Financial Report for the Fiscal Year Ended March 31, 2023 [Japanese GAAP] (Consolidated)

May 15, 2023

Company Name	Datasection Inc.		Stock Exchange Listing: Tokyo
Ticker Symbol	3905 URL: https://www.datasection.co.jp		
Representative	(Title) President & CEO	(Name) Kento Hayashi	
Contact	(Title) Director & CFO	(Name) Shinichi Iwata	TEL: +81 50-3649-4858
Scheduled Date of Annual General Meeting of Shareholders			June 29, 2023
Scheduled Date of Dividend Payment Commencement			-
Scheduled Date of Filing Annual Securities Report			June 30, 2023
Availability of Supplementary Briefing Material on Financial Results			Yes
Scheduled Date of Financial Results Briefing Session			Yes

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Consolidated Operating Results (Percentage figures represent year-on-year changes)

	Net Sales		Operating Income		Adjusted EBITDA		Ordinary Income		Net Income Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2023	1,925	13.8	(56)	-	688	128.1	41	(75.0)	(534)	-
FY2022	1,692	21.8	77	328.3	301	25.9	165	422.9	2	-

(Note) 1. Comprehensive Income

- FY2023: ¥(446) million (—%)
- FY2022: ¥(58) million (—%)

(Note) 2. We disclose Adjusted EBITDA as an indicator of our cash flow generation capability in business activities.
Adjusted EBITDA = Operating income + Depreciation and amortization + Amortization of intangible assets +Stock-based compensation expenses + M&A-related expenses

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	yen	yen	%	%	%
FY2023	(36.73)	-	(18.7)	0.9	(2.9)
FY2022	0.17	0.16	0.1	4.3	4.6

(Reference) Equity in Earnings of Affiliates

- FY2023: ¥(0) million
- FY2022: ¥(0) million

(Note) 3. For FY2023, diluted net income per share is not disclosed because there are potential shares, but the company recorded a net loss per share.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
	Millions of yen	Millions of yen	%	yen
FY2023	4,405	2,509	56.0	167.55
FY2022	4,400	2,818	63.5	195.22

(Reference) Equity Capital

- FY2023: ¥2,468 million
- FY2024: ¥2,796 million

(3) Consolidated Cash Flow Status

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2023	43	(298)	247	1,418
FY2022	113	(304)	28	1,420

2. Dividend Status

	Annual Dividend per Share					Total Dividends (Total)	Payout Ratio (Consolidated)	Dividend on Net Assets (Consolidated)
	Q1 End	Q2 End	Q3 End	Year-End	Total Annual Dividend			
	yen	yen	yen	yen	yen	Millions of yen	%	%
FY2022	-	0.00	-	0.00	0.00	-	-	-
FY2023	-	0.00	-	0.00	0.00	-	-	-
FY2024(Forecast)	-	0.00	-	0.00	0.00		-	

(Note) Whether there has been a revision from the most recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentage figures indicate the rate of change from the previous fiscal year)

	Net Sales		Operating Income		Adjusted EBITDA		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full Year	2,000	3.9	60	-	295	(57.2)	42	1.5	5	-	0.34

(Note) The average number of shares used for calculating "Net Income per Share" is based on the number of issued shares (excluding treasury stock) as of March 31, 2023.

(Notes)

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries affecting the scope of consolidation): None
- Newly included: None
- Excluded: None

(2) Changes in accounting policies, changes in accounting estimates, and retrospective restatements
1) Changes in accounting policies due to revisions of accounting standards: None
2) Changes in accounting policies other than 1): None
3) Changes in accounting estimates: None
4) Retrospective restatements: None

(3) Number of shares issued (common stock)
1) Number of shares issued at the end of the period (including treasury stock)
   - FY2023: 14,757,851 shares
   - FY2022: 14,326,753 shares
2) Number of treasury shares at the end of the period
   - FY2023: 22,623 shares
   - FY2022: 960 shares
3) Average number of shares during the period
   - FY2023: 14,548,956 shares
   - FY2022: 14,182,364 shares

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Non-Consolidated Operating Results

(Percentage figures indicate the rate of change from the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2023	450	0.1	(148)	-	3	(96.9)	(836)	-
FY2022	450	7.1	(25)	-	120	-	25	-

	Net Income per Share	Diluted Net Income per Share
	yen	yen
FY2023	(57.51)	-
FY2022	1.79	1.76

(Note): The diluted net income per share for the fiscal year ended March 31, 2023, is not disclosed as it resulted in a net loss per share despite the existence of potential shares.

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2023	3,670	2,195	59.4	147.86
FY2022	3,979	2,897	72.7	201.99

(Reference): Equity Capital
FY2023: ¥2,178 million
FY2022: ¥2,893 million

(Note) 1. The financial results (Financial Report) are not subject to audit by certified public accountants or auditing firms.

(Note) 2. Explanation of the Appropriate Use of Performance Forecasts and Other Special Notes
The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the company and on certain assumptions deemed to be reasonable. Actual results may differ significantly due to various factors. For details on the assumptions underlying the earnings forecasts and precautions for using the forecasts, please refer to the attached materials on page 8, "1. Overview of Operating Results, etc. (4) Future Outlook."

Table of Contents of Attached Documents

1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year

During the current consolidated fiscal year, while economic activities in Japan are gradually resuming due to the relaxation of restrictions implemented to prevent the spread of COVID-19, uncertainties persist, such as fluctuations in exchange rates and soaring resource prices resulting from Russia's invasion of Ukraine.

