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August 9, 2024

Consolidated Financial Results for the Six Months Ended December 31, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4820
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 Scheduled date to file semi-annual securities report: August 9, 2024
 Scheduled date to commence dividend payments: September 4, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for Analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated results of December 2024 2nd Quarter Financial Statement (January 1st, 2024 to June 30th, 2024)

(1) Consolidated management performance (total) (% refers to rate of change over the same quarter in the previous year)

	Sales		Operating profits		Ordinary profits		Quarterly net income belonging to parent company shareholders	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 2024 2 nd quarter	10,989	11.9	1,221	6.7	1,540	10.5	985	24.9
December 2023 2 nd quarter	9,818	20.3	1,144	(15.9)	1,394	(13.0)	789	(27.6)
(Note) Comprehensive income	December 2024 2 nd Quarter	1,051	Millions of yen	20.4%	December 2023 2 nd Quarter	873	Millions of yen	(23.0%)
	Quarterly net income per share				Quarterly net income per share after potential stock adjustment			
	Yen 100ths of a yen				Yen 100ths of a yen			
December 2024 2 nd quarter	14.00				13.96			
December 2023 2 nd quarter	11.17				11.13			

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
December 2024 2 nd quarter	Millions of yen 29,282	Millions of yen 20,404	% 69.4	Yen 100ths of a yen 289.93
December 2023	29,387	20,566	69.6	289.47

(Refer to) Net capital December 2024 2nd Quarter 20,324 Millions of yen December 2023 period 20,464 Millions of yen

2. State of dividends

	Annual dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of term	Total
	Yen 100ths of a yen	Yen 100ths of a yen	Yen 100ths of a yen	Yen 100ths of a yen	Yen 100ths of a yen
December 2023	–	7.00	–	7.00	14.00
December 2024	–	9.00			
December 2024 (estimate)				7.00	16.00

(Note)1. Revisions from the last published dividend estimates: None

3. Estimated consolidated results of December 2024 period (January 1st, 2024 through December 31st, 2024)

(% refers to rate of change over the previous term)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen 100ths of a yen
Full year	22,014	8.1	2,573	10.4	3,199	11.5	2,160	10.1	30.56

(Note) 1. Revisions from the last published forecast of financial results: None

* Addendums

(1) Changes in major subsidiaries during cumulative quarterly consolidated period (changes in designated subsidiaries accompanied by changes within the scope of consolidation): None

(2) Application of special accounts processing in the creation of the quarterly consolidated financial statement: Yes

(Note) For details, please see the attached document P11 "2. Quarterly consolidated financial statement and major explanatory notes (3) Addendums relating to quarterly consolidated financial statement (application of special accounts processing in the creation of the quarterly consolidated financial statement)".

(3) Changes to accounting policy, changes to estimates in accounting, revised restatements

1. Changes to accounting policies accompanying revision to accounting standards, etc. : None

2. Changes to accounting policies other than 1. : None

3. Changes to estimates in accounting : None

4. Revised restatement : None

(4) Number of shares outstanding (ordinary stock)

1. Number of shares outstanding at end of term (including own stock)	December 2024 2 nd quarter	74,514,800 shares	December 2023 period	74,514,800 shares
2. Number of own shares at end of term	December 2024 2 nd quarter	4,414,494 shares	December 2023 period	3,818,649 shares
3. Average number of shares outstanding during term (quarterly total)	December 2024 2 nd quarter	70,405,644 shares	December 2023 2 nd quarter	70,665,301 shares

* The quarter financial statement is not subject to quarterly review by certified public accountants or auditors.

* The descriptions of the future such as estimated results contained in this document are based on information possessed by this company at the present time and certain assumptions this company deems reasonable, and they may differ greatly to actual results due to a variety of factors.

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1. Qualitative information relating to this quarter's financial results

(1) Explanation regarding operating results

Prolonged restrictive fiscal policies primarily in the U.S. and Europe have impacted the Japanese economy during this interim consolidated accounting period, and the outlook of economic trends, such as soaring energy and raw material prices due to depreciation of the yen in the foreign exchange market, remains uncertain.

In the medical industry, the Group's main customer base, both medical and long-term care/welfare services are scheduled to undergo revisions in the 2024 fiscal year (which only occurs simultaneously once every six years). The timing at which revisions to the various fees are to take effect have been dispersed throughout the year, and changes to the number of fee points and their method of calculation are increasing in frequency. In addition, medical fees are to be raised under the revisions as a means of securing human resources and raising wages among medical and long-term care/welfare practitioners, while at the same time aiming to improve the stability and sustainability of the medical insurance system through greater efficiency and optimization by promoting digital transformation in the medical field.

