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Summary of Consolidated Financial Results for the Fiscal Year Ended February 28, 2025 (IFRS)

April 15, 2025

Company name:	baudroie,inc.
Stock exchange listings:	Tokyo Stock Exchange
Stock code:	4413
URL:	https://www.baudroie.jp/
Representative:	Shigehiro Tominaga, President and Chief Executive Officer Keisuke Mizushima, General Manager, Business Administration
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Scheduled date for ordinary general meeting of shareholders:	May 22, 2025
Scheduled date for dividend payment:	-
Scheduled date for submission of securities report:	May 22, 2025
Supplementary materials for financial summaries:	Yes
Financial results briefing:	Yes (For institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2025 (from March 1, 2024 to February 28, 2025)

(1) Consolidated operating results

(% represents the change from the previous period)

	Revenue		Operating profit		Profit before tax		Profit for the period		Profit attributable to owners of parent		Total comprehensive income	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended February 28, 2025,	11,649	58.9	2,460	55.2	2,461	56.3	1,799	55.0	1,799	55.0	1,866	58.5
February 29, 2024,	7,330	—	1,585	—	1,574	—	1,161	—	1,161	—	1,177	—

	Basic earnings per share		Diluted earnings per share		Profit to equity attributable to owners of parent ratio	Profit before tax to total assets ratio	Operating profit to revenue ratio
	Yen		Yen		%	%	%
Fiscal year ended February 28, 2025,	113.39		112.55		40.8	31.6	21.1
February 29, 2024,	73.41		72.70		29.0	25.4	21.6

(Reference) Share of profit (loss) of investments accounted for using equity method

Fiscal year ended February 2025 - million-yen

Fiscal year ended February 2024 - million yen

(Note) The Company conducted a one-to-two stock split of its common shares as of November 1, 2023. In accordance with this, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2024.

(2) Consolidated financial positions

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	million yen	million yen	million yen	%	Yen
February 28, 2025	8,602	4,571	4,571	53.1	295.46
February 29, 2024	6,939	4,251	4,251	61.3	271.35

(Note) The Company conducted a stock split at a ratio of 2 shares for each 1 share of Common stock on November 1, 2023. Net assets per share are calculated assuming that the stock split was conducted at the beginning of the fiscal year ending February 2024.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal year ended February 28, 2025	1,909	352	(3,022)	3,489
February 29, 2024	1,255	(331)	(599)	4,250

2. Cash dividends

	Annual dividends per share					Total amount of cash dividends (total)	Dividend payout ratio (Consolidated)	Ratio of total amount of dividends to equity attributable to owner of parent (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	million yen	%	%
Fiscal year ended February 29, 2024	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended February 28, 2025	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending February 28, 2026 (Forecast)	—	0.00	—	15.16	15.16		10.0	

3. Consolidated Financial Forecasts for the Fiscal Year Ending February 28, 2026 (from March 01, 2025 to February 28, 2026)

(% indicates the year-on-year change for the full year)

	Revenue		Operating profit		Profit before tax		Profit for the period		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Fiscal year ending February 28, 2026	15,500	33.1	3,250	32.1	3,234	31.4	2,345	30.3	2,345	30.3	151.57

*** Explanatory notes**

Significant changes in the scope of consolidation during the period: Yes

Added: Two companies (FunClock Inc., actias Inc.)

(2) Changes in accounting policies and changes in accounting estimates

- | | |
|---|----|
| 1) Changes in accounting policies required by IFRS: | No |
| 2) Changes in accounting policies other than those in 1) above: | No |
| 3) Changes in accounting estimates: | No |

(3) Number of issued and outstanding shares (common stock)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of February 28, 2025	16,034,354 shares
As of February 29, 2024	15,892,600 shares

(ii) Number of treasury shares at the end of the period

As of February 28, 2025	560,635 shares
As of February 29, 2024	224,768 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended February 28, 2025	15,869,161 shares
Fiscal year ended February 29, 2024	15,814,710 shares

(Note) The Company conducted a stock split at a ratio of 2 shares for each 1 share of Common stock on November 1, 2023. Assuming that the stock split was conducted at the beginning of the fiscal year ended February 2024, the "Number of shares issued at the period end," "Number of treasury stock at the period end," and "Average number of shares" have been calculated.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended February 28, 2025 (from March 1, 2024 to February 28, 2025)

(1) Non-consolidated operating results

(% represents the change rate from the previous period)

	Revenue		Operating profit		Ordinary profit		Net income	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
February 28, 2025	7,210	19.0	1,796	19.8	1,832	22.8	1,358	18.5
February 29, 2024	6,061	25.4	1,499	56.0	1,491	48.4	1,146	46.5

	Net income per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
February 28, 2025	85.63	84.99
February 29, 2024	72.48	71.78

(Note) The Company conducted a stock split at a ratio of 2 shares for each share of Common stock on November 1, 2023. Assuming that the stock split was conducted at the beginning of the fiscal year ended February 2024, Net income per share and Diluted earnings per share have been calculated.