In Japan's retail tech market, where our company's main segment operates (including payment terminals, self-service terminals, next-generation facilities, and next-generation operations), investments in non-contact solutions and operations with fewer staff have been progressing, such as full self-checkout registers and remote customer service systems, as companies strive to maintain their businesses during the pandemic. The visibility and utilization of data that were previously difficult to quantify, such as consumer demographics and in-store behavior, have increased, leading to growth in related product categories. Moving forward, next-generation solutions, including cashierless payment systems and smart entrances, are expected to expand. Additionally, products related to the optimization of the entire supply chain, such as RFID solutions and demand forecasting systems, are also projected to grow. By 2030, the domestic market is expected to reach 555.3 billion yen, which is 2.2 times the size of the market in 2021 (according to FUJI KEIZAI CO., LTD.'s report, "2022 Next-Generation Store & Retail Tech Market: Current Status and Future Outlook").

Regarding the domestic market for digital transformation in the distribution/retail industry (in terms of investment amount), it is anticipated that the experiential knowledge of field personnel in retail stores, such as supermarkets, will be systematized, leading to the automation of demand forecasting and ordering processes. Additionally, as OMO (Online Merges with Offline) progresses, a Retail-as-a-Service (RaaS) business model that utilizes both in-store and e-commerce customer purchase and behavior data is expected to become widespread. With the increasing use of digital store technologies aimed at reducing labor in sales operations, acquiring and utilizing customer behavior data, and improving the purchasing experience, the market is forecasted to expand. By FY2030, the market is projected to grow to 245.5 billion yen, 5.6 times the size of FY2020 (according to Fuji Chimera Research Institute, Inc.'s reports, "2022 Future Outlook for the Digital Transformation Market: Market Edition and Vendor Strategy Edition").

Furthermore, in Japan's AI business market, the use of AI as a key element in achieving digital transformation within companies is expected to continue increasing from FY2021 onwards. The market is projected to grow to 1.9787 trillion yen by FY2027, 1.7 times the size of FY2021 (according to Fuji Chimera Research Institute, Inc.'s report, "2022 Comprehensive Study on Artificial Intelligence Business").

In this environment, our group has been actively investing in business development to accelerate our global expansion, and implementing aggressive hiring and retention strategies to strengthen our organization during the current consolidated fiscal year.

Additionally, in the first quarter of the current consolidated fiscal period, we made FollowUP Peru S.A.C., a previously non-consolidated subsidiary in Peru, a consolidated subsidiary due to its increasing significance.

The business performance for the current consolidated fiscal year is as follows.

(Net Sales)

Net sales for the current consolidated fiscal year amounted to ¥1,925 million (a 13.8% increase year-on-year). The main factors contributing to this increase include the growth in system development orders at our consolidated subsidiary, d-ss.inc. (hereinafter referred to as "DSS"), the contribution of sales from INTELIGENXIA S.A., which became a consolidated subsidiary in the second quarter of the previous fiscal year and whose profits have been included since the second half of the previous fiscal year, the consolidation of FollowUP Peru S.A.C., which transitioned from a non-consolidated to a consolidated subsidiary in the first quarter of the current fiscal year, and the increase in service orders at our overseas consolidated subsidiaries.

(Cost of Sales)

Cost of sales for the current consolidated fiscal year amounted to ¥1,141 million (a 13.3% increase year-on-year). The main components are ¥525 million in personnel expenses, ¥453 million in outsourcing costs, ¥102 million in depreciation expenses, and ¥62 million in server usage fees.

(Selling, General and Administrative Expenses)

Selling, general and administrative expenses for the current consolidated fiscal year amounted to ¥840 million (a 38.4% increase year-on-year). The main components are ¥390 million in personnel expenses, ¥119 million in amortization of goodwill and customer-related assets, ¥55 million in outsourcing costs, ¥31 million in equipment and supplies expenses, ¥30 million in taxes and dues, ¥26 million in depreciation expenses, ¥25 million in recruitment expenses, ¥23 million in audit fees, and ¥22 million in rent and lease expenses.

(Non-Operating Income)

Due to the depreciation of the yen during the revaluation of foreign currency-denominated receivables held by the company, a foreign exchange gain of ¥67 million was recorded. Additionally, ¥7 million in dividends received from non-consolidated subsidiaries was also recorded.

(Extraordinary Income)

A gain of ¥102 million from the sale of investment securities was recorded.

(Extraordinary Losses)

Due to changes in the business environment and a temporary decline in the excess earnings potential of our subsidiary, Jach Technology SpA, as a result of a deviation from the initial business plan, an impairment was recorded, resulting in an amortization of goodwill amounting to ¥461 million. Additionally, since there were signs of impairment in some of the fixed assets held by the company, the recoverability of these assets was assessed based on the "Accounting Standard for Impairment of Fixed Assets," leading to the recording of an impairment loss of ¥170 million. Furthermore, a portion of the investment securities held by the company experienced a significant decline in fair value compared to the acquisition cost, resulting in an impairment loss of ¥13 million for investment securities.

(Income Tax Adjustments)

After estimating future taxable income as of the current period and reassessing the recoverability of deferred tax assets, we decided to record deferred tax assets, which resulted in an income tax adjustment (benefit) of ¥32 million.

As a result, net sales amounted to ¥1,925 million (a 13.8% increase year-on-year). Despite investments in business development to accelerate global expansion, the increase in personnel expenses due to organizational strengthening through aggressive hiring, and the rise in outsourcing costs (subcontracting expenses) for large orders at DSS, an operating loss of ¥56 million was recorded (compared to an operating profit of ¥77 million in the same period of the previous year). However, adjusted EBITDA, calculated by adding the goodwill amortization of ¥461 million recorded as an extraordinary loss to the amortization of intangible assets, amounted to ¥688 million (a 128.1% increase year-on-year).

