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Consolidated Financial Results for the Six Months Ended February 28, 2025 [Japanese GAAP]

April 10, 2025

Company name: SHIFT, Inc.
Stock exchange listing: Tokyo Stock Exchange Code number: 3697
URL: https://www.shiftinc.jp
Representative: Masaru Tange, President and CEO
Contact: Shun Yamaguchi, Corporate Planning Unit Manager
Phone: +81-3-6809-1165
Scheduled filing date for semi-annual securities report: April 14, 2025
Scheduled date for commencement of dividend payments: None
Availability of supplementary briefing material on financial results: Available
Financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended February 28, 2025 (September 1, 2024 to February 28, 2025)

(1) Consolidated Operating Results (cumulative) (Percentages indicate rates of year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2025	61,688	17.9	8,058	72.1	7,868	62.9	4,493	50.7
February 29, 2024	52,305	29.6	4,683	(7.9)	4,831	(10.7)	2,982	36.5

(Note) Comprehensive income: For the six months ended February 28, 2025: ¥4,586 million (60.2%)
For the six months ended February 29, 2024: ¥2,862 million (21.6%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
February 28, 2025	17.06	17.06
February 29, 2024	11.31	11.29

(Notes) 1. In calculating the average number of shares of the Company's common stock during the period, which is used to determine the basic earnings per share and diluted earnings per share, the Company excludes the treasury share count that includes the average number of the Company shares held in the stock benefit-type ESOP trust account during the period.
2. The Company conducted a 15-for-1 stock split of its common shares, effective January 24, 2025. Basic earnings per share and diluted earnings per share have been calculated on the assumption that the stock split had taken effect at the beginning of the previous fiscal year.
3. At the end of the fiscal year ended August 31, 2024, the Company finalized provisional accounting treatment applying to a business combination in the second quarter of that year. The figures for the six months ended February 29, 2024 reflect the finalized accounting treatment.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 28, 2025	67,800	36,126	52.8
As of August 31, 2024	62,717	34,522	53.7

(Reference) Shareholders' equity: As of February 28, 2025: ¥35,814 million
As of August 31, 2024: ¥33,684 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2024	—	0.00	—	0.00	0.00
Fiscal year ending August 31, 2025	—	0.00			
Fiscal year ending August 31, 2025 (Forecast)			—	0.00	0.00

(Note) Changes in dividend forecast from the most recent announcement: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2025 (September 1, 2024 to August 31, 2025)

(Percentages indicate rates of year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	130,000	17.5	13,500	28.1	13,500	25.5	7,900	54.1	30.02

(Notes) 1. Changes in financial results forecast from the most recent announcement: None

2. The Company conducted a 15-for-1 stock split of its common shares, effective January 24, 2025. The forecast for basic earnings per share for the fiscal year ending August 31, 2025, takes into account the impact of the stock split. The projection for basic earnings per share prior to reflecting the stock split is ¥450.25.

Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: None

Excluded: None

(2) Application of special accounting treatment in preparing the semi-annual financial statements: Yes

(Note) For details, please see the attached materials on page 12, “2. Semi-Annual Consolidated Financial Statements and Primary Notes (4) Notes to Semi-Annual Consolidated Financial Statements (Application of special accounting treatment in preparing the semi-annual financial statements).”

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(Note) For details, please see the attached materials on page 12, “2. Semi-Annual Consolidated Financial Statements and Primary Notes (4) Notes to Semi-Annual Consolidated Financial Statements (Changes in accounting policies).”

(4) Total number of issued shares (common stock)

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

February 28, 2025: 267,500,670 shares

August 31, 2024: 267,500,670 shares

2) Total number of treasury shares at the end of the period:

February 28, 2025: 4,303,657 shares

August 31, 2024: 3,407,040 shares

3) Average number of shares outstanding during the period:

Six months ended February 28, 2025: 263,386,883 shares

Six months ended February 29, 2024: 263,797,659 shares

(Notes) 1. The total number of treasury shares at the end of the period includes shares in the Company held in the stock benefit-type ESOP trust account (3,386,700 shares as of February 28, 2025; 3,398,850 shares as of August 31, 2024). In calculating the average number of shares outstanding during the period, the Company excludes the treasury share count, which includes the average number of Company shares held in the subject ESOP trust account during the period (3,396,769 shares in the six months ended February 28, 2025; 3,587,059 shares in the six months ended February 29, 2024).

2. The Company conducted a 15-for-1 stock split of its common shares, effective January 24, 2025. Total number of issued shares at the end of the period, total number of treasury shares at the end of the period, and average number of shares outstanding during the period have been calculated on the assumption that the stock split had taken effect at the beginning of the previous fiscal year.

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

(Cautionary note on forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable by the Company and are not intended to be construed as assurance that they will be accomplished in the future. Actual results may differ significantly from the forecasts due to a wide range of factors.

Contents of Attached Materials

1. Summary of Business Results

All matters relating to the future in the sections below reflect the current views of the SHIFT Group as of February 28, 2025.

The Company applied provisional accounting treatment for the business combination with Club Nets Corporation, which was completed on February 1, 2024, during the previous semi-annual consolidated accounting period ended February 29, 2024. As the accounting treatment was finalized at the end of the previous fiscal year, the figures used for comparison and analysis with the previous semi-annual consolidated accounting period reflect the amounts revised following the finalization of the provisional accounting treatment.

