620,000 (operating loss of JPY -30,965,000 in the corresponding period of previous fiscal year), ordinary loss was JPY -4,662,000 (ordinary income was JPY 20,120,000 in the corresponding period of previous fiscal year), and quarterly net loss attributable to parent company shareholders was JPY -101,311,000 (quarterly net income attributable to parent company shareholders was JPY 2,907,000 for the corresponding period of previous fiscal year).

(Unit: JPY Thousand)

	1 <sup>st</sup> quarter of the previous fiscal year	1 <sup>st</sup> quarter of the current fiscal year	Increase/decrease amount	Compared to the corresponding period of the previous fiscal year (%)
Sales	6,851,298	6,977,159	125,860	101.8
Gross profit	1,756,277	1,712,562	△43,715	97.5
Selling, general and administrative expenses	1,787,242	1,742,182	△45,060	97.5
Operating loss (△)	△30,965	△29,620	1,344	—
Ordinary loss (△)	20,120	△4,662	△24,782	—
Quarterly net loss attributable to parent company shareholders (△)	2,907	△101,311	△104,218	—

The results of each business segment are as follows:

#### ① Consulting business

In the consulting business, ITbook Co., Ltd. has worked to increase orders for consulting projects from central government agencies, independent administrative agencies, local governments, etc., taking advantage of the trust and knowledge we have accumulated from customers in the past, such as responding to the My Number system and the MyKey platform.

Mirai Inc. is a consulting firm and think tank whose members with various specialized fields combining their knowledge and experience to revitalize and regen regions in Japan and abroad, and has worked as a partner for government agencies and companies to propose strategies and plans and receive orders towards fundamental solutions to various social issues in order to solve various social issues.

As a result, sales in the consulting business was JPY 356,674,000 (404.1% compared to the corresponding period of previous fiscal year), and segment loss was JPY -46,805,000 (segment loss was JPY -173,267,000 for the corresponding period of previous fiscal year).

Please note that ITbook Co., Ltd. has changed its method of recording sales starting from the first quarter of the current consolidated accounting period. For details, please see attached document titled "2. Quarterly consolidated financial statements and major notes (3) Notes regarding quarterly consolidated financial statements (Changes in Accounting Policy)" on page 9.

#### ② System development business

In the system development business, we worked to develop software with the focus on nearshore development business and develop and sell products in the IoT equipment field.

As a result, sales in the system development business was JPY 693,282,000 (106.1% compared to the corresponding period of previous fiscal year), and segment loss was JPY -8,382,000 (segment loss was JPY -12,257,000 for the corresponding period of previous fiscal year).

#### ③ Human resources business

In the human resources business, we worked to secure human resources and develop companies to which we can dispatch our staffs in the field of dispatching engineers as well as dispatching human resource for the manufacturing industry, distribution industry, and teachers. As a result, sales for the human resources business was JPY 1,567,870,000 (99.9% compared to the corresponding period of previous fiscal year) and segment profit was JPY 110,198,000 (74.8% compared to the corresponding period of previous fiscal year).

#### ④ Ground investigation and improvement business

In the ground investigation and improvement project, Something Co., Ltd. has tried to promote sales of the "screw friction pile construction method," which constructs reinforcements with spiral knots of stable quality in addition to the "column improvement construction method" which has been the mainstay until now.

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In addition, we worked hard to promote sales of the Column Z construction method and large-diameter steel pipe piles for small commercial facilities and low-rise condominiums and/or the EcoGeo method uses only natural crushed stone which is also related to the SDGs, being positioned as a product to promote sales of the ground improvement method.

Earth Prime Co., Ltd., which operates a soil investigation and testing business, worked hard to receive orders from major general contractors for soil testing for large-scale land preparation projects, and for boring surveys from major construction developers.

Tomei CO., LTD., which specializes in civil engineering foundation work related to railways, has worked hard to focus on orders from major general contractors for “TBH construction method” and “BH construction method” that enable large diameter excavation under construction conditions in narrow and low spaces.

San-ai Home Inc. which operates a real estate business, mainly in Kawagoe City, Saitama Prefecture, and along the Tobu Tojo Line, strives to buy and sell real estate by taking advantage of the characteristics of a local company.