Additionally, due to the inclusion of ¥67 million in foreign exchange gains related to foreign currency-denominated receivables and ¥7 million in dividends received from non-consolidated subsidiaries as non-operating income, ordinary income amounted to ¥41 million (a 75.0% decrease year-on-year). Furthermore, ¥102 million in gains on the sale of investment securities were recorded as extraordinary income, while extraordinary losses included ¥461 million in goodwill amortization, ¥170 million in impairment losses, and ¥13 million in impairment losses on investment securities. Additionally, ¥32 million in income tax adjustments (benefit) were recorded, resulting in a net loss attributable to owners of parent of ¥534 million (compared to a net income attributable to owners of parent of ¥2 million in the same period of the previous year).

Adjusted EBITDA = Operating income + Depreciation + Amortization of intangible assets
+ Stock-based compensation + M&A-related expenses

The segment operating results for the current consolidated fiscal year are as follows:

i. Retail Marketing

In the Retail Marketing segment, we primarily offer "FollowUP," a subscription-based service that supports store performance improvement by analyzing image and video data captured by AI cameras installed in retail stores alongside POS data.

Domestic expansion of "FollowUP" during the current consolidated fiscal year saw an increase in the number of stores adopting the service and in the number of installed cameras, even though the number of customers remained steady, thanks to a broadening customer base and the adoption of "FollowUP" in batches of dozens of stores. As a result, net sales increased compared to the same period of the previous fiscal year.

Overseas expansion of "FollowUP" is progressing steadily, with large-scale projects underway in multiple countries, supported by necessary business investments. In the current consolidated fiscal year, we negotiated the full adoption of "FollowUP" in shopping malls across several countries, particularly in South America, and have been successfully securing orders. Net sales increased compared to the same period of the previous fiscal year, with strong growth at our consolidated subsidiaries Jach Technology SpA (Chile) and Alianza FollowUP S.A.S. (Colombia). Additionally, INTELIGENXIA S.A. (Chile) and FollowUP Peru S.A.C. (Peru), which have been consolidated since the previous fiscal year, contributed to the results.

As a result of these developments, net sales to external customers in the current consolidated fiscal year amounted to ¥939 million (a 68.8% increase year-on-year), and segment profit expanded to ¥69 million (compared to a segment loss of ¥18 million in the same period of the previous fiscal year).

ii. Data Analysis Solutions

In the data analysis solutions segment, we are engaged in social media analysis, AI/system development, and new business initiatives.

In the social media analysis business, we offer subscription-based services such as the social media analysis tools "Insight Intelligence" and "Insight Intelligence Q." Additionally, our consolidated subsidiary, solid intelligence Inc. (hereinafter referred to as "SI"), provides consulting services for multilingual social media analysis.

In the AI/system development business, we leverage our technical expertise and know-how cultivated through big data analysis, combined with AI technology (text, image, voice), to develop customized solutions for individual users. Our consolidated subsidiary DSS offers payment services, including the corporate prepaid card service "Biz Prepaid Card" (https://bizpreca.jp/), SES services (for credit card companies, payment processors, securities firms, etc.), contract development services focused on financial institutions, managed service provider (MSP) services (cloud system construction, operation, and maintenance services centered around AWS), and security services (such as PCI DSS consulting and security assessment services).

In new business, we are developing AI-based medical data analysis services, including AI monitoring of electrocardiograms for NEDO (New Energy and Industrial Technology Development Organization), AI analysis of mild cognitive impairment (using voice data) for NEDO, and AI analysis of epilepsy using brainwave and electrocardiogram data for NEDO. We are also working on the development of services utilizing AI-based voice analysis.

In the current fiscal year, our social media analysis business focused on building an efficient operational framework, but due to the cancellation of contracts by several clients, revenue decreased compared to the same period last year. SI, our consolidated subsidiary, also saw a decrease in the number of orders received, resulting in lower revenue compared to the same period last year.

In the AI/system development business for the current fiscal year, our company received several development projects related to data collection and analysis, which slightly offset the decline in revenue from recurring transactions. As a result, revenue saw a slight decrease compared to the same period last year. On the other hand, DSS released several high-difficulty large-scale projects it had been working on in recent years, leading to increased revenue compared to the same period last year. However, to maintain sustainable growth, DSS has taken steps to secure resources, such as actively hiring personnel and outsourcing, due to the increase in workload and the handling of challenging projects.

In the new business segment for the current fiscal year, we focused on developing new products for the retail industry and advancing our medical-related business.

As a result, total revenue from external customers for the current fiscal year amounted to 986 million yen (a 13.2% decrease year-on-year), with a decline in the social media analysis business outweighing the increase in the AI/system development business. Segment loss stood at 108 million yen, compared to a segment profit of 275 million yen in the same period last year, primarily due to increased outsourcing costs (contracting expenses) for large-scale projects at DSS.

(2) Overview of Financial Position for the Fiscal Year

Assets, Liabilities, and Net Assets

(Assets)

Total assets at the end of the current fiscal year increased by 40 million yen compared to the end of the previous fiscal year (a 0.1% increase year-on-year), reaching 4,405 million yen. This was mainly due to an increase in other current assets by 95 million yen, software by 119 million yen, and investments and other assets by 274 million yen, offset by a decrease in goodwill by 562 million yen.

(Liabilities)

Total liabilities at the end of the current fiscal year increased by 313 million yen compared to the end of the previous fiscal year (a 19.8% increase year-on-year), reaching 1,896 million yen. This was mainly due to an increase in short-term borrowings by 108 million yen and long-term borrowings (including the current portion of long-term borrowings) by 196 million yen.