(1) Explanation of Business Results

1) Results for the six months ended February 28, 2025

During the six months ended February 28, 2025, the Japanese economy recovered gradually as various initiatives to reinvigorate the economy bore fruit in an environment of improving employment and incomes. However, the economic outlooks in Japan and overseas remain clouded due to political uncertainties in the US and volatility in financial and capital markets.

In the software market the SHIFT Group serves, demand for digital transformation (DX), which is revolutionizing the entire industry, continued to grow, particularly with a focus on the utilization of new technologies such as generative AI, as Japan moved closer to the “2025 Digital Cliff,” a term used to refer to the expected economic stagnation and decline in international competitiveness if the existing legacy systems, which have become complex, outdated, and black box-like, were to remain in place. Under these conditions, we believe it is ever more important to secure and train personnel, and to upskill existing employees, to achieve co-existence and co-prosperity between humans and AI.

As societal focus increasingly shifts toward security, particularly in networks and applications, the emergence of security risks such as malware infections and attacks exploiting software vulnerabilities has become more pronounced, further highlighting the critical importance of robust security measures.

In this business environment, the SHIFT Group has set forth its “SHIFT3000” growth strategy, targeting annual net sales of ¥300 billion (¥3,000 *oku* in Japanese). With the IT market expected to grow increasingly dynamic, the Group is working to expand its business and achieve growth by enhancing corporate value through DX initiatives. This effort combines the strengths the Group has cultivated since its founding, including its sales capabilities, high-quality services, expertise in recruitment and human resources, and proficiency in M&A and post-merger integration (PMI).

Our results in the six months ended February 28, 2025 were as follows.

(Millions of yen)

Six months ended	February 29, 2024	February 28, 2025	Change	Change (%)
Net sales	52,305	61,688	9,383	17.9 %
Operating profit	4,683	8,058	3,375	72.1 %
EBITDA*	5,889	9,651	3,762	63.9 %
Profit attributable to owners of parent	2,982	4,493	1,511	50.7 %

(Note) EBITDA is calculated by adding depreciation on non-current assets, including intangible assets excluding goodwill, and goodwill amortization to operating profit. The SHIFT Group monitors EBITDA as we believe it to be a useful indicator of cash generation ability, which is the source of investments for our future growth.

2) Progress versus earnings forecast and major KPIs

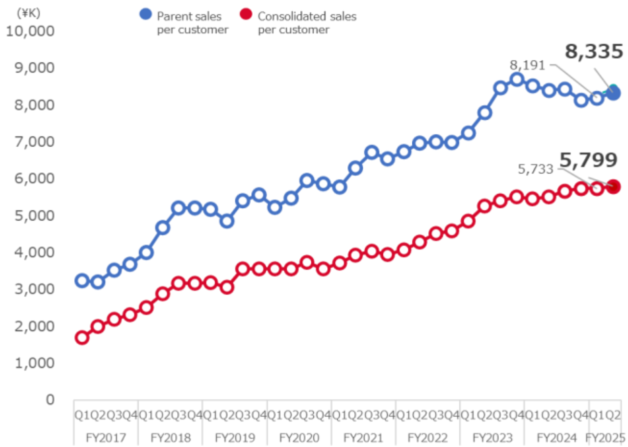
Based on the corporate philosophy of “We seek out new value concepts and work sincerely to provide value to the world,” the SHIFT Group aims to become a company that continuously resolves social issues. We have set sales targets as milestones toward realizing this vision and will strive to fulfill our corporate philosophy and maximize corporate value. The progress rates as of February 28, 2025, versus the full-year earnings forecast for the fiscal year ending August 31, 2025, are as follows.

(Millions of yen)	Forecast for the fiscal year ending August 31, 2025	Results for the six months ended February 28, 2025	Progress rates	(Reference) Progress as of February 29, 2024 versus the full-year forecast
Net sales	130,000	61,688	47.5 %	42.9 % – 45.9 %
Operating profit	13,500	8,058	59.7 %	32.1 % – 40.4 %
Ordinary profit	13,500	7,868	58.3 %	33.1 % – 41.6 %
Profit attributable to owners of parent	7,900	4,493	56.9 %	29.8 % – 40.9 %

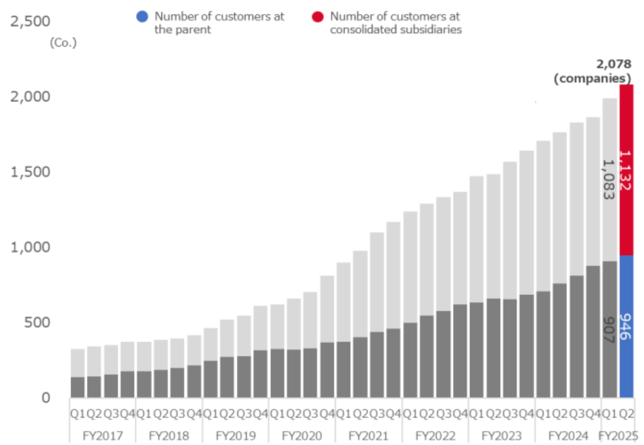
In the six months ended February 28, 2025, net sales were in line with the earnings projections made based on anticipated sales growth. All profit categories were also in line with projections, supported in part by the impact of measures to improve the utilization rates implemented since the previous fiscal year.

KPIs, including sales per customer, number of customers, unit price for engineer, and number of engineers, are continuing to rise. Actual figures for these indicators for the six months ended February 28, 2025 and quarterly trend since the fiscal year ended August 31, 2017 are provided below.