(2) Non-consolidated financial positions

	Total Assets	Equity	Equity to total assets ratio	Net assets per share
As of	million yen	million yen	%	Yen
February 28, 2025	6,079	4,032	65.0	255.56
February 28, 2024	5,938	4,160	69.9	264.96

(Reference) Owner's equity

Fiscal year ended February 2025: 3,954-million-yen Fiscal year ended February 2024: 4,151 million yen

(Note) The Company conducted a stock split at a ratio of 2 shares for each 1 share of Common stock on November 1, 2023. Net assets per share are calculated assuming that the stock split was conducted at the beginning of the fiscal year ended February 2024.

※ The financial results report is not subject to audit by certified public accountants or audit firms.

※ Notes for using forecasted information and Others

The forward-looking statements, such as performance forecasts, contained in this document are based on information currently available to the company and certain assumptions deemed reasonable. Actual performance may differ significantly due to various factors. For the conditions underlying the performance forecasts and precautions for using the performance forecasts, please refer to the attached document P.4 "1. Overview of Operating Results, etc. (4) Future Outlook."

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1. Overview of Consolidated Results of Operations, etc.

(1) Overview of Results of Operations

During the consolidated fiscal year (from March 1, 2024 to February 28, 2025), the Japanese economy has shown a moderate recovery, supported by improvements in the employment and income environment as well as the effects of various government policies.

On the other hand, uncertainties remain due to fluctuations in financial and capital markets, concerns over the slowdown of overseas economies, persistently high resource prices, and a worsening labor shortage.

Even under such conditions, the advancement of the IT-driven society continues, and corporate investments in IT and digital transformation (DX) aimed at improving operational efficiency and strengthening competitiveness have remained robust.

In particular, there is growing demand in areas such as cloud infrastructure development, faster and more stable networks, and enhanced security measures.

In response to these growing fields, the Company and its group of companies ("the Group"), has been strengthening its capabilities in advanced technology areas such as cloud computing, load balancers, security, wireless technologies, and network virtualization.

In addition, the Group, as a team of professionals specializing in IT infrastructure, has been driving its business forward based on the following key initiatives.

Expand and deepen projects for enterprise clients; We are enhancing our project acquisition capabilities while also strengthening relationships with existing major clients, thereby securing stable revenue streams.

Prioritizing the selection and acceptance of projects in advanced technology fields and strengthening talent development by matching engineers to projects aligned with their technical skill levels; We maintained high-quality service delivery through in-house training programs that enable the early development of young talent and by assigning them to projects that match their technical progression.

As a result, for the fiscal year under review, the Group posted revenue of 11,649,705 thousand yen (up 58.9%), operating profit of 2,460,813 thousand yen (up 55.2%), profit before tax of 2,461,226 thousand yen (up 56.3%), and profit attributable to owners of parent of 1,799,365 thousand yen (up 54.8%), all on a year-on-year basis (YoY).

(2) Overview of Financial Position for the Fiscal Year under Review

At the end of the consolidated fiscal year, total assets increased by 1,675,713 thousand yen compared to the previous consolidated fiscal year-end, reaching 8,602,846 thousand yen (up 24.0% YoY).

Current assets increased by 28,560 thousand yen to 5,384,041 thousand yen (up 0.5% YoY), while non-current assets increased by 1,635,157 thousand yen to 3,218,805 thousand yen (up 103.3% YoY).

The main factors behind the increase in current assets were the rise in trade and other receivables.

The increase in non-current assets was primarily due to the recognition of goodwill associated with the acquisitions of FunClock Inc. and actias Inc.

Total liabilities at the end of the consolidated fiscal year increased by 1,343,280 thousand yen compared to the previous consolidated fiscal year-end, reaching 4,031,003 thousand yen (up 50.0% YoY).

Current liabilities increased by 1,096,247 thousand yen to 2,825,770 thousand yen (up 63.4% YoY), while non-current liabilities increased by 247,033 thousand yen to 1,205,233 thousand yen (up 25.8% YoY).

The main factor behind the increase in current liabilities was the rise in consumption taxes refund receivable and salaries and allowances.

The main factor behind the increase in non-current liabilities was the rise in corporate bonds and long-term borrowings.

Total equity at the end of the consolidated fiscal year increased by 320,437 thousand yen compared to the previous consolidated fiscal year-end, reaching 4,571,842 thousand yen (up 7.5% YoY).

The factors contributing to the increase include the rise in retained earnings due to the recording of net income attributable to the owners of the parent company, as well as the increase in capital surplus resulting from the disposal of treasury stock. The primary factor behind the decrease in capital is the acquisition of treasury stock amounting to 2,690,558 thousand yen.