(Net Assets)

Net assets at the end of the current fiscal year decreased by 309 million yen compared to the end of the previous fiscal year (an 11.0% decrease year-on-year), amounting to 2,509 million yen. This was primarily due to an increase in capital stock and capital surplus by 59 million yen each from the issuance of restricted stock, and a 81 million yen increase in foreign currency translation adjustment accounts arising from the currency translation of the financial statements of overseas subsidiaries, offset by a 530 million yen decrease in retained earnings due to the net loss attributable to owners of the parent company.

(3) Overview of Cash Flows for the Fiscal Year

At the end of the current fiscal year, cash and cash equivalents (hereinafter referred to as "funds") decreased by 1 million yen compared to the end of the previous fiscal year, resulting in a total of 1,418 million yen. The status and factors affecting each cash flow for the current fiscal year are as follows:

(Cash Flows from Operating Activities)

Funds generated from operating activities for the current fiscal year amounted to 43 million yen (compared to 113 million yen generated in the previous fiscal year). This was primarily due to a loss before income taxes of 505 million yen, a loss on the sale of investment securities of 102 million yen, depreciation expenses of 143 million yen, impairment losses of 170 million yen, and goodwill amortization expenses of 566 million yen.

(Cash Flows from Investing Activities)

Funds used in investing activities for the current fiscal year amounted to 298 million yen (compared to 304 million yen used in the previous fiscal year). This was mainly due to income from the sale of investment securities amounting to 102 million yen, offset by expenditures of 83 million yen for the acquisition of property, plant, and equipment, 216 million yen for the acquisition of intangible assets, and 41 million yen for loans provided.

(Cash Flows from Financing Activities)

Funds generated from financing activities for the current fiscal year amounted to 247 million yen (compared to 28 million yen generated in the previous fiscal year). This was primarily due to income of 560 million yen from long-term borrowings, an increase of 101 million yen in short-term borrowings, and expenditures of 380 million yen for the repayment of long-term borrowings.

(Reference) Trends in Cash Flow-Related Indicators

	FY2022 (Consolidated)	FY2023 (Consolidated)
Equity Ratio (%)	63.5	56.0
Market Value-Based Equity Ratio (%)	101.9	87.6
Cash Flow to Interest-Bearing Debt Ratio (Years)	10.8	35.1
Interest Coverage Ratio (Times)	7.1	2.7

Equity Ratio: Equity / Total Assets
Market Value-Based Equity Ratio: Market Capitalization / Total Assets
Cash Flow to Interest-Bearing Debt Ratio: Interest-Bearing Debt / Cash Flow
Interest Coverage Ratio: Cash Flow / Interest Payments

(Note 1) Market capitalization is calculated based on the number of issued shares excluding treasury stock.
(Note 2) Cash flow refers to operating cash flow.
(Note 3) Interest-bearing debt refers to all debts listed on the consolidated balance sheet for which interest is paid.

(4) Future Outlook

For the fiscal year ending March 2024, we will continue to strive for the expansion of both revenue and profit. Specifically, we aim to enhance corporate value through the following measures in each business area:

i. Retail Marketing

1) Domestic

We will aim to expand revenue and profit by maintaining organic growth through the provision of FollowUP, increasing added value through the launch of newly developed in-house products, and leveraging cross-selling opportunities with other in-house services. Additionally, we will seek to secure large-scale projects from customers across a wide range of industries.

2) Overseas

In the South American market, where the transition from informal markets (such as street vendors) to formal markets (such as shopping malls) is accelerating, we will continue to leverage our relationships with local listed developers and retail owners to secure large-scale projects such as shopping malls. We also aim to expand the value of our offerings by utilizing the distribution channels of resellers acquired through mergers and acquisitions, as well as strengthening our product lineup.

ii. Data Analysis Solutions

1) AI/System Development Business

As an independent company, we will focus on winning large-scale, high-value projects by further enhancing our consulting functions based on market research and sharpening our targeting capabilities to meet customer needs. We also plan to engage in strategic initiatives such as participating in public sector projects in industries with high potential for IT utilization and expanding channels through collaborative research projects with industry, academia, and government, which will serve as a future revenue base. To achieve this, we will not only strengthen engineer recruitment but also improve operational frameworks to enhance the profitability of our projects.

Our consolidated subsidiary DSS will leverage its know-how acquired through strong relationships with major financial institutions to expand its medium-term revenue base through digital payment solutions and in-house product development. In order to address short-term challenges such as a shortage of engineering resources, we will focus on flexible recruitment, agile outsourcing, and strengthening management through leadership development.

2) Social Media Business

For tools such as Insight Intelligence and Insight Intelligence Q, we will continue to focus on efficient lead generation while aiming for steady growth through cross-selling with other businesses such as retail marketing and expanding channels with financial institutions.

Our consolidated subsidiary, solid intelligence Inc., aims to further increase its visibility in the tourism (inbound) sector through PR efforts such as seminars and exhibition participation. We also plan to expand and stabilize public sector projects outside of tourism by securing contracts with central government agencies such as the Cabinet Office, Ministry of Foreign Affairs, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, and their affiliated organizations. Additionally, we aim to develop new services as part of our qualitative goals.

For the consolidated results for the fiscal year ending March 2024, we are targeting revenue of 2,000 million yen, aiming for balanced growth both domestically and internationally. Each company will further focus on improving profitability by thoroughly enforcing cost awareness and project profitability. Additionally, considering the reduction in amortization expenses due to the one-time amortization of goodwill and the recording of impairment losses in this fiscal year, we forecast an operating profit of 60 million yen. Furthermore, we expect adjusted EBITDA, on a normalized basis excluding the goodwill impairment, to increase to 295 million yen.