As a result, sales for the ground investigation and improvement business was JPY 4,072,623,000 (103.4% compared to the corresponding period of previous fiscal year), and segment profit was JPY 65,594,000 (54.8% compared to the corresponding period of previous fiscal year).

⑤ Guarantee inspection business

In the guarantee inspection business, in addition to promoting sales of the comprehensive ground guarantee “THE LAND,” we worked to receive orders for second opinion ground guarantees, quality inspections for newly built homes, and home completion guarantees.

As a result, sales in the guarantee inspection business was JPY 61,727,000 (89.7% compared to the corresponding period of previous fiscal year), and segment profit was JPY 27,393,000 (135.5% compared to the corresponding period of previous fiscal year).

⑥ Construction technology business

In the construction technology business, we worked hard to sell our main product, the “GeoWeb System” which is used in the basic system of a major house builder. because it can strengthen the recording and management of various business data related to housing construction (fraud/tamper prevention function) and automate operations. We also worked to expand our business by linking with customers' base systems and to develop customization projects.

Furthermore, as a new business, we worked to develop and promote sales of 3D cameras (4D products) for the Japanese market, which can be used in a wide range of fields such as construction, surveying, and entertainment.

As a result, sales in the construction technology business was JPY 101,476,000 (67.5% compared to the corresponding period of previous fiscal year), and segment loss was JPY -11,867,000 (segment loss was JPY -6,089,000 in the same corresponding period of previous fiscal year).

⑦ Overseas business

In our overseas business, we worked to win orders for infrastructure development (embankment, roads, bridges), ground surveys for solar and wind power generation in renewable energy power generation projects, and temporary construction work related to sewerage construction in Vietnam. Furthermore, during the first quarter of the current consolidated cumulative period, due to local material shortages, construction delays occurred due to soaring unit prices of materials and delays in delivery or non-delivery.

As a result, overseas business sales was JPY 42,636,000 (15.7% compared to the corresponding period of previous fiscal year), and segment loss was JPY -14,852,000 (segment profit was JPY 11,527,000 in the corresponding period of previous fiscal year).

⑧ Other business

The total sales of the financial business, M&A advisory business, data analysis business using drones, etc. was JPY 80,867,000 (72.5% compared to the corresponding period of previous fiscal year), and the segment loss was JPY -31,315,000 (segment profit was JPY 1,354,000 in the corresponding period of previous fiscal year).

(Unit: JPY Thousand)

	1 <sup>st</sup> quarter of the previous fiscal year		1 <sup>st</sup> quarter of the current fiscal year		Increase/ decrease amount	Compared to the corresponding period of the previous fiscal year (%)
	Sales	Composition ratio (%)	Sales	Composition ratio (%)		
Consulting business	88,254	1.3	356,674	5.1	268,419	404.1
System development business	653,429	9.5	693,282	9.9	39,853	106.1
Human resources business	1,568,685	22.9	1,567,870	22.5	△815	99.9
Ground investigation and improvement business	3,938,174	57.5	4,072,623	58.4	134,449	103.4
Guarantee inspection business	68,811	1.0	61,727	0.9	△7,083	89.7
Construction technology business	150,317	2.2	101,476	1.5	△48,841	67.5
Overseas business	272,018	4.0	42,636	0.6	△229,382	15.7
Other business	111,606	1.6	80,867	1.2	△30,738	72.5
Total	6,851,298	100.0	6,977,159	100.0	125,860	101.8

(Note) Regarding segment profit and loss, please refer to “2. Quarterly Consolidated Financial Statements and Main Notes (3) Notes Regarding Quarterly Consolidated Financial Statements (Notes on Segment Information, etc.)” on page 11.

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(2) Explanation of financial position for the 1st quarter ended June 30, 2024

(Assets section)

Total assets for the first quarter of the current consolidated cumulative period was JPY 16,198,998,000, a decrease of JPY 1,852,777,000 from the end of the previous consolidated fiscal year. This was mainly due to decreases in notes receivable, accounts receivable-trade, and contract assets.

(Liabilities section)

Total liabilities for the first quarter of the current consolidated cumulative period was JPY 13,226,873,000, a decrease of JPY 1,704,203,000 from the end of the previous consolidated fiscal year. This was mainly due to a decrease in short-term loans payable.