(3) Overview of Cash Flows for the Fiscal Year under Review

At the end of the consolidated fiscal year, cash and cash equivalents (hereinafter referred to as " Net cash ") increased by 764,066 thousand yen compared to the end of the previous consolidated fiscal year, reaching 3,486,412 thousand yen. Cash inflows from operating activities amounted to 1,909,176 thousand yen, while cash inflows from investing activities totaled 349,743 thousand yen. Cash outflows from financing activities amounted to 3,022,987 thousand yen. The status of each cash flow and its key influencing factors during the consolidated fiscal year are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 1,909,176 thousand yen (compared to net cash inflows of 1,255,266 thousand yen in the previous consolidated fiscal year). This was mainly due to the recognition of profit before tax of 2,461,226 thousand yen and depreciation and amortization expenses of 241,098 thousand yen, while corporate income tax payments amounted to 567,222 thousand yen, among other factors.

(Cash flows from investing activities)

Net cash provided by investing activities amounted to 349,743 thousand yen (compared to net cash outflows of 331,578 thousand yen in the previous consolidated fiscal year). This was primarily due to net cash inflows of 346,355 thousand yen from the acquisition of subsidiaries and net cash inflows of 57,192 thousand yen from the cancellation of insurance reserves, while net cash outflows of 95,992 thousand yen from the acquisition of subsidiaries were also recorded.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 3,022,987 thousand yen (compared to net cash outflows of 599,043 thousand yen in the previous consolidated fiscal year). This was mainly due to net cash inflows of 400,000 thousand yen from long-term borrowings, while net cash outflows of 393,773 thousand yen for the repayment of long-term borrowings and 2,690,558 thousand yen for the acquisition of treasury stock were recorded.

(4) Future Outlook

Our group has been working on the development and utilization of highly specialized talent in the IT infrastructure field, expanding transactions with enterprise customers, and strengthening our capabilities in advanced technology areas such as cloud and security. Moving forward, we will continue to make sustained investments in the recruitment and education of engineers, aiming to accelerate the early contribution of young talent specializing in IT infrastructure and foster highly skilled professionals.

Additionally, we will enhance our overall sales capabilities and management foundation, secure a strong talent base through M&A, and revise our evaluation and compensation systems to improve both engineer retention rates and customer satisfaction.

Through these initiatives, we expect steady business growth to continue. As for the consolidated earnings forecast for the fiscal year ending February 2026, we anticipate revenue of 15.5-billion-yen, operating profit of 3.25 billion yen, and profit attributable to owners of parent of 2.345 billion yen.

2. Basic Views on Selecting Accounting Standards

The Company has adopted the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended February 28, 2025 to enhance the international comparability of financial information and improve disclosure, thereby increasing convenience for various stakeholders, including domestic and international shareholders and investors.

3. Consolidated Financial Statements and Primary Notes

(1) Condensed Consolidated Statement of Financial Position

	(Thousands of yen)		
	Transition date (March 1, 2023)	As of February 29, 2024,	As of February 28, 2025,
Assets			
Current assets			
Cash and cash equivalents	3,925,835	4,250,479	3,486,412
Trade and other receivables	707,286	950,979	1,578,552
Other financial assets	9,076	7,876	90,217
Other current assets	131,087	146,145	228,858
Total current asset	4,773,286	5,355,481	5,384,041
Non-current assets			
Property, plant, and equipment	30,633	235,695	266,871
Right-of-use assets	—	366,512	358,639
Goodwill	215,484	546,730	2,032,282
Intangible assets	72	—	106,327
Other financial assets	184,313	270,451	280,250
Deferred tax assets	15,698	61,729	102,363
Other non-current assets	222,316	102,527	72,070
Total non-current assets	668,519	1,583,647	3,218,805
Total assets	5,441,805	6,939,128	8,602,846

(Thousands of yen)

	Transition date (March 1, 2023)	As of February 29, 2024	As of February 28, 2025
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	52,988	64,336	68,113
Bonds and borrowings	176,274	233,163	441,742
Lease liabilities	26,123	135,832	273,302
Income taxes payable	227,690	330,973	464,261
Provisions	29,893	2,797	—
Other current liabilities	774,942	962,421	1,578,351
Total current liabilities	1,287,912	1,729,523	2,825,770
Non-current liabilities			
Bonds and borrowings	384,141	585,519	885,744
Lease liabilities	5,283	299,968	191,462
Other financial liabilities	—	67	—
Provisions	2,229	72,644	103,242
Deferred tax liabilities	—	—	24,783
Total non-current liabilities	391,653	958,199	1,205,233
Total liabilities	1,679,566	2,687,723	4,031,003
Equity			
Share capital	599,361	601,421	603,697
Capital surplus	554,782	556,842	989,198
Retained earnings	2,574,837	3,735,873	5,535,238
Treasury shares	(272)	(700,355)	(2,690,575)
Other components of equity	33,530	57,623	134,283
Total equity attributable to owners of the parent company	3,762,239	4,251,405	4,571,842
Total equity	3,762,239	4,251,405	4,571,842
Total liabilities and equity	5,441,805	6,939,128	8,602,846