2. Basic Policy on the Selection of Accounting Standards

Our group applies Japanese accounting standards in order to ensure comparability with other domestic companies in the same industry.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Unit: 1,000 yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Assets		
Current assets		
Cash and deposits	1,451,431	1,449,808
Notes receivable and accounts receivable	497,935	568,513
Products	57,986	82,172
other	66,008	161,054
Total current assets	2,073,361	2,261,549
Non-current assets		
Property, plant and equipment		
Buildings and structures	89,801	102,999
Accumulated depreciation	(40,212)	(57,750)
Buildings and structures (net)	49,589	45,249
Tools and fixtures	293,004	396,146
Accumulated depreciation	(158,337)	(220,330)
Tools and fixtures (net)	134,667	175,815
land	21,150	21,150
Total tangible fixed assets	205,407	242,216
Intangible assets		
goodwill	731,606	169,546
software	447,381	566,573
other	92,212	40,173
Total intangible assets	1,271,200	776,293
Investments and other assets		
Investment securities	121,453	120,471
Long-term loans	414,591	515,058
Deferred tax assets	61,737	114,365
Insurance reserves	190,610	218,033
other	62,539	157,689
Total investments and other assets	850,932	1,125,617
Total non-current assets	2,327,540	2,144,126
Total assets	4,400,902	4,405,676

(Unit: 1,000 yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Liabilities		
Current liabilities		
Short-term debt	405,970	513,979
Long-term debt due within one year	299,517	327,677
Accrued Expenses	154,291	166,149
Accrued expenses	69,887	52,507
Corporate taxes payables	70,139	72,699
Consumption tax payables	24,771	9,010
Allowance for bonuses	19,928	21,069
other	14,618	17,279
Total current liabilities	1,059,125	1,180,373
Non-Current liabilities		
Long-term debt	506,872	675,112
Asset retirement obligations	10,510	11,807
Others	6,284	29,363
Total non-current liabilities	523,666	716,284
Total liabilities	1,582,792	1,896,657
Net Assets		
Shareholders' equity		
Capital	1,457,102	1,516,478
Capital surplus	1,166,594	1,225,970
Retained earnings	238,690	(291,976)
Treasury stock	(3)	(3)
Total shareholders' equity	2,862,383	2,450,468
Accumulated other comprehensive income		
Currency translation adjustment account	(65,636)	15,471
Valuation Difference on Securities	-	2,942
Total other comprehensive income	(65,636)	18,414
Stock acquisition rights	3,966	14,619
Non-controlling interest	17,396	25,515
Total net assets	2,818,110	2,509,018
Total liabilities and net assets	4,400,902	4,405,676

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(Unit: 1,000 yen)

	Previous Consolidated Fiscal Year (From April 1, 2021 To March 31, 2022)	Current Consolidated Fiscal Year (From April 1, 2022 To March 31, 2023)
Sales	1,692,513	1,925,859
Cost of sales	1,007,766	1,141,612
Gross profit	684,747	784,246
Selling, general and administrative expenses	607,436	840,530
Operating income or loss	77,311	(56,283)
Non-operating revenue		
Interest received	441	1,047
Dividends received	-	7,683
Profit on investments in anonymous partnerships	43,895	2,337
Foreign exchange gains	44,212	67,313
Other	17,278	41,352
Total non-operating revenue	105,828	119,734
Non-operating expenses		
Interest expense	15,687	15,972
Share of loss of entities accounted for using equity method	69	971
Other	1,825	5,108
Total non-operating expenses	17,581	22,052
Ordinary income	165,558	41,398
Extraordinary income		
Gain on sale of investment securities	-	102,839
Gain on sale of fixed assets	-	57
Total extraordinary income	-	102,896
Extraordinary loss		
Impairment loss	-	170,967
Loss on valuation of investment securities	69,919	13,955
Loss on disposal of inventory	-	2,542
Loss on disposal of fixed assets	3,545	1,328
Amortization of goodwill	-	461,086
Total extraordinary loss	73,465	649,880
Income or loss before income taxes	92,093	(505,585)
Income taxes, inhabitant taxes, and business taxes	66,671	58,186
Adjustments for income taxes	16,743	(32,373)
Total income taxes	83,415	25,813
Net income or loss	8,677	(531,399)
Net income attributable to non-controlling shareholders	6,239	2,915
Net income or net loss attributable to owners of parent	2,438	(534,314)

(Consolidated Statements of Comprehensive Income)

(Unit: 1,000 yen)

	Previous Consolidated Fiscal Year (From April 1, 2021 To March 31, 2022)	Current Consolidated Fiscal Year (From April 1, 2022 To March 31, 2023)
Net income or net loss	8,677	(531,399)
Other comprehensive income		
Foreign currency translation adjustment	(66,953)	81,875
Valuation difference on available-for-sale securities	-	2,942
Total other comprehensive income	(66,953)	84,817
Comprehensive income	(58,275)	(446,581)
(Breakdown)		
Comprehensive income attributable to owners of parent	(65,673)	(450,263)
Comprehensive income attributable to non-controlling interests	7,398	3,682

(3) Statement of Changes in Consolidated Shareholders' Equity

Previous fiscal year (from April 1, 2021 to March 31, 2022)

(Unit: 1,000 yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current fiscal year	1,400,335	1,186,097	236,252	(3)	2,822,681
Changes in the current fiscal year					
Issuance of new shares	56,766	56,766			113,533
Net income attributable to owners of parent or net loss attributable to owners of parent			2,438		2,438
Changes in parent's ownership interest due to transactions with non-controlling interests		(76,270)			(76,270)
Changes in items other than shareholders' equity (net) for the current fiscal year					
Total Changes during Period	56,766	(19,503)	2,438	-	39,701
Balance at End of Period	1,457,102	1,166,594	238,690	(3)	2,862,383