In order to achieve high quality medical care via the promotion of digital transformation in the medical field along with other innovations, the Group has also continued to incorporate the online eligibility verification system, as the scope of coverage of the online eligibility verification system is expected to expand and electronic prescriptions are expected to become more commonplace. The Group is also providing medical assistance services, a new operational target, as well as gradually increasing the number of customers incorporating electronic prescriptions, and the number of installations in the current consolidated accounting period exceeded expectations.

In each segment of the Group's business, sales activities are steadily and more efficiently leading to the creation of new projects due to the high percentage of sales switching from conventional face-to-face sales to inside sales through last year's reorganization. In addition, the Group also continues to acquire potential projects through website renewals, the utilization of MA tools, and the application of digital marketing, including videos and enhanced content on examples of incorporation.

On the other hand, although sales and operating profits increased year-on-year due to turning both Good Cycle System Inc. and UNIKE SOFTWARE RESEARCH CO., LTD, into consolidated subsidiaries during the previous fiscal year, in regard to this interim consolidated accounting period for the Group, in addition to the end of intensive demand for the online eligibility verification system, which we have been incorporating since April 2021, there was a drop in comparison to the revised forecast for the interim consolidated results due to the addition of post-incident response expenses from the "leap day" system failure within our IT systems for pharmacies and from system failures in our IT systems for clinics.

As a result, our business results for this 2nd quarter consolidated cumulative period was 10,989 million yen in sales (a 11.9% increase compared to the same period in the previous year), 1,221 million yen in operating profits (a 6.7% increase) 1,540 million yen in ordinary profits (a 10.5% increase), and 985 million yen in this quarterly net income belonging to parent company shareholders (a 24.9% increase).

By segment results are as follows.

(IT Systems for Pharmacies)

In regard to IT systems for pharmacies, despite the end of intensive demand for the online eligibility verification system, medical assistance expanded and the number of customers incorporating electronic prescriptions increased. Good Cycle System Inc. and UNIKE SOFTWARE RESEARCH CO., LTD were subject to consolidation, increasing sales and operating profits within the segment, along with billing sales increasing due to an increase in the number of customers.

Consequently, IT systems for Pharmacies for this 2nd quarter consolidated cumulative period resulted in 9,013 million yen in sales (a 17.3% increase compared with the same period in the previous year) and 1,684 million yen in operating profits (a 19.8% increase).

(IT Systems for Clinics)

In regard to IT systems for clinics, in addition to organizational restructuring, we are also taking a wide range of approaches utilizing digital marketing. Expanded sales of “MAPs for CLINIC” have led to steady growth in billing sales within the segment. On the other hand, operating losses increased due to the end of intensive demand for the online eligibility verification system as well as to the addition of post-incident response expenses from system failures.

Consequently, IT systems for clinics for this 2nd quarter consolidated cumulative period resulted in 1,198 million yen in sales (a 21.6% decrease compared to the same period in the previous year) and 306 million yen in operating losses (previous period: 7 million yen in operating losses).

(IT Systems for Long-term Care/Welfare)

In regard to IT systems for long-term care/welfare, while replacements for existing products caused a drop in maintenance sales, billing sales have remained steady due to an increase in the number of “MAPs for NURSING CARE” licenses. In addition, operating losses narrowed slightly due to mitigating the burden of fixed costs in the segment.

Consequently, IT systems for Long-term Care/Welfare for this 2nd quarter consolidated cumulative period resulted in 283 million yen in sales (a 1.8% increase compared with the same period in the previous year) and 229 million yen in operating losses (previous period: 285 million yen in operating losses)

(Other businesses)

In other businesses, sales increased due to the expansion of our cashless business via ChoQi Co., Ltd. as well as to contributions from our temporary staffing business via UNIKE SOFTWARE RESEARCH CO., LTD. This led to an improvement in the overall profitability of the segment, which in turn also increased operating profits.

Consequently, other business for this 2nd quarter consolidated cumulative period resulted in 572 million yen in sales (a 48.3% increase compared to the same period in the previous year) and 40 million yen in operating profits (previous period: 5 million yen in operating profits).

(Segmented sales and operating profits and losses are the amounts before elimination of internal transactions between segments.)

(2) Explanation regarding financial position

(Assets)

Current assets at the end of this interim consolidated accounting period were 15,214 million yen, an increase of 414 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 48 million yen increase in cash on hand and in banks, and a 320 million yen increase in notes and accounts receivable. Fixed assets were 14,067 million yen, a decrease of 519 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 294 million yen in software accompanying amortization, 112 billion yen in goodwill resulting and 98 million yen in investment real estate.

As a result, total assets were 29,282 million yen, an increase of 104 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities at the end of this interim consolidated accounting period were 6,247 million yen, an increase of 629 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 181 million yen in accounts payable, a 329 million yen increase in income taxes payable, and a 133 million yen increase in other liabilities, despite a 109 million yen decrease in the current portion of long-term loans payable. Fixed liabilities were 2,630 million yen, a decrease of 572 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 541 million yen decrease in long-term loans payable.