Monthly Sales per Customer



Monthly Number of Customers



Monthly sales per customer and monthly number of customers are calculated as follows. When calculating these figures, we exclude sales and number of customers from some businesses for which we deem it inappropriate to manage performance with sales per customer or number of customers as KPIs (license sales and training services, etc.).

(a) Monthly sales per customer (parent)

$$\text{Monthly sales per customer (parent)} = \frac{\text{Parent sales}}{\text{Number of customers at the parent (sum)}}$$

Parent sales	Three-month sum (for the corresponding quarter) of monthly sales and expected sales (projects started but at pre-acceptance stage, to be recorded in future) based on actual results during the corresponding three months
Number of customers at the parent (sum)	Three-month sum (for the corresponding quarter) of the monthly number of customers that were active (but from whom no sales were recorded) or from whom sales were recorded during the corresponding three months

(b) Monthly sales per customer (consolidated)

$$\text{Monthly sales per customer (consolidated)} = \frac{\text{Parent sales + sales of consolidated subsidiaries}}{\text{Number of customers at the parent (sum) + number of customers at consolidated subsidiaries (sum)}}$$

Parent sales	As noted in (a) above
Sales of consolidated subsidiaries	Quarterly sales obtained by adding up monthly sales for the corresponding three months
Number of customers at the parent (sum)	As noted in (a) above
Number of customers at consolidated subsidiaries (sum)	Quarterly number of customers obtained by adding up the monthly number of customers from whom sales were recorded on a monthly basis during the corresponding three months

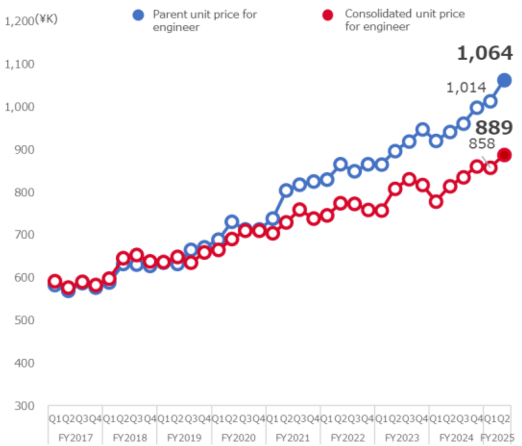
(c) Monthly number of customers

Monthly number of customers ＝ Number of customers at the parent (average) +

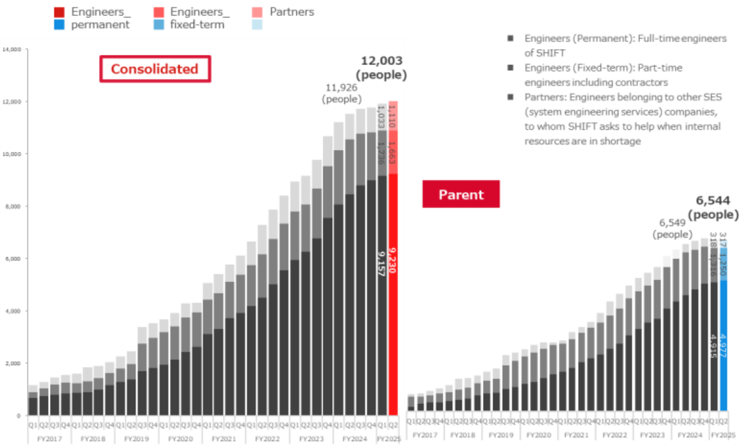
Number of customers at consolidated subsidiaries (average)

Number of customers at the parent (average)	Three-month average of the number of customers who were active (but from whom no sales were recorded) or from whom sales were recorded on a monthly basis during the corresponding three months
Number of customers at consolidated subsidiaries (average)	Three-month average of the number of customers from whom sales were recorded on a monthly basis during the corresponding three months

Unit price for engineer



Number of engineers



Unit price for engineer and number of engineers are calculated as follows. When calculating these figures, we exclude sales and number of engineers from some businesses for which we deem it inappropriate to manage performance with unit price for engineer (license sales and training services, etc.).

(a) Unit price for engineer (parent)

$$\text{Unit price for engineer (parent)} = \frac{\text{Parent sales}}{\text{Number of engineers at the parent}}$$

Parent sales	Sales excluding projects where engineers were not involved
Number of engineers at the parent	Monthly equivalent of the person-hours of engineers that worked on projects from which sales were recorded during the month, plus the person-hours of personnel involved in the management of the projects

(b) Unit price for engineer (consolidated)

$$\text{Unit price for engineer (consolidated)} = \frac{\text{Parent sales + sales of consolidated subsidiaries}}{\text{Number of engineers at the parent + number of engineers at consolidated subsidiaries}}$$

Parent sales	As noted in (a) above
Sales of consolidated subsidiaries	Quarterly sales obtained by adding up monthly sales for the corresponding three months
Number of engineers at the parent	As noted in (a) above
Number of engineers at consolidated subsidiaries	Quarterly number of registered engineers obtained by adding up the monthly number of registered engineers for the corresponding three months

(c) Number of engineers

The number of engineers above is the sum of the SHIFT Group's full-time employees, contract employees, and part-time employees, as well as contract employees at partner companies, who have an employment contract at the end of each quarter.

3) Segment results

Segment results are as follows.