(Unit: 1,000 yen)

	Accumulated Other Comprehensive Income		Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
	Foreign Currency Translation Adjustment	Total Accumulated Other Comprehensive Income			
Balance at the beginning of the current fiscal year	2,475	2,475	3,966	39,659	2,868,783
Changes in the current fiscal year					
Issuance of new shares					113,533
Net income attributable to owners of parent or net loss attributable to owners of parent					2,438
Changes in parent's ownership interest due to transactions with non-controlling interests					(76,270)
Changes in items other than shareholders' equity (net) for the current fiscal year	(68,111)	(68,111)	-	(22,263)	(90,375)
Total Changes during Period	(68,111)	(68,111)	-	(22,263)	(50,673)
Balance at End of Period	(65,636)	(65,636)	3,966	17,396	2,818,110

Fiscal year ended March 31, 2024 (From April 1, 2022 to March 31, 2023)

(Unit: 1,000 yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current fiscal year	1,457,102	1,166,594	238,690	(3)	2,862,383
Changes in the current fiscal year					
Issuance of new shares	59,376	59,376			118,752
Net income attributable to owners of parent or net loss attributable to owners of parent			(534,314)		(534,314)
Changes in retained earnings due to new consolidation			3,648		3,648
Changes in items other than shareholders' equity (net)					
Total changes in the current fiscal year	59,376	59,376	(530,666)	-	(411,914)
Balance at the end of the current fiscal year	1,516,478	1,225,970	(291,976)	(3)	2,450,468

(Unit: 1,000 yen)

	Accumulated Other Comprehensive Income			Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustment	Total Accumulated Other Comprehensive Income			
Balance at the beginning of the current fiscal year	-	(65,636)	(65,636)	3,966	17,396	2,818,110
Changes in the current fiscal year						
Issuance of new shares						118,752
Net income attributable to owners of parent or net loss attributable to owners of parent						(534,314)
Changes in retained earnings due to new consolidation						3,648
Changes in items other than shareholders' equity (net)	2,942	81,108	84,050	10,652	8,118	102,822
Total changes in the current fiscal year	2,942	81,108	84,050	10,652	8,118	(309,091)
Balance at the end of the current fiscal year	2,942	15,471	18,414	14,619	25,515	2,509,018

(4) Consolidated Statement of Cash Flows

(Unit: 1,000 yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2024 (From April 1, 2022 to March 31, 2023)
Cash flow from operating activities		
Net income before taxes	92,093	(505,585)
Depreciation	118,048	143,963
Impairment loss	-	170,967
Goodwill amortization	96,612	566,211
Interest received and dividends received	(441)	(8,731)
Interest expense	15,687	15,972
Gain or loss on equity method investments (profit in negative)	69	971
Foreign exchange gains (profit in negative)	(2,462)	(1,476)
Gain or loss in anonymous partnerships (profit in negative)	(43,895)	(2,337)
Gain or loss on valuation of investment securities (profit in negative)	69,919	13,955
Gain on sale of investment securities (profit in negative)	-	(102,839)
Increase or decrease in trade receivables (increase in negative)	(174,126)	(49,441)
Increase or decrease in inventories (increase in negative)	(12,356)	(19,272)
Increase or decrease in accounts payable and accrued expenses (decrease in negative)	63,829	(25,533)
Other	(28,581)	(51,550)
Subtotal	194,395	145,272
Receipts of interest and dividends	441	8,730
Payment of interest	(15,687)	(15,972)
Payments for income taxes	(66,063)	(94,809)
Cash flow from operating activities	113,086	43,221
Cash flow from investing activities		
Expenditure for acquisition of property, plant and equipment	(49,866)	(83,732)
Expenditure for acquisition of intangible assets	(140,121)	(216,578)
Expenditure for acquisition of investment securities	(12,684)	(7,792)
Proceeds from sale of investment securities	-	102,840
Expenditure for acquisition of subsidiary shares resulting from changes in the scope of consolidation	(7,833)	-
Expenditure for acquisition of affiliated company shares	(30,125)	-
Expenditure for loans	(86,940)	(41,576)
Proceeds from collection of loans	2,614	-
Expenditure for accumulation of insurance reserves	(26,432)	(27,423)
Proceeds from return of investments in anonymous partnerships	47,320	12,077
Other	-	(36,207)
Cash flow from investing activities	(304,067)	(298,392)
Cash flow from financing activities		
Proceeds from long-term borrowings	454,359	560,000
Repayment of long-term borrowings	(262,949)	(380,292)
Increase or decrease in short-term borrowings (decrease in negative)	(164,230)	101,159
Proceeds from issuance of shares	9,210	2,200
Proceeds from issuance of shares through exercise of stock acquisition rights	-	66
Expenditures for acquisition of subsidiary shares without changes in scope of consolidation	(8,074)	(35,738)
Cash flow from financing activities	28,314	247,395
Exchange differences on cash and cash equivalents	2,462	(5,545)
Increase or decrease in cash and cash equivalents (decrease in negative)	(160,203)	(13,320)
Cash and cash equivalents at the beginning of the period	1,580,633	1,420,430

Increase in cash and cash equivalents due to new consolidation	-	11,697
Cash and cash equivalents at the end of the period	1,420,430	1,418,806

(5) Notes to Consolidated Financial Statements

(Notes Regarding the Assumption of a Going Concern)

There are no applicable matters.

(Segment Information, etc.)

i. Overview of Reportable Segments

The reportable segments of our group are those for which separate financial information is available, and which are regularly reviewed by the Board of Directors to make decisions regarding the allocation of management resources and to assess performance.