(Net asset section)

Total net assets for the first quarter of the current consolidated cumulative period decreased by JPY 148,573,000 from the end of the previous fiscal year to JPY 2,972,124,000. This was mainly due to a decrease in retained earnings caused by the recording of a quarterly net loss attributable to owners of the parent company.

(3) Explanation regarding future earnings forecast information such as consolidated earnings forecasts

The consolidated earnings forecast for the fiscal year ending March 2025 has not changed from the time it was announced on May 15, 2024.

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## 2. Quarterly consolidated financial statements and major notes

### (1) Quarterly consolidated balance sheet

(Unit: JPY Thousand)

	Previous Fiscal Year (ended March 31, 2024)	1 <sup>st</sup> Quarter Cumulative Period (ended June 30, 2024)
<b>Assets section</b>		
Current assets		
Cash and deposits	4,994,190	4,281,295
Notes receivable, accounts receivable and contract assets	5,847,730	4,807,074
Operating loans	18,112	18,112
Goods and products	183,782	173,445
Unfinished construction expenditure	151,433	149,678
Real estate for sale	906,727	996,534
Work in process	140,546	141,291
Raw materials and supplies	19,996	98,104
Others	1,066,547	813,659
Allowance for doubtful accounts	△20,579	△22,395
Total current assets	13,308,488	11,456,801
Fixed asset		
Tangible fixed assets		
Leased assets	372,034	343,241
Others	2,053,527	2,085,526
Total tangible fixed assets	2,425,562	2,428,768
Intangible fixed assets		
Goodwill	617,132	581,203
Others	451,580	435,872
Total intangible fixed assets	1,068,713	1,017,075
Investments and other assets		
Investment securities	123,377	128,903
Deferred tax asset	279,924	304,193
Others	886,543	903,832
Allowance for doubtful accounts	△41,009	△40,707
Total investments and other assets	1,248,836	1,296,222
Total fixed assets	4,743,111	4,742,065
Deferred assets	175	131
Total assets	18,051,775	16,198,998
<b>Liabilities section</b>		
Current liabilities		
Notes payable and accounts payable	1,717,276	1,917,631
Short-term loans	6,922,409	5,187,405
Corporate bonds scheduled to redeem within one year	10,000	10,000
Long-term loans scheduled to redeem within one year	365,460	355,441
Accrued corporate taxes, etc.	210,015	121,314
Accounts payable	961,586	835,773
Lease obligation	142,787	141,019
Allowance for bonuses	292,494	385,837
Others	1,226,397	1,277,280
Total current liabilities	11,848,427	10,231,702
Fixed liabilities		
Long-term loans	2,305,286	2,246,998
Lease obligation	324,687	291,849
Allowance for guarantee losses	40,311	45,996
Liabilities related to retirement benefits	52,851	52,851
Others	359,512	357,475
Total fixed liabilities	3,082,649	2,995,170
Total liabilities	14,931,077	13,226,873

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(Unit: JPY Thousand)

	Previous Fiscal Year (ended March 31, 2024)	1 <sup>st</sup> Quarter Cumulative Period (ended June 30, 2024)
Net assets section		
Shareholders' equity		
Capital	1,909,570	1,909,570
Capital surplus	2,991,881	2,699,803
Retained earnings	△1,881,601	△1,690,465
Treasury stock	—	△51
Total shareholders' equity	3,019,849	2,918,856
Accumulated other comprehensive income		
Valuation difference on other securities	2,410	3,067
Foreign currency translation adjustment account	△127,130	△164,282
Total accumulated other comprehensive income	△124,720	△161,215
Stock acquisition right	6,840	6,840
Non-controlling interests	218,728	207,643
Total net assets	3,120,698	2,972,124
Total liabilities and net assets	18,051,775	16,198,998



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- (2) Quarterly consolidated statements of income and quarterly consolidated comprehensive income statements  
 (Quarterly consolidated statements of income)  
 (1st quarter consolidated cumulative period)

(Unit: JPY Thousand)