(a) Software Testing Related Services

(Millions of yen)

Six months ended	February 29, 2024	February 28, 2025	Change	Change (%)
Net sales	33,844	39,606	5,761	17.0 %
Gross profit	11,478	14,585	3,106	27.1 %
Selling, general and administrative expenses	3,963	4,069	105	2.7 %
Of which, acquisition-related expenses	216	23	(192)	(89.0) %
Of which, goodwill amortization	1	1	0	0.0 %
Of which, amortization of customer-related intangible assets	—	—	—	— %
Operating profit	7,515	10,516	3,001	39.9 %
EBITDA	7,611	10,610	2,999	39.4 %

In Software Testing Related Services, the SHIFT Group mainly provides services such as software testing and quality assurance, consulting and PMO, customer support, and security.

In the six months ended February 28, 2025, our efforts to expand sales from existing customers proved successful. As a result, sales in Software Testing Related Services came to ¥39,606 million (+17.0% year-on-year) and operating profit to ¥10,516 million (+39.9% year-on-year).

Acquisition-related expenses associated with M&A activities, which are included in the Software Testing Related Services segment's selling, general and administrative expenses, came to ¥23 million (-89.0% year-on-year).

Of the selling, general and administrative expenses, ¥4,309 million (¥3,337 million in the six months ended February 29, 2024) was recorded as companywide expenses and not allocated to the Software Testing Related Services segment.

(b) Software Development Related Services

(Millions of yen)

Six months ended	February 29, 2024	February 28, 2025	Change	Change (%)
Net sales	16,769	19,733	2,963	17.7 %
Gross profit	4,031	5,096	1,064	26.4 %
Selling, general and administrative expenses	3,412	3,514	101	3.0 %
Of which, acquisition-related expenses	5	2	(3)	(61.1) %
Of which, goodwill amortization	409	424	15	3.7 %
Of which, amortization of customer-related intangible assets	37	41	4	10.9 %
Operating profit	619	1,581	962	155.5 %
EBITDA	1,113	2,114	1,001	90.0 %

In Software Development Related Services, the SHIFT Group primarily provides services directly involved in the software development process, including system development, system performance enhancement, IT strategy formulation, system planning and design, engineer matching platform, and data analysis.

In the six months ended February 28, 2025, sales in Software Development Related Services amounted to ¥19,733 million (+17.7% year-on-year) and operating profit to ¥1,581 million (+155.5% year-on-year), due to an expansion of the salesforce and steady recruitment of engineers. Acquisition-related expenses associated with M&A activities included in the segment's selling, general and administrative expenses amounted to ¥2 million (-61.1% year-on-year).

(c) Other Proximate Services

(Millions of yen)

Six months ended	February 29, 2024	February 28, 2025	Change	Change (%)
Net sales	3,639	4,881	1,242	34.1 %
Gross profit	1,401	2,238	836	59.7 %
Selling, general and administrative expenses	1,495	1,994	498	33.3 %
Of which, acquisition-related expenses	62	95	33	53.9 %
Of which, goodwill amortization	289	284	(4)	(1.6) %
Of which, amortization of customer-related intangible assets	58	150	91	156.7 %
Operating profit (loss)	(94)	244	338	— %
EBITDA	419	904	484	115.6 %

In Other Proximate Services, the SHIFT Group mainly provides services in adjacent markets to software testing and software development, such as web planning and production, marketing, kitting, cloud services, localization, and M&A/PMI, using a business model distinct from SHIFT's existing businesses.

In the six months ended February 28, 2025, sales in Other Proximate Services were ¥4,881 million (+34.1% year-on-year) and operating profit was ¥244 million (operating loss of ¥94 million in the six months ended February 29, 2024), owing to contributions from newly consolidated subsidiaries resulting from M&A activity. Acquisition-related expenses associated with M&A activities included in the segment's selling, general and administrative expenses came to ¥95 million (+53.9% year-on-year).

(2) Explanation of Financial Condition

(Assets)

Total assets as of February 28, 2025 were ¥67,800 million, increasing by ¥5,082 million compared to total assets as of August 31, 2024. This mainly reflected an increase of ¥4,159 million in cash and deposits due to borrowings.

(Liabilities)

Total liabilities as of February 28, 2025 were ¥31,673 million, increasing by ¥3,477 million compared to total liabilities as of August 31, 2024. This was mainly due to an increase of ¥5,600 million in short-term borrowings reflecting new loans to secure working capital, despite a ¥1,631 million decrease in accrued expenses as a result of payment of social insurance premiums, etc., which had been outstanding since the previous fiscal year-end falling on a bank holiday and a ¥1,510 million decrease in long-term borrowings (including the current portion of long-term borrowings) due to scheduled repayments.

(Net assets)

Net assets as of February 28, 2025 were ¥36,126 million, increasing by ¥1,604 million compared to net assets as of August 31, 2024. This mainly reflected an increase in retained earnings of ¥4,493 million owing to the recording of profit attributable to owners of parent, offsetting a decrease of ¥1,488 million in capital surplus due to the acquisition of additional shares in a subsidiary. Treasury shares deducted from net assets increased by ¥898 million due to the purchase of treasury shares to be used for the Company shares grant after the vesting of the restricted stock unit plan, among other factors.

(Cash flows)

Cash and cash equivalents (hereinafter, “cash”) amounted to ¥24,901 million as of February 28, 2025, increasing by ¥4,056 million from August 31, 2024. The cash flows affecting this figure are outlined below.