Our company has established business divisions by product and service at our headquarters. Each division formulates comprehensive strategies for both domestic and international operations, and carries out its business activities accordingly. As a result, our group consists of product and service-based segments, with "Retail Marketing" and "Data Analysis Solutions" as our two reportable segments.

The "Retail Marketing" segment offers a subscription-based service called "FollowUP," which primarily provides support for improving store performance by analyzing image and video data captured by AI cameras installed in retail stores, in combination with POS data.

The "Data Analysis Solutions" segment includes social media analysis, AI and system development, and new business ventures. In the social media analysis business, we offer subscription-based services such as the social media analysis tools "Insight Intelligence" and "InsightIntelligence Q," and provide consulting services for multilingual social media analysis through our consolidated subsidiary, solid intelligence Inc.

In the AI and system development business, we develop custom solutions using the technological expertise and know-how accumulated through big data analysis and AI technologies (text/image/audio). Additionally, through our consolidated subsidiary D.S.S. Inc., we provide payment services, SES (System Engineering Services), financial contract development focused on credit card companies, MSP (Managed Service Provider) services, and security services.

In our new business ventures, we plan and develop new services for the retail industry, and engage in AI-driven medical data analysis services in collaboration with private companies and the public sector.

(Matters Related to Changes in Reportable Segments)

Since fiscal year 2018, our group has made proactive investments to grow "FollowUP" as a core business. This SaaS-based service counts store traffic and the number of customers entering the store using image and video data obtained from AI cameras installed at retail stores, and enhances purchase rates by integrating this data with store-specific POS data.

Previously, "FollowUP" was managed as part of a single segment, combined with existing businesses, under the social big data business. However, as the focus on this area continues to grow and the business is expected to expand further, we have decided to separate it from our existing business to enable quicker and more appropriate decision-making. Starting from this consolidated fiscal year, we have established a system to report the "Retail Marketing" business as an independent profit management unit to the Board of Directors. Consequently, for this consolidated fiscal year, we have divided our reporting into two segments: Retail Marketing and Data Analysis Solutions, and have disclosed performance for each segment.

Additionally, the segment information for the previous consolidated fiscal year is disclosed based on the reportable segment classification used for the current consolidated fiscal year. Please note that the segment information for the previous consolidated fiscal year does not include disaggregated information regarding revenue from contracts with customers in accordance with transitional treatment.

ii. Method of Calculating Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

The accounting methods for the reportable business segments are in accordance with the accounting policies adopted for the preparation of consolidated financial statements.

The profit for each reportable segment is based on operating income.

Internal revenue and transfers between segments are calculated based on prevailing market prices.

iii. Information on Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reporting Segment, and Breakdown of Revenue

Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

(Unit: 1,000 yen)

	Reporting Segment			Adjustments (Note 1)	Amounts Recorded in Consolidated Financial Statements (Note 2)
	Retail Marketing	Data Analysis Solutions	Total		
Net Sales					
Goods or Services Transferred at a Point in Time	78,708	500,062	578,770	-	578,770
Goods or Services Transferred Over Time	477,415	636,327	1,113,743	-	1,113,743
Revenue from Contracts with Customers	556,123	1,136,390	1,692,513	-	1,692,513
Other Revenue	-	-	-	-	-
Sales to External Customers	556,123	1,136,390	1,692,513	-	1,692,513
Inter-Segment Internal Sales or Transfers	-	50,115	50,115	(50,115)	-
Total	556,123	1,186,505	1,742,628	(50,115)	1,692,513
Segment Profit or Loss	(18,323)	275,369	257,045	(179,733)	77,311
Segment Assets	1,650,883	822,575	2,473,458	1,927,443	4,400,902
Other Items					
Depreciation	93,295	20,672	113,967	4,080	118,048
Amortization of Goodwill	73,949	22,662	96,612	-	96,612

(Note 1) The adjustments are as follows:

- The adjustment amount of ¥(179,733) thousand for segment profit or loss is the corporate expenses that are not allocated to each reportable segment.
- The adjustment amount of ¥1,927,443 thousand for segment assets represents corporate assets that are not allocated to each reportable segment.

(Note 2) Segment profit or loss is reconciled with operating income in the consolidated financial statements.

Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)

(Unit: 1,000 yen)

	Reporting Segment			Adjustments (Note 1)	Amounts Recorded in Consolidated Financial Statements (Note 2)
	Retail Marketing	Data Analysis Solutions	Total		
Net Sales					
Goods or Services Transferred at a Point in Time	156,891	533,565	690,456	-	690,456
Goods or Services Transferred Over Time	782,111	453,290	1,235,402	-	1,235,402
Revenue from Contracts with Customers	939,003	986,855	1,925,859	-	1,925,859
Other Revenue	-	-	-	-	-
Sales to External Customers	939,003	986,855	1,925,859	-	1,925,859
Inter-Segment Internal Sales or Transfers	-	104,359	104,359	(104,359)	-
Total	939,003	1,091,215	2,030,218	(104,359)	1,925,859
Segment Profit or Loss	69,798	(108,959)	(39,161)	(17,121)	(56,283)
Segment Assets	1,491,690	879,322	2,371,012	2,034,663	4,405,676
Other Items					
Depreciation	125,024	14,872	139,897	(10,196)	129,700
Amortization of Goodwill (Note 3)	543,548	22,662	566,211	-	566,211

(Note 1) The adjustments are as follows:

- The adjustment amount of ¥(17,121) thousand for segment profit or loss is the corporate expenses that are not allocated to each reportable segment.
- The adjustment amount of ¥2,034,663 thousand for segment assets represents corporate assets that are not allocated to each reportable segment.