As a result, total liabilities were 8,878 million yen, an increase of 57 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Net assets at the end of this interim consolidated accounting period came to 20,404 million yen, a decrease of

161 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 491 million yen increase in retained earnings and a 407 million yen decrease in treasury stock.

As a result, equity ratio was 69.4% (69.6% at the end of the previous consolidated fiscal year).

(3) Explanation regarding information on future prospects such as forecast of consolidated financial results

The forecast of consolidated financial results for the full year ending December 2024 has not changed to the full year consolidated financial results forecast announced in [Summary of Consolidated Financial Results for the Fiscal Year Ended December 2023] on February 14, 2024.

2. Quarterly consolidated financial statements and major explanatory notes

(1) Quarterly consolidated balance sheet

(Units: millions of yen)

	Previous consolidated fiscal year (December 31 st , 2023)	This 2 nd quarter consoli- dated fiscal period (June 30 th , 2024)
Assets		
Current assets		
Cash on hand and in banks	9,441	9,490
Notes and accounts receivable	3,082	3,403
Merchandise and products	1,136	1,123
Others	1,139	1,200
Allowance for bad debts	(0)	(1)
Total current assets	14,800	15,214
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	575	574
Land	474	474
Lease assets (net)	65	48
Others (net)	214	338
Total tangible fixed assets	1,330	1,436
Intangible fixed assets		
Software	2,296	2,001
Software in progress	164	202
Goodwill	1,475	1,362
Others	1,250	1,215
Total intangible fixed assets	5,186	4,782
Investments and other assets		
Investment securities	962	928
Investment real estate (net)	6,393	6,294
Others	725	637
Allowance for bad debts	(11)	(12)
Total investments and other assets	8,070	7,848
Total fixed assets	14,587	14,067
Total assets	29,387	29,282

(Units: millions of yen)

	Previous consolidated fiscal year (December 31 st , 2023)	This 2 nd quarter consoli- dated fiscal period (June 30 th , 2024)
Liabilities		
Current liabilities		
Notes and accounts payable	1,121	1,074
Accounts payable-other	997	1,179
Current portion of long-term loans payable	966	857
Lease obligations	36	37
Income taxes payable, etc.	241	570
Provision for bonuses	348	429
Contract liability	877	936
Others	1,028	1,162
Total current liabilities	5,618	6,247
Fixed liabilities		
Long-term loans payable	1,527	986
Lease obligations	37	3
Net defined benefit liability	135	123
Provision for product warranties	3	2
Long-term accounts payable	396	396
Long-term guarantee deposits	763	789
Others	339	329
Total fixed liabilities	3,202	2,630
Total liabilities	8,821	8,878
Net assets		
Shareholder's equity		
Capital stock	2,785	2,785
Capital surplus balance	3,376	3,104
Retained earnings	16,101	16,592
Treasury stock	(1,990)	(2,397)
Total shareholder's equity	20,272	20,083
Cumulative amount of other comprehensive income		
valuation difference on available-for-sale securities	85	60
Foreign currency translation adjustments	106	179
Total other cumulative comprehensive income	191	240
Subscription rights to shares	56	55
Minority interests	45	24
Total net assets	20,566	20,404
Total liabilities and net assets	29,387	29,282

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

(Quarterly consolidated statements of income)

(2nd quarter consolidated cumulative period)

(Units: millions of yen)

	Previous 2 nd quarter consolidated cumulative period (From January 1 st , 2023 To June 30 th , 2023)	This 2 nd quarter consolidated cumulative period (From January 1 st , 2024 To June 30 th , 2024)
Sales	9,818	10,989
Cost of sales	4,960	5,427
Gross profit	4,858	5,561
Selling, general and administrative expenses	3,713	4,340
Operating profits	1,144	1,221
Non-operating profits		
Interest income	3	6
Real estate rental income	484	527
Others	14	20
Total non-operating profits	502	553
Non-operating expenses		
Interest expense	4	5
Real estate rental expenses	210	196
Equity Losses of Affiliated Companies	35	-
Others	3	31
Total non-operating expenses	253	233
Ordinary profits	1,394	1,540
Special losses		
Loss on step acquisitions	140	-
Losses on disposal of fixed assets	9	47
Total special losses	150	47
Quarterly net income before adjustment for taxes, etc.	1,244	1,492
Corporation tax, etc.	459	489
Quarterly net income	784	1,003
Loss attributable to non-controlling interests	(4)	17
Profit attributable to owners of parent	789	985

(Quarterly consolidated statements of comprehensive income)

(2nd quarter consolidated cumulative period)

(Units: millions of yen)

	Previous 2 nd quarter consolidated cumulative period (From January 1 st , 2023 To June 30 th , 2023)	This 2 nd quarter consolidated cumulative period (From January 1 st , 2024 To June 30 th , 2024)
Quarterly net income	784	1,003
Other comprehensive income		
valuation difference on available-for-sale securities	62	(24)
Foreign currency translation adjustments	23	73
Remeasurements of defined benefit plans	3	-
Total other comprehensive income	88	48
Quarterly comprehensive income	873	1,051
(Breakdown)		
Quarterly comprehensive income concerning parent company shareholders	878	1,034
Quarterly comprehensive income concerning non-controlling shareholders	(4)	17

(3) Addendums relating to quarterly consolidated financial statement

(Explanatory notes regarding prerequisites of going concern)

There is no applicable information.