(Cash flows from operating activities)

During the six months ended February 28, 2025, net cash provided by operating activities was ¥4,043 million (versus ¥546 million provided during the same period of the prior fiscal year). This mainly reflected ¥7,185 million in recorded profit before income taxes, partially offset by ¥2,124 million in income taxes paid and a ¥1,948 million decrease in accounts payable - other, and accrued expenses.

(Cash flows from investing activities)

Net cash used in investing activities during the six months ended February 28, 2025 was ¥1,465 million (versus ¥6,826 million used during the same period of the prior fiscal year). This was primarily due to ¥555 million in purchase of property, plant and equipment, ¥376 million in payments for investments in capital, ¥272 million in purchase of shares of subsidiaries resulting in change in scope of consolidation, and ¥271 million in payments of leasehold and guarantee deposits associated with floor space expansion.

(Cash flows from financing activities)

Net cash provided by financing activities during the six months ended February 28, 2025 was ¥1,478 million (versus ¥8,052 million provided during the same period of the prior fiscal year). This was mainly due to a net increase of ¥5,600 million in short-term borrowings to secure working capital, despite ¥1,600 million in purchase of shares of subsidiaries not resulting in change in scope of consolidation, ¥1,510 million in repayments of long-term borrowings for scheduled repayments, and ¥999 million in purchase of treasury shares to be used for the Company shares grant after the vesting of the restricted stock unit plan.

(3) Explanation of Financial Results Forecast and Other Forward-Looking Information

The consolidated earnings forecast for the fiscal year ending August 31, 2025 remains unchanged from the forecast announced on October 10, 2024.

2. Semi-Annual Consolidated Financial Statements and Primary Notes

(1) Semi-Annual Consolidated Balance Sheets

(Millions of yen)

	As of August 31, 2024	As of February 28, 2025
Assets		
Current assets		
Cash and deposits	20,869	25,029
Notes and accounts receivable - trade, and contract assets	13,805	14,310
Inventories	977	1,667
Other	1,382	1,862
Allowance for doubtful accounts	(13)	(14)
Total current assets	37,022	42,854
Non-current assets		
Property, plant and equipment	6,818	6,729
Intangible assets		
Goodwill	9,262	8,478
Other	4,615	4,425
Total intangible assets	13,877	12,903
Investments and other assets		
Investment securities	1,145	1,041
Other	3,921	4,325
Allowance for doubtful accounts	(68)	(55)
Total investments and other assets	4,998	5,311
Total non-current assets	25,695	24,945
Total assets	62,717	67,800
Liabilities		
Current liabilities		
Accounts payable - trade	1,509	1,630
Short-term borrowings	50	5,650
Current portion of long-term borrowings	2,856	2,603
Accrued expenses	6,367	4,735
Income taxes payable	2,012	2,725
Provision for bonuses	339	499
Provision for share-based payments	—	76
Other	6,517	6,294
Total current liabilities	19,653	24,214
Non-current liabilities		
Long-term borrowings	6,671	5,414
Retirement benefit liability	33	140
Asset retirement obligations	627	631
Other	1,209	1,272
Total non-current liabilities	8,542	7,458
Total liabilities	28,195	31,673
Net assets		
Shareholders' equity		
Share capital	21	21
Capital surplus	15,854	14,365
Retained earnings	23,029	27,523
Treasury shares	(4,940)	(5,838)
Total shareholders' equity	33,964	36,071
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(304)	(281)
Foreign currency translation adjustment	24	24
Total accumulated other comprehensive income	(279)	(256)
Share award rights	328	286
Share acquisition rights	25	25
Non-controlling interests	482	—
Total net assets	34,522	36,126
Total liabilities and net assets	62,717	67,800

(2) Semi-Annual Consolidated Statements of Income and Semi-Annual Consolidated Statements of Comprehensive Income

Semi-Annual Consolidated Statements of Income

(Millions of yen)

	For the six months ended February 29, 2024	For the six months ended February 28, 2025
Net sales	52,305	61,688
Cost of sales	35,741	40,483
Gross profit	16,563	21,205
Selling, general and administrative expenses	11,880	13,146
Operating profit	4,683	8,058
Non-operating income		
Interest income	0	7
Dividend income	66	0
Subsidy income	50	53
Other	59	30
Total non-operating income	176	92
Non-operating expenses		
Interest expenses	16	40
Foreign exchange losses	2	7
Commission expenses	1	2
Loss on investments in capital	—	227
Office relocation expenses	5	—
Other	2	4
Total non-operating expenses	28	282
Ordinary profit	4,831	7,868
Extraordinary income		
Gain on sale of investment securities	—	54
Total extraordinary income	—	54
Extraordinary losses		
Impairment losses	—	573
Loss on valuation of investment securities	—	163
Total extraordinary losses	—	736
Profit before income taxes	4,831	7,185
Income taxes	1,781	2,622
Profit	3,049	4,563
Profit attributable to non-controlling interests	66	69
Profit attributable to owners of parent	2,982	4,493

Semi-Annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended February 29, 2024	For the six months ended February 28, 2025
Profit	3,049	4,563
Other comprehensive income		
Valuation difference on available-for-sale securities	(185)	22
Foreign currency translation adjustment	(0)	0
Total other comprehensive income	(186)	23
Comprehensive income	2,862	4,586
(Breakdown)		
Comprehensive income attributable to owners of parent	2,795	4,516
Comprehensive income attributable to non-controlling interests	66	69