(Note 2) Segment profit or loss is reconciled with operating income in the consolidated financial statements.

(Note 3) The amortization of goodwill in the Retail Marketing segment includes ¥461,086 thousand from "Amortization of Goodwill" under special losses.

[Related Information]
Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
1. Information by Product and Service

(Unit: 1,000 yen)

Retail Marketing	Data Analytics Solutions	Total
556,123	1,136,390	1,692,513

2. Information by Region
(1) Net Sales

(Unit: 1,000 yen)

Japan	Chile	Other	Total
1,254,811	276,412	161,289	1,692,513

(2) Tangible Fixed Assets

(Unit: 1,000 yen)

Japan	Chile	Colombia	Total
51,059	124,824	29,523	205,407

3. Information by Major Customer

(Unit: 1,000 yen)

Customer Name	Net Sales	Related Segment Name
Digital Garage, Inc.	187,732	Data Analytics Solutions

Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)
1. Information by Product and Service

(Unit: 1,000 yen)

Retail Marketing	Data Analytics Solutions	Total
939,003	986,855	1,925,859

2. Information by Region
(1) Net Sales

(Unit: 1,000 yen)

Japan	Chile	Other	Total
1,239,027	411,451	275,380	1,925,859

(2) Tangible Fixed Assets

(Unit: 1,000 yen)

Japan	Chile	Other	Total
55,770	162,760	23,685	242,216

(Changes in Presentation Method)
In the previous consolidated fiscal year, tangible fixed assets for "Colombia" were presented separately. However, due to the decreased significance of this item within the group's regional information, and the increased significance of FollowUP Peru S.A.C., a former non-consolidated subsidiary in Peru, which became a consolidated subsidiary during the first quarter of the current consolidated fiscal period, it is now presented as "Other."

3. Information by Major Customer

(Unit: 1,000 yen)

Customer Name	Net Sales	Related Segment Name
Digital Garage, Inc.	219,294	Data Analytics Solutions

[Information on Impairment Losses on Fixed Assets by Reporting Segment]
Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)
There are no applicable matters.

Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)

(Unit: 1,000 yen)

	Retail Marketing	Data Analytics Solutions	Corporate / Elimination	Total
Impairment Loss	170,967	-	-	170,967

[Information on Amortization and Unamortized Balances of Goodwill by Reporting Segment]
Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)

(Unit: 1,000 yen)

	Retail Marketing	Data Analytics Solutions	Corporate / Elimination	Total
Amortization for the Period	73,949	22,662	-	96,612
Balance at End of Period	601,297	130,309	-	731,606

Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)

(Unit: 1,000 yen)

	Retail Marketing	Data Analytics Solutions	Corporate / Elimination	Total
Amortization for the Period	543,548	22,662	-	566,211
Balance at End of Period	61,900	107,646	-	169,546

[Information on Gain on Negative Goodwill by Reporting Segment]
There are no applicable matters.

(Information per Share)

(Unit: yen)

	Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)
Net Assets per Share	195.22	167.55
Net income (loss) per share	0.17	(36.73)
Diluted net income per share after potential stock adjustment	0.16	-

(Note 1)Although potential shares exist for the current consolidated fiscal year, diluted net income per share is not presented because there was a net loss per share.

(Note 2)The basis for calculating net income or net loss per share is as follows:

	Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023)
Net income or net loss per share		
Net income or net loss attributable to owners of the parent (Unit: 1,000 yen)	2,438	(534,314)
Amount not attributable to common shareholders (Unit: 1,000 yen)	-	-
Net income or net loss attributable to owners of the parent for common stock (Unit: 1,000 yen)	2,438	(534,314)
Average number of shares during the period (shares)	14,182,364	14,548,956
Diluted net income per share after potential stock adjustment		
Adjustments to net income attributable to owners of the parent (Unit: 1,000 yen)	-	-
Increase in the number of common shares (shares)	236,752	405,744
(Including stock acquisition rights) (shares)	(236,752)	(405,744)
Overview of potential shares not included in the calculation of diluted net income per share due to having no dilutive effect	13th Stock Acquisition Rights: 1,041,400 shares 14th Stock Acquisition Rights: 1,200,000 shares 15th Stock Acquisition Rights: 216,000 shares	15th Stock Acquisition Rights: 216,000 shares

(Additional Information)

(Accounting Estimates Related to the Impact of the Global Spread of COVID-19)

Our group conducts accounting estimates, including the evaluation of securities, recoverability of deferred tax assets, and goodwill valuation, based on the information available at the time of preparing the consolidated financial statements. In regards to the impact of COVID-19, we have made accounting estimates under the assumption that certain effects will continue throughout the fiscal year ending March 2022, based on the information available at the time of preparation.

There are no significant changes from the content disclosed in the securities report of the previous consolidated fiscal year.

(Application of the Consolidated Taxation System)

Our company and domestic consolidated subsidiaries have applied the consolidated taxation system starting from the first quarter of the current consolidated fiscal period.

(Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System)

Our company and some consolidated subsidiaries have transitioned to the Group Tax Sharing System, established under the "Act Partially Amending the Income Tax Act, etc." (Act No. 8 of 2020). In conjunction with this transition, revisions were made to items related to the individual taxation system. As for these items, based on the "Practical Solution on the Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Solution No. 39, March 31, 2020), we have not applied the provisions of Paragraph 44 of the "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (Guidance No. 28 of the Accounting Standards Board of Japan, February 16, 2018). The amounts of deferred tax assets and deferred tax liabilities have been calculated based on the provisions of the tax law prior to the amendment.

(Significant Subsequent Events)

There are no applicable matters.