



Consolidated Financial Results for the Second Quarter of Fiscal Year Ending December 31, 2020 [Japanese GAAP]

August 11, 2020

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 Scheduled date to file Quarterly Securities Report August 11, 2020 Scheduled date of commencement of dividend payment -
 Preparation of supplementary material on quarterly financial results: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)

(Millions of yen are rounded down)

Second Quarter of the Year Ending December 31, 2020 (January 1, 2020-June 30, 2020)

(1) Consolidated Operating Results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent company	
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%
Second Quarter of FY2020	2,305	13.5	118	508.3	126	300.5	81	444.6
Second Quarter of FY2019	2,031	△18.6	19	△95.6	31	△93.0	15	△94.6

(NOTE) Comprehensive income Second Quarter of FY2020 82 JPY mil. (409.2%) Second Quarter of FY2019 16 JPY mil. (△94.2%)

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
Second Quarter of FY2020	14.43	14.05
Second Quarter of FY2019	2.63	2.56

(NOTE) We conducted a 2-for-1 stock split on October 1, 2019. Calculations of "Quarterly net income per share" and "Diluted net income per share" are based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity Ratio
	JPY mil.	JPY mil.	%
Second Quarter of FY2020	3,039	2,107	69.3
FY12/2019	3,269	2,185	66.8

Reference: Shareholders' equity Second Quarter of FY2020 2,107 JPY mil. FY12/2019 2,185 JPY mil.

2. Dividend Status

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Term end	Total
	Yen	Yen	Yen	Yen	Yen
FY12/2019	-	0.00	-	23.00	23.00
FY12/2020	-	0.00	-	-	-
FY12/2020 (Forecast)	-	-	-	-	-

(NOTE) Revisions to the most recently announced dividend forecasts: None

We plan to pay a dividend for the year ended December 31, 2020, but we have not yet determined the expected amount of dividend.

Forecasts for the fiscal year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Attributable to owners of parent company		Net income per share
	JPY mil.	%	JPY mil.	%	JPY mil.	%	JPY mil.	%	Yen
Full year	5,300	11.1	800	20.6	800	17.8	557	29.7	97.68

(NOTE) Revisions to the most recently announced earnings forecasts: None

※ Notes

(1) Changes in significant subsidiaries during this quarter (changes in specified subsidiaries accompanied by changes in the scope of consolidation): None

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies and changes or restatement of accounting estimates

① Changes in accounting policies due to revisions to accounting standards, etc.: None

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Restatement of revisions: None

(4) Number of shares of common stock outstanding

① Number of shares issued at the end of the period (including treasury stock)

FY12/2020 Second Quarter	5,752,160 Shares	FY12/2019	5,706,000 Shares
FY12/2020 Second Quarter	31,465 Shares	FY12/2019	4,126 Shares
FY12/2020 Second Quarter	5,668,989 Shares	FY12/2019 Second Quarter	5,701,962 Shares

② Number of treasury stock at the end of the period

③ Average number of shares during the period (quarterly consolidated cumulative period)

(NOTE) We conducted a 2-for-1 stock split on October 1, 2019. The number of outstanding shares at the end of the period (including treasury shares) and the number of treasury shares at the end of the period and the average number of shares during the period (cumulative quarterly period) are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

※ Quarterly financial results are not subject to quarterly review by certified public accountants or auditing firms.

※ Explanations and other special notes concerning the appropriate use of business performance forecasts (Cautionary Statement with Respect to Forward-Looking Statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to us and certain assumptions that we believe to be reasonable, and are not intended to guarantee the achievement of the forecasts.

Actual results may differ materially from the forecast depending on a range of factors. Please refer to "1. Qualitative Information on Quarterly Financial Results, (3) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Information" on page 3 of the attached material for the assumptions underlying the forecasts and notes on the use of the forecasts.

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1. Qualitative Information on Results for Second Quarter of Fiscal Year Ending December 31, 2020

(1) Management's discussion

The outlook for the Japanese economy during the second quarter of the current fiscal year (January 1, 2020 to June 30, 2020) is extremely uncertain. While sluggish consumer spending and a decline in corporate capital spending are apparent due to the consumption tax hike, economic activity has been stagnant due to the impact of restricted travel and voluntary restraints resulting from the expansion of the new Corona contagious disease (COVID-19), and concerns over the second wave of infectious diseases continue in the future.

Under such a business environment, our group continued to focus on proposals aimed at resolving corporate issues in an integrated manner by providing comprehensive services that leverage management consulting, financial advisory, revitalization support, and other functions.