(3) Semi-Annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended February 29, 2024	For the six months ended February 28, 2025
Cash flows from operating activities		
Profit before income taxes	4,831	7,185
Depreciation	506	883
Impairment losses	—	573
Amortization of goodwill	699	710
Increase (decrease) in allowance for doubtful accounts	12	(12)
Increase (decrease) in provision for bonuses	0	78
Increase (decrease) in provision for loss on orders received	11	—
Interest and dividend income	(66)	(8)
Interest expenses	16	40
Subsidy income	(50)	(53)
Foreign exchange losses (gains)	(1)	0
Loss (gain) on valuation of investment securities	—	163
Loss (gain) on sale of investment securities	—	(54)
Loss (gain) on investments in capital	—	227
Decrease (increase) in trade receivables	(965)	(327)
Decrease (increase) in inventories	(360)	(642)
Decrease (increase) in prepaid expenses	(270)	(384)
Increase (decrease) in trade payables	(124)	44
Increase (decrease) in accrued consumption taxes	(1,210)	(61)
Increase (decrease) in accounts payable - other, and accrued expenses	65	(1,948)
Other	264	(268)
Subtotal	3,357	6,146
Interest and dividends received	66	7
Interest paid	(21)	(40)
Subsidies received	50	53
Income taxes paid	(2,907)	(2,124)
Net cash provided by (used in) operating activities	546	4,043
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	160	5
Purchase of property, plant and equipment	(2,340)	(555)
Purchase of intangible assets	(18)	(82)
Purchase of investment securities	(299)	—
Proceeds from sale of investment securities	—	54
Payments for investments in capital	—	(376)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,624)	(272)
Payments of leasehold and guarantee deposits	(18)	(271)
Proceeds from refund of leasehold and guarantee deposits	386	18
Other	(70)	14
Net cash provided by (used in) investing activities	(6,826)	(1,465)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,500	5,600
Proceeds from long-term borrowings	5,800	—
Repayments of long-term borrowings	(801)	(1,510)
Proceeds from issuance of shares	1	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(434)	(1,600)
Purchase of treasury shares	(2)	(999)
Other	(9)	(11)
Net cash provided by (used in) financing activities	8,052	1,478
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	1,772	4,056
Cash and cash equivalents at beginning of period	17,551	20,844
Cash and cash equivalents at end of period	19,324	24,901

(4) Notes to Semi-Annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

Six months ended February 29, 2024 (From September 1, 2023 to February 29, 2024)

1. Dividends paid

Not applicable.

2. Dividends for which the record date falls within the first six months of the fiscal year through August 2024, but the effective date is after the end of that same first six months

Not applicable.

3. Significant changes in shareholders' equity

Not applicable.

Six months ended February 28, 2025 (From September 1, 2024 to February 28, 2025)

1. Dividends paid

Not applicable.

2. Dividends for which the record date falls within the first six months of the fiscal year through August 2025, but the effective date is after the end of that same first six months

Not applicable.

3. Significant changes in shareholders' equity

Not applicable.

(Application of special accounting treatment in preparing the semi-annual financial statements)

Tax expenses are estimated using a rational effective tax rate on profit before income taxes for the fiscal year including the first six months ended February 28, 2025 after the application of tax-effect accounting. Tax expenses are calculated by multiplying profit before income taxes by this estimated effective tax rate.

(Changes in accounting policies)

Six months ended February 28, 2025 (From September 1, 2024 to February 28, 2025)
The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27; October 28, 2022; hereafter the "2022 Revised Accounting Standard") and related guidelines have been applied from the beginning of the first half of the current fiscal year. With respect to revisions related to the classification of income taxes (taxation on other comprehensive income), the Company has followed the transitional treatment prescribed in the proviso of Paragraph 20-3 of the 2022 Revised Accounting Standard and Paragraph 65-2 (2) of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28; October 28, 2022; hereafter the "2022 Revised Implementation Guidance"). These changes have had no impact on the semi-annual consolidated financial statements. In addition, revisions related to the treatment of tax deferrals for gains and losses arising from the sale of subsidiary shares between consolidated entities have been applied from the beginning of the first half of the current fiscal year in accordance with the 2022 Revised Implementation Guidance. These changes have been applied retrospectively, and the semi-annual consolidated financial statements and consolidated financial statements for the previous fiscal year reflect the finalized treatment. However, these changes had no impact on the reported figures for the prior year's semi-annual consolidated financial statements or consolidated financial statements.

(Segment information, etc.)

Segment information

I. Six months ended February 29, 2024 (From September 1, 2023 to February 29, 2024)

1. Sales and profit by reportable segment

(Millions of yen)

	Reportable segments				Adjustments (Note 1)	Amount recorded in the semi-annual consolidated statements of income (Note 2)
	Software Testing Related Services	Software Development Related Services	Other Proximate Services	Total		
Net sales						
Net sales to external customers	33,794	15,389	3,121	52,305	—	52,305
Intersegment net sales and transfers	49	1,380	517	1,948	(1,948)	—
Total	33,844	16,769	3,639	54,253	(1,948)	52,305
Segment profit (loss)	7,515	619	(94)	8,040	(3,357)	4,683

(Notes)

1. The adjustment of ¥(3,357) million to segment profit (loss) mainly comprises companywide expenses not attributable to reportable segments, such as general and administrative expenses.
2. Segment profit (loss) is adjusted to operating profit in the semi-annual consolidated statements of income.