(2) Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income

Condensed Consolidated Statements of Profit or Loss

Fiscal year ended February 28, 2025

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Revenue	7,330,186	11,649,705
Cost of sales	4,626,349	7,383,658
Gross profit	2,703,836	4,266,047
Selling, general and administrative expenses	1,149,078	1,788,573
Other income	32,736	675
Other costs	1,549	17,336
Operating profit	1,585,945	2,460,813
Finance income	39	17,902
Finance costs	11,257	17,489
Profit before tax	1,574,727	2,461,226
Income tax expense	413,692	661,860
Profit	1,161,035	1,799,365
Profit attributable to Owners of parent	1,161,035	1,799,365
Profit	1,161,035	1,799,365
Earnings per share		
Basic earnings per share (yen)	73.41	113.39
Diluted earnings per share (yen)	72.70	112.55

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended February 29, 2024,	For the fiscal year ended February 28, 2025,
Profit	1,161,035	1,799,365
Other comprehensive income (loss), net of tax Items that will not be reclassified subsequently to profit or loss		
Changes in fair value of financial assets measured at fair value through other comprehensive income	16,659	67,054
Other comprehensive income, net of tax	16,659	67,054
Comprehensive income	1,177,694	1,866,419
Comprehensive income attributable to:		
Owners of parent	1,177,694	1,866,419
Comprehensive	1,177,694	1,866,419

(3) Consolidated Statements of Changes in Equity

Fiscal year ended February 29, 2024

	Equity attributable to owners of parent							Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		Total	
					Share acquisition rights	Net change of fair value of financial assets measured at fair value through other comprehensive income		
Balance as of March 1, 2023	599,361	554,782	2,574,837	(272)	2,109	31,420	33,530	3,762,239
Profit	—	—	1,161,035	—	—	—	—	1,161,035
Other comprehensive income	—	—	—	—	—	16,659	16,659	16,659
Comprehensive income	—	—	1,161,035	—	—	16,659	16,659	1,177,694
Exercise of share acquisition rights	2,059	2,059	—	—	—	—	—	4,119
Acquisition of treasury shares	—	—	—	(700,082)	—	—	—	(700,082)
Share-based payment transactions	—	—	—	—	7,433	—	7,433	7,433
Total transactions with owners	2,059	2,059	—	(700,082)	7,433	—	7,433	(688,529)
Balance as of February 29, 2024	601,421	556,842	3,755,873	(700,355)	9,543	48,080	57,623	4,251,405

Fiscal year ended February 28, 2025

	Equity attributable to owners of parent								
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity			Total	Total equity
					Share acquisition rights	Net change of fair value of financial assets measured at fair value through other comprehensive income			
Balance as of March 1,2024	601,421	556,842	3,735,873	(700,355)	9,543		48,080	57,623	4,251,405
Profit	—	—	1,799,365	—	—		—	—	1,799,365
Other comprehensive income	—	—	—	—	—		67,054	67,054	67,054
Comprehensive income	—	—	1,799,365	—	—		67,054	67,054	1,866,419
Issuance of new shares	—	334,554	—	—	—		—	—	334,554
Exercise of share acquisition rights	2,275	2,275	—	—	—		—	—	4,551
Acquisition of treasury shares	—	—	—	(2,690,558)	—		—	—	(2,690,558)
disposal of treasury shares	—	95,525	—	700,338	—		—	—	795,864
Share-based payment transactions	—	—	—	—	7,634		—	7,634	7,634
Issuance of share acquisition rights	—	—	—	—	2,137		—	2,137	2,137
Forfeiture of share acquisition rights	—	—	—	—	(166)		—	(166)	(166)
Total transactions with owners	2,275	432,356	—	(1,990,220)	9,605		—	9,605	(1,545,982)
Balance as of February 28, 2025	603,697	989,198	5,535,238	(2,690,575)	19,149		115,134	134,283	4,571,842