As a result of the above, our Group's financial advisory business posted sales of JPY2,305,924 k (up 13.5% from the same period of the previous year) in the second quarter of the current fiscal year. Although sales decreased compared with the same period of the previous fiscal year due to the impact of the new Corona Virus Infectious Disease (COVID-19), sales were firm in the management consulting business and increased significantly in the regeneration support business. In terms of expenses, recruitment and personnel expenses increased as a result of aggressive recruitment of personnel more than originally planned in preparation for management consulting needs and revitalization support needs, which are expected to increase further in the future. As a result, operating income was JPY118,887 k (up 508.3%), ordinary income was JPY126,294 k (up 300.5%), and profit attributable to owners of parent was JPY81,809 k (up 444.6%).

Operating results by business are as follows.

<Management Consulting Business>

In the second quarter of the current fiscal year, sales of the Management Consulting Business were 1,052,598 k (up 7.0% from the same quarter of the previous year). In the second quarter of the current fiscal year, net sales increased compared with the same period of the previous fiscal year as a result of the expansion of the scope of services provided by the same customer and the increasing size of projects.

<Financial Advisory Business>

The financial advisory business posted net sales of JPY718,769 k (9.0% decrease from the same quarter consolidated accumulative period of the previous year) in the second quarter of the current fiscal year. In the consolidated cumulative second quarter, sales decreased compared with the same period of the previous fiscal year due to factors such as the disruption of cross-border M&A transactions between domestic companies and overseas companies and delays in advancing due to constraints on physical movement abroad caused by the impact of the new Corona Virus Infectious Disease (COVID-19).

<Revitalization Support Program>

The business results of the Revitalization Support Business for the second quarter of the current fiscal year were net sales of JPY500,812 k (up 146.3% from the same quarter of the previous fiscal year). In the consolidated cumulative second quarter, net sales increased significantly compared with the same period of the previous fiscal year due to the continued strong number of referral projects from financial institutions from the previous fiscal year and the execution of multiple large-scale projects.

<Other Business>

In the Other Business, net sales decreased 39.2% year on year to JPY33,743 k.

(2) Explanation of Financial Position

<Assets>

The Group's assets at the end of the second quarter of the current fiscal year were JPY3,039,600 k (compared with JPY3,269,111 k at the end of the previous fiscal year), a decrease of JPY229,510 k from the end of the previous fiscal year.

This was mainly due to an increase of JPY56,800 k in investment securities, a decrease of JPY102,470 k in cash and deposits, and a decrease of JPY206,752 k in notes and accounts receivable-trade.

<Liabilities>

The Group's balance of liabilities at the end of the second quarter of the current fiscal year was JPY932,090 k (compared with JPY1,083,769 k at the end of the previous fiscal year), a decrease of JPY151,679 k from the end of the previous fiscal year.

This was mainly due to an increase of JPY250,002 k in short-term loans payable, a decrease of JPY269,263 k in accrued bonuses to directors and corporate auditors, and a decrease of JPY141,277 k in income taxes payable.<Net assets>

The balance of net assets of the Group at the end of the second quarter of the current fiscal year was JPY2,107,510 k (compared to JPY2,185,341 k at the end of the previous fiscal year), a decrease of JPY77,830 k from the end of the previous fiscal year.

This was mainly due to the recording of profit attributable to owners of parent of JPY81,809 k for the second quarter of the current fiscal year and the disposal of treasury stock of JPY75,438 k as restricted stock compensation (a decrease of JPY54,577 k in treasury stock and an increase of JPY20,860 k in capital surplus), which increased. On the other hand, there was a decrease in retained earnings due to dividends of JPY131,143 k and the acquisition of treasury stock of JPY111,784 k.

<Cash Flows>

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the second quarter of the current fiscal year decreased by JPY102,470 k from the end of the previous fiscal year to JPY1,630,765 k.

The status of each cash flow and its factors in the second quarter of the current fiscal year are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was JPY61,647 k (net cash used of JPY519,838 k in the same quarter of the previous fiscal year). This was mainly due to an increase of JPY126,294 k in quarterly profit before income taxes and a decrease of JPY206,694 k in notes and accounts receivable-trade, and a decrease of JPY260,381 k in provision for bonuses and JPY133,130 k in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was JPY56,803 k (net cash used of JPY97,660 k in the same quarter of the previous fiscal year). This was mainly due to purchase of investment securities of JPY56.800 k.