2. Assets by reportable segment

The Company acquired all shares in Club Nets Corporation and accordingly included it in the scope of consolidation in the six months ended February 28, 2025. As a result, the amount of assets in the Other Proximate Services segment increased by ¥7,350 million compared with August 31, 2024. The increase in the amount of net assets for the segment reflects revisions following the finalization of provisional accounting treatment.

3. Impairment loss on non-current assets and goodwill, etc., by reportable segment

(Significant change in the amount of goodwill)

The Company acquired all shares in Club Nets Corporation and accordingly included it in the scope of consolidation in the first half of the current fiscal year. The acquisition increased the amount of goodwill for the Other Proximate Services segment by ¥1,575 million in the six months ended February 28, 2025. The amount of increase in goodwill reflects revisions following the finalization of provisional accounting treatment.

II. Six months ended February 28, 2025 (From September 1, 2024 to February 28, 2025)

1. Sales and profit by reportable segment

(Millions of yen)

	Reportable segments				Adjustments (Note 1)	Amount recorded in the semi-annual consolidated statements of income (Note 2)
	Software Testing Related Services	Software Development Related Services	Other Proximate Services	Total		
Net sales						
Net sales to external customers	39,092	18,432	4,163	61,688	—	61,688
Intersegment net sales and transfers	513	1,301	717	2,532	(2,532)	—
Total	39,606	19,733	4,881	64,221	(2,532)	61,688
Segment profit	10,516	1,581	244	12,342	(4,284)	8,058

(Notes)

1. The adjustment of ¥(4,284) million to segment profit mainly comprises companywide expenses not attributable to reportable segments, such as general and administrative expenses.
2. Segment profit is adjusted to operating profit in the semi-annual consolidated statements of income.
3. In line with the significant revisions to the initial allocation of acquisition costs described under “Business combinations (Significant revisions to the initial allocation of acquisition costs in comparative information),” the segment information for the previous semi-annual consolidated accounting period ended February 29, 2024 is presented based on the revised figures.

2. Assets by reportable segment

Not applicable.

3. Impairment loss on non-current assets and goodwill, etc., by reportable segment

	Software Testing Related Services	Software Development Related Services	Other Proximate Services	Companywide/ eliminations	Total
Impairment losses	—	—	573	—	573

(Note) Goodwill and other intangible assets related to certain consolidated subsidiaries engaged in Other Proximate Services were written down to their recoverable amounts, as those subsidiaries are no longer expected to generate excess earnings based on future business plans. The resulting decrease in value has been recognized as an impairment loss.

(Business combinations)

(Significant revisions to the initial allocation of acquisition costs in comparative information)

For the business combination with Club Nets Corporation carried out on February 1, 2024, the Company had applied provisional accounting treatment during the previous semi-annual consolidated accounting period ended February 29, 2024. This treatment was finalized at the end of the previous fiscal year.

Following the finalization of the provisional accounting treatment, the Company made significant revisions to the initial allocation of acquisition costs in the comparative information included in the semi-annual consolidated financial statements for the six months ended February 28, 2025. As a result of a reallocation of the acquisition costs primarily to intangible assets and other items, the amount of goodwill, which was provisionally calculated as ¥3,773 million, was revised to ¥1,575 million.

Consequently, in the consolidated statements of income for the six months ended February 29, 2024, selling, general and administrative expenses increased by ¥1 million, leading to a ¥1 million decrease in operating profit, ordinary profit, and profit before income taxes. However, as income taxes decreased by ¥7 million, profit and profit attributable to owners of parent each increased by ¥5 million.

(Revenue recognition)

Information on the disaggregation of revenue from contracts with customers

Six months ended February 29, 2024 (From September 1, 2023 to February 29, 2024)

I. Revenue breakdown by customer

(Millions of yen)

	Reportable segments			Total
	Software Testing Related Services	Software Development Related Services	Other Proximate Services	
End-user companies	25,062	4,851	2,936	32,850
Partner companies	8,732	10,537	185	19,454
Revenue from contracts with customers	33,794	15,389	3,121	52,305
Net sales to external customers	33,794	15,389	3,121	52,305

II. Revenue breakdown by recognition timing

(Millions of yen)

	Reportable segments			
	Software Testing Related Services	Software Development Related Services	Other Proximate Services	Total
Goods or services transferred at a point in time	2,886	2,573	2,452	7,912
Goods or services transferred over time	30,908	12,815	669	44,392
Revenue from contracts with customers	33,794	15,389	3,121	52,305
Net sales to external customers	33,794	15,389	3,121	52,305

Six months ended February 28, 2025 (From September 1, 2024 to February 28, 2025)

I. Revenue breakdown by customer

(Millions of yen)

	Reportable segments			Total
	Software Testing Related Services	Software Development Related Services	Other Proximate Services	
End-user companies	28,729	6,692	3,973	39,395
Partner companies	10,363	11,739	189	22,293
Revenue from contracts with customers	39,092	18,432	4,163	61,688
Net sales to external customers	39,092	18,432	4,163	61,688

(Note) Revenue from end-user companies for Software Testing Related Services and Other Proximate Services includes revenue not derived from contracts with customers. However, as the amount of such revenue is negligible, it is presented as revenue from contracts with customers.

II. Revenue breakdown by recognition timing

(Millions of yen)

	Reportable segments			
	Software Testing Related Services	Software Development Related Services	Other Proximate Services	Total
Goods or services transferred at a point in time	3,451	3,338	2,765	9,555
Goods or services transferred over time	35,641	15,093	1,397	52,132
Revenue from contracts with customers	39,092	18,432	4,163	61,688
Net sales to external customers	39,092	18,432	4,163	61,688

(Significant subsequent events)

(Business combination through acquisition of shares in KINSHA Co., Ltd.)