	1 <sup>st</sup> quarter cumulative period of the previous fiscal year (from April 1, 2023 to June 30, 2023)	1 <sup>st</sup> quarter cumulative period (from April 1, 2024 to June 30, 2024)
Sales	6,851,298	6,977,159
Cost of sales	5,095,020	5,264,596
Gross profit	1,756,277	1,712,562
Selling, general and administrative expenses	1,787,242	1,742,182
Operating loss (△)	△30,965	△29,620
Non-operating income		
Interest income	523	102
Dividend income	177	217
Grant income	10,744	150
Foreign exchange gain	61,601	45,472
Investment gain on equity method	13	542
Others	4,732	16,297
Total non-operating income	77,793	62,781
Non-operating expenses		
Interest expense	18,305	26,727
Others	8,402	11,096
Total non-operating expenses	26,708	37,823
Ordinary income or loss (△)	20,120	△4,662
Special profit		
Gain on sale of fixed assets	3,899	359
Gain on business transfer	171,788	—
Others	12,740	—
Total special profit	188,427	359
Special loss		
Loss on sale and disposal of fixed assets	15,065	5,269
Office relocation costs	1,717	11,341
Special investigation costs, etc.	26,953	—
Others	6,146	—
Total special loss	49,881	16,610
Quarterly net income before taxes and other adjustments or quarterly net loss before taxes and other adjustments (△)	158,666	△20,913
Corporate tax, resident tax and business tax	193,602	111,855
Corporate tax adjustment amount	△23,170	△20,401
Total corporate taxes, etc.	170,431	91,454
Quarterly net loss (△)	△11,765	△112,367
Quarterly net loss attributable to non-controlling shareholders (△)	△14,672	△11,056
Quarterly net income attributable to parent company shareholders or quarterly net loss attributable to parent company shareholders (△)	2,907	△101,311

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(Quarterly consolidated comprehensive income statements)

(1st quarter consolidated cumulative period)

(Unit: JPY Thousand)

	1 <sup>st</sup> quarter cumulative period of the previous fiscal year (from April 1, 2023 to June 30, 2023)	1 <sup>st</sup> quarter cumulative period (from April 1, 2024 to June 30, 2024)
Quarterly net loss (△)	△11,765	△112,367
Other comprehensive income		
Valuation difference on other securities	157	628
Foreign currency translation adjustment account	△22,873	△37,151
Total other comprehensive income	△22,716	△36,523
Quarterly comprehensive income	△34,481	△148,891
(breakdown)		
Quarterly comprehensive income related to parent company shareholders	△19,810	△137,806
Quarterly comprehensive income related to non- controlling shareholders	△14,671	△11,084

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(3) Notes regarding quarterly consolidated financial statements

(Notes regarding going concern assumption)

Not applicable

(Notes when there is a significant change in the amount of shareholders' equity)

Not applicable

(Changes in Accounting Policy)

(Application of "Accounting Standards for Corporate Tax, Resident Tax, Business Tax, etc." )

We have applied the "Accounting Standards for Corporation Tax, Inhabitant Tax, Business Tax, etc." (Corporate Accounting Standards No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standards") etc. from the beginning of the current first quarter consolidated accounting period.

Regarding revisions to the classification of recording corporate taxes, etc. (taxation on other comprehensive income), we are following the transitional treatment provided in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standards and transitional treatment specified in the proviso to Paragraph 65-2 (2) of the "Guidelines for Application of Accounting Standards for Tax Effect Accounting" (Business Accounting Standards Application Guidelines No. 28, October 28, 2022; hereinafter referred to as the "2022 Revised Application Guidelines"). Please note that this change in accounting policy has no impact on the quarterly consolidated financial statements.

In addition, regarding the amendments related to the review of the treatment in consolidated financial statements in the case of deferring gains and losses arising from the sale of subsidiary stocks, etc. between consolidated companies for tax purposes, the 2022 revised application guidelines have been applied to the current first quarter consolidated accounting since the beginning of the period.

This change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the previous quarter and the previous consolidated fiscal year are after the retrospective application. Please note that this change in accounting policy has no impact on the quarterly consolidated financial statements for the previous quarter and the consolidated financial statements for the previous consolidated fiscal year.