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	For the fiscal year ended February 29, 2024,	For the fiscal year ended February 28, 2025,
Cash flows from operating activities		
Profit before tax	1,574,727	2,461,226
Depreciation and amortization	82,137	241,098
Share-based payment expenses	7,433	7,634
Finance income and finance costs	(21,354)	(1,506)
Increase or decrease in liabilities related to employee benefits	108,369	83,027
(Increase) decrease in trade and other receivables	(167,754)	(255,815)
Increase (decrease) in trade and other payables	4,414	(21,886)
Others, net	29,378	(23,447)
Subtotal	1,617,351	2,490,332
Interest received	39	2,389
Interest paid	(7,536)	(16,322)
Income taxes paid	(354,589)	(567,222)
Net cash provided by (used in) operating activities	1,255,266	1,909,176
Cash flows from investing activities		
Purchase of property and equipment	(165,736)	(1,780)
Proceeds from sales of property and equipment	18,153	—
Proceeds from withdrawal of time deposits	—	10,000
Payments into time deposits	—	(10,002)
Payments of leasehold and guarantee deposits	(150,562)	(2,302)
Proceeds from refund of leasehold and guarantee deposits	91,822	694
Proceeds from cancellation of insurance funds	130,830	57,192
Income from acquisition of subsidiaries	—	346,355
Purchase of shares of subsidiaries	(256,148)	(95,992)
Income from distributions from a silent partnership	—	44,217
Others	63	1,360
Net cash provided by (used in) investing activities	(331,578)	349,743
Cash flows from financing activities		
Proceeds from short-term borrowings	100,000	—
Repayments of short-term borrowings	(83,000)	(17,000)
Proceeds from long-term borrowings	400,000	400,000
Repayment of long-term borrowings	(216,854)	(393,773)
Redemption of bonds payable	(39,000)	(59,000)
Proceeds from issuance of share acquisition rights	—	2,137
Income from the exercise of stock options	4,119	4,551
Repayments of finance lease liabilities	(64,226)	(269,345)
Acquisition of treasury shares	(700,082)	(2,690,558)
Net cash provided by (used in) financing activities	(599,043)	(3,022,987)
Increase (decrease) in cash and cash equivalents	324,644	(764,067)
Cash and cash equivalents at the beginning of the period	3,925,835	4,250,479
Cash and cash equivalents at end of the period	4,250,479	3,486,412

(5) Notes to Condensed Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Segment Information, Etc.)

The information is omitted as the Group has a single operating segment engaged only in the IT infrastructure business and the information lacks materiality.

(Per Share Information)

(1) Basic earnings per share (yen)

	(Thousands of yen)	
	For the fiscal year ended February 29, 2024,	For the fiscal year ended February 28, 2025,
Profit attributable to common shareholders of the parent		
Profit attributable to owners of parent	1,161,035	1,799,365
Amount not attributable to common shareholders of the parent	—	—
Profit used in calculating basic earnings per share	1,161,035	1,799,365
Average number of common stocks during the period (shares)	15,814,710	15,869,161
Basic earnings per share	73.41	113.39

(2) Diluted earnings per share (yen)

	(Thousands of yen)	
	For the fiscal year ended February 29, 2024,	For the fiscal year ended February 28, 2025,
Profit attributable to common shareholders after dilution		
Profit used in calculating basic earnings per share	1,161,035	1,799,365
Profit adjustment	—	—
Profit used in calculating diluted earnings per share	1,161,035	1,799,365
Average number of common stocks during the period (shares)	15,814,710	15,869,161
Dilutive effect of performance-based share remuneration (shares)	154,860	118,354
After adjustment for dilutive effect (shares)	15,969,570	15,987,515
Diluted earnings per share (yen)	72.70	112.55

(Note) The Company conducted a one-to-two stock split of its common shares as of November 1, 2023. In accordance with this, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2024.

(Significant Subsequent Events)

The Company hereby announces that based on the resolution made at the board of directors meeting held on November 25, 2024 relating to the acquisition of its own shares in accordance with article 156 of the companies Act, applied by replacing terms pursuant to the provisions of article 165, paragraph 3 of said Act, the Company has acquired its own shares and the status for the month of March 2025 is as follows.

1. Class of shares acquired	Common stock
2. Total number of shares acquired	49,800 shares
3. Total amount of shares acquired	259,168,000 yen
4. Acquisition period	From March 1, 2025 through March 31, 2025
5. Method of acquisition	Market purchases on the Tokyo Stock Exchange

(Reference)

I. Details of matters related to the acquisition resolved at the Board of Directors meetings held on November 25, 2024

1. Class of shares to be acquired	Common stock
2. Total number of shares to be acquired	640,600 shares (at maximum) (4.0% of total number of issued shares (excluding treasury shares))
3. Total amount of share acquisition costs	3.5 billion yen (at maximum)
4. Acquisition period	From December 11, 2024 through April 30, 2025
5. Method of acquisition	Market purchases on the Tokyo Stock Exchange

II. Cumulative number of shares acquired by March 31, 2024 based on the details of the above resolution

1. Total number of shares acquired	610,400 shares
2. Total amount of shares acquired	2,949,568,500 yen

(First-time Adoption)

The Group has disclosed condensed quarterly consolidated financial statements in accordance with IFRS accounting standards starting from the first quarter under review. The most recent consolidated financial statements prepared in accordance with the Japanese Generally Accepted Accounting Principles, "Japanese GAAP," are for the fiscal year ended February 29, 2024, and the date of transition to IFRS accounting standards is March 1, 2023.