(Cash flows from financing activities)

Net cash provided by financing activities was JPY15,948 k (net cash used of JPY67,631 k in the same quarter of the previous fiscal year). This was mainly due to a net increase in short-term loans payable of JPY250,002 k and a decrease in cash dividends paid of JPY129,193 k and purchase of treasury stock of JPY111,784 k.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

There is no change in the full-year consolidated earnings forecast from the consolidated earnings forecast announced on February 13, 2020.

In the first half of the fiscal year, the impact of the new Corona Virus Infectious Disease (COVID-19) limited our ability to physically move abroad. As a result, cross-border M&A deals between domestic companies and foreign companies were suspended or delayed. The goal of a 200-person workforce at the end of the fiscal year was achieved ahead of schedule at the end of June, and despite a large burden of personnel and recruitment costs, we achieved a significant year-on-year increase in profits.

In the second half of the fiscal year, we expect earnings to grow due to the growing need for the revitalization support business we operate and the need for the management consulting business amid the prospect of an increase in the number of companies experiencing worsening business results. In addition, we expanded our personnel structure ahead of schedule during the first half of the fiscal year, enabling us to capture more needs. In the financial advisory business, which had not made good progress in the first half of the fiscal year, consultations on carve-out projects (selling companies' non-core businesses and non-core subsidiaries to other companies) are increasing recently, and we expect a certain degree of recovery in the second half of the fiscal year.

With regard to the status of infectious diseases of the new coronaviral infectious disease (COVID-19), we assume that the current status will continue at least within the fiscal year. After factoring in the impact of these conditions, we believe that our earnings forecasts will be broadly equivalent to the consolidated earnings forecasts announced on February 13, 2020 due to the foregoing expectations. In the event that it becomes necessary to revise the earnings forecast in the future, the Company plans to promptly disclose the information.

With the relocation of the head office in the previous fiscal year, we have enhanced the IT environment and security, thereby

creating an environment in which operations can be fully executed in remote work. The balance between business execution and remote work in our offices is adjusted while closely monitoring the spread of the infectious diseases of the new Corona Virus (COVID-19). In any event, the impact on our business execution system is minimal even when there are restrictions on going out.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	Previous fiscal year (As of Dec. 31, 2019)	End of current consolidated second quarter (As of Jun. 30, 2020)
(Thousands of yen)		
Assets		
Current assets		
Cash and deposits	1,733,235	1,630,765
Notes and accounts receivable	695,233	488,480
Operational investment securities	56,394	56,017
Others	113,966	145,377
Allowance for doubtful accounts	△13,651	△11,490
Total current assets	2,585,177	2,309,150
Fixed assets		
Property, plant and equipment		
Buildings, net	218,677	206,878
Tools, furniture, and fixtures, net	28,326	23,866
Total property, plant and equipment	247,003	230,745
Intangible assets		
Software	14,640	12,474
Others	102	102
Total intangible assets	14,742	12,576
Investments and other assets		
Investment securities	-	56,800
Stocks of subsidiaries and affiliates	29,871	34,174
Lease deposits	211,086	211,074
Deferred tax assets	174,910	131,048
Others	6,318	54,031
Total investments and other assets	422,187	487,128
Total noncurrent assets	683,933	730,450
Total assets	3,269,111	3,039,600

(Thousands of yen)

	Previous fiscal year (As of Dec. 31, 2019)	End of current consolidated second quarter (As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Accounts payable	18,631	36,836
Short-term borrowings	-	250,002
Accounts payable-other	92,783	66,692
Income taxes payable	158,336	17,058
Provision for bonuses	511,547	251,165
Provision for directors' bonuses	25,098	16,216
Others	195,120	211,862
Total current liabilities	1,001,516	849,834
Long-term liabilities		
Asset retirement obligations	82,253	82,255
Total noncurrent liabilities	82,253	82,255
Total liabilities	1,083,769	932,090
Net assets		
Shareholders' equity		
Paid-in Capital	158,137	161,599
Capital surplus	808,967	833,290
Retained earnings	1,206,655	1,157,321
Treasury stock	△613	△57,820
Total shareholders' equity	2,173,146	2,094,391
Other accumulated comprehensive income		
Foreign currency translation adjustment	12,194	13,119
Total other accumulated comprehensive income	12,194	13,119
Total net assets	2,185,341	2,107,510
Total liabilities and net assets	3,269,111	3,039,600