(Regarding changes in sales recording method)

ITbook Co., Ltd., a consolidated subsidiary of our company, has a performance obligation that is satisfied over a certain period of time regarding revenue generated from consulting business in which revenue is recognized based on the ratio of incurred costs to the estimated total cost (input method) if the degree of progress can be reasonably estimated, and revenue is recognized on a cost recovery basis until a reasonable estimate can be made if progress cannot be reasonably estimated.

From April 2024, we have been operating a new system with the aim of further rationalizing and increasing efficiency of management and operations. This new system has made it possible to centrally manage and understand the information necessary to estimate progress for all projects.

Therefore, since the current first quarter consolidated accounting period, we have changed to a method of recognizing revenue over a certain period of time based on the level of progress in satisfying the performance obligation to transfer goods or services to the customer for all projects for which the order amount has been confirmed.

This change in accounting policy will be applied prospectively from the current consolidated fiscal year onward because the necessary data regarding past years has not been accumulated and it is practically impossible to apply retrospectively.

For the first quarter of the current consolidated accounting period, net sales increased by JPY 253,792,000, cost of sales increased by JPY 137,935,000, and operating income, ordinary income, and quarterly net income before taxes each increased by JPY 115,858,000.

(Application of accounting treatments specific to the preparation of quarterly consolidated financial statements)

Calculation method for estimated bad debts for general receivables.

As it has been recognized that there is no significant change in the rate of bad debts as of the end of the current first quarter consolidated accounting period from that calculated at the end of the previous consolidated fiscal year, the estimated amount of bad debts is calculated using the actual bad debt rate at the end of the previous consolidated fiscal year.

(Notes regarding quarterly consolidated cash flow statement)

A quarterly consolidated cash flow statement for the current first quarter consolidated cumulative period has not been prepared.

Please note that depreciation expenses (including amortization expenses related to intangible fixed assets other than goodwill) and goodwill amortization amounts for the first quarter consolidated cumulative period are as follows:

	1 <sup>st</sup> quarter cumulative period of the previous fiscal year (from April 1, 2023 to June 30, 2023)	1 <sup>st</sup> quarter cumulative period (from April 1, 2024 to June 30, 2024)
Depreciation expense	JPY 139,940,000	JPY 123,840,000
Amortization of goodwill	JPY 35,929,000	JPY 35,929,000

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(Notes on segment information, etc.)

【Segment information】

I The first quarter consolidated cumulative period of previous fiscal year (from April 1, 2023 to June 30, 2023)

1. Information regarding the amount of sales and profits or losses for each reportable segment, as well as revenue disaggregation information

(Unit: JPY thousand)

	Reportable segment								Others	Total
	Consulting business	System development business	Human resources business	Ground investigation and improvement business	Guarantee inspection business	Construction technology business	Overseas business	Total		
Sales										
Revenue from contracts with customers	88,254	653,429	1,568,685	3,938,174	68,811	150,317	272,018	6,739,692	111,606	6,851,298
Sales to external customers	88,254	653,429	1,568,685	3,938,174	68,811	150,317	272,018	6,739,692	111,606	6,851,298
Internal sales or transfers between segments	-	17,515	9,806	-	34,886	16,687	3,141	82,037	20,193	102,231
Total	88,254	670,945	1,578,492	3,938,174	103,697	167,005	275,159	6,821,729	131,799	6,953,529
Segment profit or loss (△)	△173,267	△12,257	147,358	119,709	20,220	△6,089	11,527	107,200	1,354	108,555

2. Difference of amount between the total amount of profit or loss of a reportable segment and the amount recorded in the quarterly consolidated income statement and the main details of the difference (Matters regarding difference adjustment)

(Unit: JPY thousand)

Profit	Amount
Reportable segment total	107,200
Profit and loss in “Other” category	1,354
Elimination of intersegment transactions	182,881
Amortization of goodwill	△34,939
Company-wide expenses (Note)	△287,462
Operating loss (△) in quarterly consolidated income statement	△30,965

(Note) Company-wide expenses are mainly general and administrative expenses that do not belong to any reportable segment.