(1) Exemptions from Retrospective Application

IFRS 1 requires an entity adopting IFRS for the first time to apply the standards retrospectively, in principle. However, IFRS 1 provides certain optional exemptions and the Group has adopted the following exemptions.

1) Business combination

The Group has not applied IFRS 3 Business Combinations retrospectively to business combinations that took place before the date of transition.

2) Leases

Whether leases are included in contracts existing as of the date of transition are decided based on the facts and circumstances that exist as of the said date. In addition, lease liabilities are measured with the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate and the right-of-use assets are also measured at an amount equal to the lease liabilities.

3) Designation of financial instruments recognized before the date of transition

Part of equity financial assets are designated as financial assets measured at fair value through other comprehensive income based on the facts and circumstances that exist at the date of transition.

4) Share-based payment

The Group has chosen not to apply IFRS 2 Share-based payment for the share-based payment vested before the date of transition.

(2) Mandatory Exceptions of IFRS 1

IFRS 1 prohibits retrospective application of IFRS accounting standards for "estimates," "derecognition of financial assets and financial liabilities," "hedge accounting," "non-controlling interests," "classification and measurement of financial assets" and others. The Group has prospectively applied IFRS from the date of transition for these items.

(3) Reconciliations

The impact of the transition from Japanese GAAP to IFRS accounting standards on the Group's financial position, results of operations and cash flows is summarized below. In these reconciliations, the amounts under "Reclassification" include items that do not affect retained earnings or comprehensive income, while the amounts under "Difference in recognition and measurement" include items that affect retained earnings and comprehensive income.

① Reconciliation of equity
As of March 1, 2023 (Date of transition)

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	3,925,835	—	—	3,925,835		Cash and cash equivalents
Accounts receivable – trade and contract assets	731,990	(24,703)	—	707,286		Trade and other receivables
Prepaid expenses	85,879	(85,879)	—	—		
Other	3,775	106,807	20,504	131,087		Other current assets
	—	3,775	5,300	9,076	A	Other financial assets
Total current assets	4,747,481	—	25,805	4,773,286		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment						
Buildings, net	21,507	3,992	5,134	30,633	B	Property, plant and equipment
Tools, furniture and fixtures, net	3,992	(3,992)	—	—		
Intangible assets						
Goodwill	215,484	—	—	215,484	C	Goodwill
Other	72	—	—	72		Intangible assets
Investment securities	3,000	73,064	108,248	184,313	A,B,D,E	Other financial assets
Deferred tax assets	35,956	—	(20,257)	15,698	F	Deferred tax assets
Other	200,089	(73,064)	95,291	222,316		Other non-current assets
Total non-current assets	480,102	—	188,416	668,519		Total non-current assets
Total assets	5,227,584	—	214,221	5,451,805		Total assets

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Accounts payable - trade	10,498	57,271	(14,780)	52,988		Current liabilities
Current portion of bonds payable	39,000	137,274	—	176,274		Trade and other payables
Current portion of long-term borrowings	137,274	(137,274)	—	—		Bonds and borrowings
—	—	—	26,123	26,123	A	Lease liabilities
Accounts payable - other	57,271	(57,271)	—	—		
Accrued expenses	463,404	(463,404)	—	—		
Income taxes payable	227,690	—	—	227,690	F	Income taxes payable
Provision for bonuses	6,811	(6,811)	—	—		
—	—	—	29,893	29,893	B	Provisions
Other	186,809	470,215	117,917	774,942	G	Other current liabilities
Total current liabilities	1,128,758	—	159,154	1,287,912		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	23,000	361,141	—	384,141		Bonds and borrowings
Long-term borrowings	361,141	(361,141)	—	—		
—	—	—	5,283	5,283	A	Lease liabilities
—	—	—	2,229	2,229	B	Provisions
Total non-current liabilities	384,141	—	7,512	391,653		Total non-current liabilities
Total liabilities	1,512,900	—	166,666	1,679,566		Total liabilities
Net assets						Equity
Share capital	599,361	—	—	599,361		Share capital
Capital surplus	554,782	—	—	554,782		Capital surplus
Retained earnings	2,558,702	—	16,134	2,574,837	H	Retained earnings
Treasury shares	(272)	—	—	(272)		Treasury shares
Share acquisition rights	2,109	(2,109)	—	—		
—	—	2,109	31,420	33,530		Other components of equity
—	—	—	—	3,762,239		Total equity attributable to owners of parent
Total net assets	3,714,683	—	47,555	3,762,239		Total equity
Total liabilities and net assets	5,227,584	—	214,221	5,441,805		Total liabilities and equity