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

Quarterly Consolidated Statements of Income

(Second Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Previous second quarter consolidated cumulative period (Jan. 1, 2019 to Jun. 30, 2019)	Current second quarter consolidated cumulative period (Jan. 1, 2020 to Jun. 30, 2020)
Net sales	2,031,699	2,305,924
Cost of sales	879,129	933,135
Gross profit	1,152,569	1,372,788
Selling, general and administrative expenses	1,133,025	1,253,901
Operating income	19,544	118,887
Non-operating income		
Interest income	26	32
Equity in earnings of affiliates	7,007	4,302
Insurance dividend income	1,158	968
Reversal of allowance for doubtful accounts	6,603	2,161
Others	1,306	2,644
Total non-operating income	16,103	10,108
Non-operating expenses		
Interest expenses	461	373
Foreign exchange losses	2,848	2,071
Others	801	256
Total non-operating expenses	4,110	2,701
Ordinary income	31,536	126,294
Current net income for the quarter before income taxes and minority interests	31,536	126,294
Income taxes	655	623
Income taxes-deferred	15,859	43,861
Total income taxes	16,515	44,485
Net profit	15,021	81,809
Net profit attributable to owners of parent	15,021	81,809

Quarterly Consolidated Statements of Comprehensive Income
(Second Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Previous second quarter consolidated cumulative period (Jan. 1, 2019 to Jun. 30, 2019)	Current second quarter consolidated cumulative period (Jan. 1, 2020 to Jun. 30, 2020)
Net profit	15,021	81,809
Other comprehensive income		
Foreign currency translation adjustment	1,225	924
Total other comprehensive income	1,225	924
Quarterly comprehensive income	16,247	82,734
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	16,247	82,734
Quarterly comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous second quarter consolidated cumulative period r (Jan. 1, 2019 to Jun. 30, 2019)	Current second quarter consolidated cumulative period (Jan. 1, 2020 to Jun. 30, 2020)
Net cash provided by (used in) operating activities		
Current net income for the quarter before income taxes and minority interests	31,536	126,294
Depreciation and amortization	9,830	19,296
Share of profit (loss) of entities accounted for using equity method (Δ : profit)	Δ 7,007	Δ 4,302
Increase (decrease) in accrued bonuses	Δ 416,708	Δ 260,381
Increase (decrease) in provision for directors' bonuses (Δ)	Δ 109,158	Δ 8,882
Increase (decrease) in allowance for doubtful accounts (Δ)	Δ 6,603	Δ 2,161
Interest income	Δ 26	Δ 32
Interest expenses	461	373
Decrease (Δ) in notes and accounts receivable-trade	519,842	206,694
Decrease (Δ) in operational investment securities	314	376
Increase (Δ) in notes and accounts payable-trade	Δ 158,129	18,211
Increase (decrease) in accounts payable-other (Δ)	Δ 47,461	Δ 26,367
Others	Δ 79,377	2,810
Subtotal	Δ262,488	71,930
Interest received	26	32
Interest expenses paid	Δ 467	Δ 480
Income taxes paid	Δ 256,908	Δ 133,130
Net cash provided by (used in) operating activities	Δ519,838	Δ61,647
Cash flow from investing activities		
Purchase of property, plant and equipment	Δ 75,034	-
Purchase of intangible assets	Δ 10,102	-
Purchase of investment securities	-	Δ 56,800
Payments for lease and guarantee deposits	Δ 13,772	Δ 3
Proceeds from collection of lease and guarantee deposits	1,248	-
Cash flow from investing activities	Δ97,660	Δ56,803
Cash flow from financing activities		
Net increase (Δ) in short-term borrowings	74,999	250,002
Purchase of treasury stock	Δ 80	Δ 111,784
Cash dividends paid	Δ 142,550	Δ 129,193
Proceeds from exercise of stock options	-	6,924
Cash flow from financing activities	Δ67,631	15,948
Effect of exchange rate change on cash and cash equivalents	516	32
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	Δ684,614	Δ102,470
Cash and cash equivalents at beginning of period	2,116,453	1,733,235
Period-end balance of cash and cash equivalents	1,431,839	1,630,765

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Additional Information)

(Accounting Estimate of the Impact of Infectious Disease of the New Corona Virus (COVID-19))

With respect to the status of infectious diseases of the new Corona Virus (COVID-19), the Company makes accounting estimates, such as the recoverability of deferred tax assets, based on currently available information, assuming that current conditions will continue at least within the fiscal year.

As a consequence, we are not aware of any material impact on the valuation of our accounting estimates; however, due to the highly uncertain impact of the spread of the new Corona contagious disease (COVID-19), our financial condition and results of operations may be impacted depending on the future.

(Segment information, etc.)

[Segment Information]

Previous Second Quarter (From January 1, 2019 to June 30, 2019)

Disclosure is omitted because the business segments of the Group are a single segment.

Current Second Quarter (From January 1, 2020 to June 30, 2020)

Disclosure is omitted because the business segments of the Group are a single segment.