3. Information regarding impairment losses on fixed assets or goodwill, etc. for each reportable segment

(Significant impairment loss related to fixed assets)

Not applicable

(Significant changes in the amount of goodwill)

Not applicable

(Important gain on negative goodwill)

Not applicable

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II The first quarter consolidated cumulative period of current fiscal year (from April 1, 2024 to June 30, 2024)

1. Information regarding the amount of sales and profits or losses for each reportable segment, as well as revenue disaggregation information

(Unit: JPY thousand)

	Reportable segment								Others	Total
	Consulting business	System development business	Human resources business	Ground investigation and improvement business	Guarantee inspection business	Construction technology business	Overseas business	Total		
Sales										
Revenue from contracts with customers	356,674	693,282	1,567,870	4,072,623	61,727	101,476	42,636	6,896,291	80,867	6,977,159
Sales to external customers	356,674	693,282	1,567,870	4,072,623	61,727	101,476	42,636	6,896,291	80,867	6,977,159
Internal sales or transfers between segments	1,275	21,230	13,142	—	34,632	17,702	9,142	97,124	1,020	98,144
Total	357,950	714,512	1,581,012	4,072,623	96,359	119,179	51,778	6,993,416	81,887	7,075,303
Segment profit or loss (△)	△46,805	△8,382	110,198	65,594	27,393	△11,867	△14,852	121,278	△31,315	89,962

2. Difference of amount between the total amount of profit or loss of a reportable segment and the amount recorded in the quarterly consolidated income statement and the main details of the difference (Matters regarding difference adjustment)

(Unit: JPY thousand)

Profit	Amount
Reportable segment total	121,278
Profit and loss in "Other" category	△31,315
Elimination of intersegment transactions	162,180
Amortization of goodwill	△34,939
Company-wide expenses (Note)	△246,823
Operating loss (△) in quarterly consolidated income statement	△29,620

(Note) Company-wide expenses are mainly general and administrative expenses that do not belong to any reportable segment.

3. Information regarding impairment losses on fixed assets or goodwill, etc. for each reportable segment

(Significant impairment loss related to fixed assets)

Not applicable

(Significant changes in the amount of goodwill)

Not applicable

(Important gain on negative goodwill)

Not applicable

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(Business combinations, etc.)

Not applicable

(Important subsequent events)

(Decrease in capital reserves and disposal of surplus)

At the board of directors meeting held on May 28, 2024, the Company resolved to submit the reduction of capital reserves and disposal of surplus to the 6th Ordinary General Meeting of Shareholders to be held on June 25, 2024, and it was approved at the said ordinary general meeting of shareholders and has become effective on July 1, 2024.

1. Purpose of reducing the amount of capital reserves and disposing surplus

With the aim of making up for the deficit in retained earnings carried forward occurred as of the end of the fiscal year ended March 2024 and improving the financial health of the company, we shall reduce the amount of capital reserves pursuant to Article 448, Paragraph 1 of the Companies Act and dispose of surplus pursuant to Article 452 of the same Act.

2. Details of the decrease in the amount of capital reserves

(1) Details of the decrease in the amount of capital reserves

Pursuant to the provisions of Article 448, Paragraph 1 of the Companies Act, the amount of capital reserves will be reduced and this will be transferred to other capital surplus.

① Amount of capital reserve decreased

Capital reserve	JPY 2,245,062,003
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② Amount increased in other capital surplus

Other capital surplus	JPY 2,245,062,003
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③ Amount of capital reserves after reduction

Capital reserve	JPY 0
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(2) Details of disposing surplus

Pursuant to Article 452 of the Companies Act, subject to the effectiveness of the reduction in the amount of capital reserves set forth in (1) above, the entire amount of other capital surplus resulting from the decrease in the amount of capital reserves will be reduced and be transferred to retained earnings brought forward to make up for the deficit.

① Items of surplus to be reduced and their amounts

Other capital surplus	JPY 2,245,062,003
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② Items of surplus to be increased and their amounts

Retained earnings carried forward	JPY 2,245,062,003
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3. Schedule for reducing the amount of capital reserves and disposing surplus

(1) Board of Directors resolution date: May 28, 2024

(2) Ordinary general meeting of shareholders resolution date: June 25, 2024

(3) Effective date of reduction in amount of capital reserves and disposal of surplus: July 1, 2024

※ Since this case falls under the requirements of the proviso to Article 449, Paragraph 1 of the Companies Act, there will be no procedure for a declaration of significance as a creditor.