As of February 29,2024

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	4,250,479	—	—	4,250,479		Cash and cash equivalents
Accounts receivable - trade and contract assets	989,179	(38,199)	—	950,979		Trade and other receivables
Prepaid expenses	91,640	(91,640)	—	—		
Other	5,621	126,656	13,866	146,145		Other current assets
	—	3,183	4,693	7,876	A	Other financial assets
Total current assets	5,336,920	—	18,560	5,355,481		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment						
Buildings, net	138,318	28,208	69,168	235,695	B	Property, plant and equipment
Tools, furniture and fixtures, net	28,208	(28,208)	—	—		
			366,512	366,512	A	Right-of-use assets
Intangible assets						
Goodwill	471,792	—	74,938	546,730	C	Goodwill
Other	—	—	—	—		Intangible assets
Investments and other assets						
Investment securities	3,000	163,098	104,352	270,451	A,B,D,E	Other financial assets
Deferred tax assets	50,079	—	11,649	61,729	F	Deferred tax assets
Other	231,392	(163,098)	34,234	102,527		Other non-current assets
Total non-current assets	922,791	—	660,856	1,583,647		Total non-current assets
Total assets	6,259,712	—	679,416	6,939,128		Total assets

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Accounts payable - trade	15,610	63,506	(14,780)	64,336		Current liabilities
short-term borrowings	17,000	216,163	—	233,163		Trade and other payables
Current portion of bonds payable	14,000	(14,000)	—	—		Bonds and borrowings
Current portion of long-term borrowings	202,163	(202,163)	—	—		
Accounts payable - other	—	—	135,832	135,832	A	Lease liabilities
Accrued expenses	63,506	(63,506)	—	—		
Income taxes payable	603,204	(603,204)	—	—		
Contract liabilities	330,973	—	—	330,973	F	Income taxes payable
Provision for bonuses	453	(453)	—	—		
Provision for loss on order received	15,304	(15,304)	—	—		
	2,797	(2,797)	—	—		
	—	2,797	—	2,797	B	Provisions
Other	211,334	618,962	132,124	962,421	G	Other current liabilities
Total current liabilities	1,476,347	—	253,176	1,729,523		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	9,000	576,519	—	585,519		Bonds and borrowings
Long-term borrowings	576,519	(576,519)	—	—		
	—	—	299,968	299,968	A	Lease liabilities
	—	—	67	67	E	Other financial liabilities
	—	—	72,644	72,644	B	Provisions
Total non-current liabilities	585,519	—	372,680	958,199		Total non-current liabilities
Total liabilities	2,061,866	—	625,856	2,687,723		Total liabilities
Net assets						Equity
Share capital	601,421	—	—	601,421		Share capital
Capital surplus	556,842	—	—	556,842		Capital surplus
Retained earnings	3,730,393	—	5,479	3,735,873	H	Retained earnings
Treasury shares	(700,355)	—	—	(700,355)		Treasury shares
Share acquisition rights	9,543	(9,543)	—	—		
	—	9,543	48,080	57,623		Other components of equity
	—	—	—	4,251,405		Total equity attributable to owners of parent
Total net assets	4,197,845	—	53,559	4,251,405		Total equity
Total liabilities and net assets	6,259,712	—	679,416	6,939,128		Total liabilities and equity

② Reconciliation of comprehensive income
Previous fiscal year (March 1, 2023 – February 29, 2024)

(Thousands of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Net sales	7,330,186	–	–	7,330,186		Revenue
Cost of sales	4,585,700	–	40,649	4,626,349	G	Cost of sales
Gross profit	2,744,486	–	(40,649)	2,703,836		Gross profit
Selling, general and administrative expenses	1,177,103	2,165	(30,191)	1,149,078	A,B,C,G	Selling, general and administrative expenses
	–	32,736	–	32,736		Other income
	–	31,806	(30,257)	1,549	A	Other expenses
Operating profit	1,567,382	(1,235)	19,799	1,585,945		Operating profit
Non-operating income	2,492	(2,492)	–	–		
Non-operating expenses	11,435	(11,435)	–	–		
Extraordinary income	93,828	(93,828)	–	–		
Extraordinary losses	30,257	(30,257)	–	–		
	–	63,584	(63,544)	39	D	Finance income
	–	9,886	1,370	11,257	A,B	Finance costs
Profit before income taxes	1,622,010	(2,165)	(45,116)	1,574,727		Profit before tax
Total income taxes	450,319	(2,165)	(34,461)	413,692	F	Income tax expense
Profit	1,171,690	–	(10,655)	1,161,035		Profit
Other comprehensive income	–	–	–	–		Other comprehensive income
	–	–	–	–		Items that will not be reclassified to profit or loss
	–	–	–	–		Financial assets measured at fair value through other comprehensive income
	–	–	16,659	16,659	D	Total other comprehensive income
Total other comprehensive income	–	–	16,659	16,659		Total other comprehensive income
Comprehensive income	1,171,690	–	6,004	1,177,694		Comprehensive income