(Explanatory notes for cases of considerable changes in amounts of shareholder's equity)

There is no applicable information.

1. Information related to net sales, profit/loss, assets, liabilities and other items for each reportable segment
Previous fiscal year (From January 1st, 2023 to June 30th, 2023)

(Units: millions of yen)

	Reportable segment					Adjustment (Note1)	Amounts recorded in consolidated financial statements
	IT Systems for Pharmacies	IT Systems for Clinics	IT Systems for Long-term care/welfare	Other Businesses	Total		
Net sales							
initial sales	4,077	995	20	—	5,093	—	5,093
system usage fee sales	2,323	412	112	—	2,849	—	2,849
consumable goods sales	885	28	—	—	914	—	914
maintenance service sales	386	92	145	—	624	—	624
other businesses	—	—	—	337	337	—	337
Revenue from contracts with customers	7,672	1,529	278	337	9,818	—	9,818
External sales	7,672	1,529	278	337	9,818	—	9,818
Inter-segment sales and transfers	9	—	—	48	58	(58)	—
Total	7,681	1,529	278	386	9,876	(58)	9,818
Segment profit or segment loss(Note2)	1,405	(7)	(285)	5	1,117	27	1,144

Note

1. Adjustments to segment income (loss) mainly include elimination of intersegment transactions.

2. Segment profit is adjusted to be consistent with operating profit recorded in the consolidated financial statements.

2. Information on Impairment Loss on Fixed Assets and Goodwill by Reportable Segment

(Significant impairment losses on fixed)

There is no applicable information.

(Significant changes in the amount of goodwill)

In the "IT Systems for Pharmacies" segment, the Company acquired additional shares of Good Cycle System Inc. As a result, goodwill of 532 million yen was recognized in the current interim consolidated accounting period. In addition, goodwill of 1,733 million yen was recognized during the period due to the acquisition of shares of UNIKE SOFTWARE RESEARCH CO., LTD. and its management purpose company, Launchpad13 Inc.

The goodwill amount of 1,733 million yen is a tentatively calculated amount because the allocation of the acquisition cost has not been completed at the end of the current interim consolidated accounting period.

(Significant gain on negative goodwill)

There is no applicable information.

Information on amount of sales and profit and loss by reportable segment and breakdown of income
Current fiscal year (From January 1st, 2024 to June 30th, 2024)

(Units: millions of yen)

	Reportable segment					Adjustment (Note1)	Amounts recorded in consolidated financial statements
	IT Systems for Pharmacies	IT Systems for Clinics	IT Systems for Long-term care/welfare	Other Businesses	Total		
Net sales							
initial sales	4,065	664	37	—	4,766	—	4,766
system usage fee sales	3,429	443	124	—	3,997	—	3,997
consumable goods sales	1,033	25	0	—	1,058	—	1,058
maintenance service sales	476	65	121	—	664	—	664
other businesses	—	—	—	502	502	—	502
Revenue from contracts with customers	9,004	1,198	283	502	10,989	—	10,989
External sales	9,004	1,198	283	502	10,989	—	10,989
Inter-segment sales and transfers	9	—	—	70	79	(79)	—
Total	9,013	1,198	283	572	11,069	(79)	10,989
Segment profit or loss(Note2)	1,684	(306)	(229)	40	1,188	32	1,221

Note

1. Adjustment of segment income (loss) is mainly due to elimination of intersegment transactions, etc.
2. Segment profit is adjusted to be consistent with operating profit recorded in the consolidated financial statements.

2. Information on Impairment Loss on Fixed Assets and Goodwill by Reportable Segment

(Significant impairment losses on fixed assets)

There is no applicable information.

(Significant changes in the amount of goodwill)

There is no applicable information.

(Significant gain on negative goodwill)

There is no applicable information.

(Application of special accounts processing in the creation of the quarterly consolidated financial statement)
(Calculation of tax expense)

We have calculated tax expenses by multiplying quarterly net income before taxes and effective tax rate that were reasonably estimated, following application of tax effect accounting for the income before taxes of the consolidated accounting period including this 2nd, quarter consolidated cumulative period.

(Accounting policy revisions)

There is no applicable information.

This financial report is solely a translation of the Company's Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.