On September 27, 2024, SHIFT Growth Capital Inc., a consolidated subsidiary of the Company, resolved by a majority vote of its Board of Directors to acquire shares of KINSHA Co., Ltd., and subsequently made it a subsidiary on March 1, 2025.

(1) Overview of business combination

I. Name and business of the acquired company

Name: KINSHA Co., Ltd.

Business: Game debugging, staffing service, and translation businesses

II. Main reason for business combination

KINSHA Co., Ltd. primarily serves major clients in the entertainment industry and offers a range of services, including game testing, mainly for home console games, localization, and 3D/2D production. KINSHA has nearly 20 years of experience in game testing in particular and employs many staff with extensive expertise in the field.

By joining the SHIFT Group, KINSHA aims to strengthen and expand its service offerings, further develop new clients, enhance recruitment efforts, and reinforce its management foundation. SHIFT decided to make KINSHA a subsidiary with the goals of acquiring new clients in the home console game market and leveraging this entry into the sector as a springboard for overseas expansion.

III. Date of business combination

March 1, 2025

IV. Legal form of business combination

Share acquisition in exchange for cash

V. Name of the company after business combination

Unchanged

VI. Percentage of voting rights acquired

100%

VII. Main grounds for determining the acquiring company

A consolidated subsidiary of the Company is acquiring 100% of the shares of KINSHA Co., Ltd. in exchange for cash.

(2) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration paid	Cash	1,271 million yen (planned)
Acquisition cost		1,271 million yen (planned)

(3) Details and amount of major acquisition-related expenses

Advisory fees and commissions, etc.	77 million yen (planned)

(4) Matters related to the allocation of acquisition cost

I. Amounts of assets acquired and liabilities assumed as of the business combination date, and their major components

To be determined

II. Amount of goodwill recognized, reason for its recognition, method of amortization, and amortization period

To be determined

(Acquisition of shares in Rise Consulting Group, Inc. with the intent to make it an equity-method affiliate)

On April 4, 2025, the Company resolved to acquire a portion of shares of Rise Consulting Group, Inc. and enter into a business and capital alliance agreement with Rise Consulting Group, Inc. Share purchase agreement and business and capital alliance agreement were concluded on the same date. The Board of Directors meeting held on February 28, 2025 made a resolution to authorize its CEO/Representative Director to decide whether to execute the acquisition and the alliance, assuming that major terms and conditions are within the range of those authorized by the Board of Directors meeting, and based on this resolution, the decision was made on April 4, 2025.

As a result of the share acquisition, Rise Consulting Group, Inc. is expected to become an equity-method affiliate of the SHIFT Group.

(1) Purpose of share acquisition

The Company has received a range of project requests from clients across various industries, with growing demand for upstream processes. In response, the Company has actively recruited highly skilled engineers capable of handling such processes to extend its business reach. However, due to persistently high demand, it has not been able to fully meet client expectations.

Under these circumstances, by partnering with Rise Consulting Group, Inc.—an expert in consulting and other upstream services—the SHIFT Group will be able to more promptly respond to client needs. As the Company secures more upstream projects, its younger consultants will gain greater opportunities to develop skills and accumulate experience through direct involvement in projects, which will accelerate their professional growth.

Furthermore, through this alliance, the Company anticipates an enhancement of its presence and brand value in the consulting domain, which is also expected to contribute to an increase in project unit prices. In addition, by reinforcing an integrated structure that covers all phases, from upstream processes to downstream processes such as development and testing, the Company expects to expand its business opportunities. For these reasons, the Company has decided to acquire shares in Rise Consulting Group, Inc. and enter into a business and capital alliance.

(2) Name of the seller

I. Sunrise Capital III, L.P.
II. Sunrise Capital III (JPY), L.P.
III. Sunrise Capital III (Non-US), L.P.

(3) Overview of Rise Consulting Group, Inc.

I.	Name	Rise Consulting Group, Inc.
II.	Address	Izumi Garden Tower, 1-6-1 Roppongi, Minato-ku, Tokyo
III.	Business	- NewTech consulting - New business consulting - Overseas expansion consulting - Business reform consulting - IT consulting
IV.	Capital	166 million yen
V.	Date established	November 27, 2020

(4) Date of share acquisition

Early May, 2025 (planned)

(5) Number of shares to be acquired and shareholding ratio after the acquisition

I.	Number of shares to be acquired	8,019,700 shares
II.	Shareholding ratio after the acquisition	33.0%
III.	Acquisition price	7,618 million yen

(6) Method of funding the acquisition

To fund the acquisition, the Company plans to secure a loan of ¥5,000 million from Mizuho Bank, Ltd. on April 14, 2025.

(Special overdraft agreement and significant borrowings of funds)

At the Board of Directors meeting held on March 28, 2025, the Company resolved to enter into a "Special overdraft agreement" with Mizuho Bank, Ltd. and to borrow funds for the purpose of acquiring shares of Rise Consulting Group, Inc., and entered into the agreement on the same date.

Lender	Mizuho Bank, Ltd.
Borrowing amount	5,000 million yen
Interest rate	Base interest rate + spread
Borrowing execution date	April 14, 2025 (planned)
Repayment date (planned)	September 30, 2025
Collateral	No
Guarantee	No