3) Notes on reconciliation

(1) Reclassification

- Financial assets and financial liabilities are presented separately in accordance with IFRS presentation rules.
- For “accounts receivable - trade and contract assets,” which were presented separately under Japanese GAAP, the trade portion is presented as “trade and other receivables” and contract assets as “other current assets” under IFRS accounting standards.
- “Prepaid expenses,” which were presented separately under Japanese GAAP, is included in “other current assets” under IFRS accounting standards.
- “Provision for loss on order received,” which was separately presented under Japanese GAAP, is included in “provisions” (current) under IFRS accounting standards.
- “Accounts payable - other” of current liabilities, which were separately presented under Japanese GAAP, are included in “trade and other payables” under IFRS accounting standards.
- “Accrued expenses,” “contract liabilities” and “provision for bonuses” of current liabilities, which were separately presented under Japanese GAAP, are included in “other current liabilities” under IFRS accounting standards.
- “Short-term borrowings,” “current portion of long-term borrowings” and “current portion of bonds payable,” which were separately presented under Japanese GAAP, are presented as “bonds and borrowings” (current) under IFRS accounting standards.
- “Bonds payable” and “long-term borrowings,” which were separately presented under Japanese GAAP, are presented as “bonds and borrowings” (non-current) under IFRS accounting standards.
- “Share acquisition rights,” which were separately presented under Japanese GAAP, are included in “other components of equity” under IFRS accounting standards.
- Items presented as “non-operating income,” “non-operating expenses,” “extraordinary income” and “extraordinary losses” under Japanese GAAP are presented as “finance income and finance costs” for items related to finance, “other operating income” and “other operating expenses” for other items under IFRS accounting standards.

(2) Difference in recognition and measurement

A. Leases

Under Japanese GAAP, lessee's leases were classified into finance leases or operating leases, and the method for regular lease transactions was applied to the accounting treatment of operating leases. Under IFRS accounting standards, such classification will not be conducted for lessee's leases, and right-of-use assets and lease liabilities are recognized for all leases, excluding short-term leases and leases with small underlying assets.

B. Property, plant and equipment

- (1) Under Japanese GAAP, accounting treatment to deduct asset retirement obligations from leasehold deposits is used, while under IFRS accounting standards, asset retirement obligations are recorded as liabilities and are depreciated after adding the amount to the acquisition cost of the corresponding property, plant and equipment.
- (2) Depreciation of property, plant and equipment has changed due to reviewing of method of depreciation and others conducted in line with the application of IFRS accounting standards.

C. Goodwill

Under Japanese GAAP, “goodwill” was to be amortized over the estimated period of its effect. Under the IFRS accounting standards, however, since it will not be amortized after the date of transition, “selling, general and administrative expenses” has decreased and “goodwill” has increased.

D. Equity instruments and debt instruments

Under Japanese GAAP, unlisted shares and others with no market prices as well as debt securities held to maturity were recorded at acquisition cost with impairment losses recognized according to financial conditions of the issuer. Under IFRS accounting standards, such financial instruments are evaluated at fair value, with ex post facto changes recognized as profit or loss. However, among equity instruments, for financial assets designated as measured at fair value through other comprehensive income, changes in fair value is recognized as other comprehensive income.

E. Derivative

Under Japanese GAAP, special treatment was applied for interest swaps that meet specific requirements. Under IFRS accounting standards, “other financial assets” (non-current) and “other financial liabilities” (non-current) are adjusted as interest swaps are measured at fair value.

F. Reconciliation of tax effect

“Income tax”, “Deferred tax assets” and “deferred tax liabilities” have been reconciliated to reflect the temporary differences arising from the transition from Japanese GAAP to IFRS accounting standards. In addition, with the application of IFRS accounting standards, recoverability of all deferred tax assets are being reconsidered.

G. Employee benefits accruals

Under Japanese GAAP, accounting treatment was not executed for unused paid holidays, but under IFRS accounting standards, it is recorded as liabilities in other current liabilities.

H. Retained earnings

(Difference in recognition and measurement)

The impact of applying IFRS accounting standards on retained earnings is as follows.

	Date of transition (March 1, 2023)	Previous fiscal year (February 29, 2024)
A. Leases	–	250
B. Property, plant and equipment	2,498	(242)
C. Goodwill	–	65,864
D. Equity instruments and debt instruments	94,468	50,380
E. Derivative	472	(46)
F. Reconciliation of tax effect	–	–
G. Employee benefit accruals	(81,304)	(110,726)
Total	16,134	5,479

4) Reconciliation of cash flows

- For the six months ended August 31, 2023 and previous fiscal year (March 1, 2023 to February 29, 2024)

There are no material differences between consolidated statement of cash flows under Japanese GAAP and consolidated statement of cash flows under IFRS accounting standards.