For Immediate Release

November 11, 2022

PERSOL HOLDINGS CO., LTD. (TSE 2181)

Consolidated Financial Results for the Six Months Ended September 30, 2022

PERSOL HOLDINGS CO., LTD. (the Company) today announced its consolidated financial results for the six months ended September 30, 2022.

Consolidated Operating Highlights

1) Financial Results

(In millions of yen, unless otherwise stated)

	Six months ended September 30,		% change
	2021	2022	
Net sales	512,847	586,749	14.4
Operating profit	26,448	30,716	16.1
EBITDA[1]	35,760	41,971	17.4
Ordinary profit	27,273	31,358	15.0
Quarterly net profit[2]	15,384	18,789	22.1
Quarterly net profit per share (yen)	66.84	81.52	-
Adjusted quarterly net profit	19,621	22,766	16.0
Adjusted EPS[3] (yen)	85.24	98.77	15.9

Notes:

1. EBITDA = operating profit + depreciation + amortization of goodwill
2. Quarterly net profit attributable to owners of parent
3. Adjusted EPS = adjusted quarterly net profit[a]/ (average number of shares during the period - number of treasury stock during the period)
    a. Adjusted quarterly net profit = quarterly net profit attributable to owners of parent ± adjustment items[b] (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
    b. Adjustment items = amortization of intangible assets except goodwill by acquisitions + amortization of goodwill ± extraordinary income/losses
4. Effective in the three months ended December 31, 2021, the accounting policy has been changed at a foreign subsidiary where the International Financial Reporting Standards (IFRS) are applied, based on the "Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38)", an agenda decision by the IFRS Interpretations Committee (IFRIC) that was announced in April 2021. Accordingly, the values for the six months ended September 30, 2021 were corrected retroactively by reflecting the said change of the accounting policy.
5. Effective in the three months ended June 30, 2022, the Company and its consolidated subsidiaries in Japan changed accounting method of asset retirement obligations. Accordingly, retroactive adjustments are reflected in the values for the same period of the previous year.

2) Balance Sheet Data

(In millions of yen, unless otherwise stated)

	As of March 31, 2022	As of September 30, 2022
Total assets	425,110	433,335
Net assets	204,367	213,133
Equity ratio (%)	43.1	45.9
Equity capital	183,048	199,087

Note:

Effective in the three months ended June 30, 2022, the Company and its consolidated subsidiaries in Japan changed accounting method of asset retirement obligations. Accordingly, retroactive adjustments are reflected in the values for the previous consolidated fiscal year.

3) Dividend Status

(In yen, unless otherwise stated)

	Fiscal year ended/ending March 31,	
	2022	2023
Interim dividends	20.00	21.00
Year-end dividends	22.00	21.00 (Forecast)
Annual dividends	42.00	42.00 (Forecast)

4) Consolidated Financial Forecast for the Fiscal Year Ending March 2023

(In millions of yen, unless otherwise stated)

	Forecast for the fiscal year ending March 31, 2023	% change from the previous fiscal year
Net sales	1,210,000	14.1
Operating profit	53,000	10.1
EBITDA	75,200	12.0
Ordinary profit	53,000	7.1
Net profit[1]	30,500	−4.4
Net profit per share (yen)	132.37	-
Adjusted profit	39,100	−1.1
Adjusted EPS (yen)	169.95	−1.0

Notes:

1. Net profit attributable to owners of parent
2. Please refer to " (1)Management Discussion and Analysis, 2 Financial Forecasts of the Fiscal Year Ending March 31, 2023" for details.

Disclaimer

The statements concerning the Company's future business performances in this material such as financial forecasts are based on information currently available and certain assumptions deemed to be reasonable by the Company, and do not mean that the Company promises to achieve these figures. Actual results may differ materially from the statements due to a variety of factors.

(1) *Management Discussion and Analysis*

1. Result of Operations

PERSOL GROUP (the Group) provides a wide range of human resources (HR) related services; temporary staffing and placement service as the core businesses in Japan and Asia-Pacific (APAC) region.

The business environment in Japan in the six months ended September 30, 2022 saw the further spread of COVID-19, but economic activities were recovering overall. The ratio of job offers to job seekers (seasonally adjusted) in Japan was 1.34 in September 2022, showing that demand for human resources continued to recover steadily. In the APAC region, the economic trend was generally one of recovery, with the exception of certain regions where the impact of COVID-19 persisted. Concerning exchange rates, the US dollar and Australian dollar both appreciated against the Japanese yen.

In this business environment, sales increased in all SBUs. As a result, consolidated net sales were 586,749 million yen (increasing 14.4% year-on-year). Operating profit was 30,716 million yen (increasing 16.1% YoY), mainly reflecting an increase in the number of temporary active staff in the Staffing SBU and an increase in sales in Career SBU, driven by brisk corporate demand. Ordinary profit was 31,358 million yen (increasing 15.0% YoY) and quarterly net profit attributable to owners of parent company was 18,789 million yen (increasing 22.1% YoY).

Results by SBU (before inter-segment elimination) are as follows.

a. Staffing SBU

In this segment, the Group operates temporary staffing business, including mainly clerical and administrative staff dispatching and wide range of staffing service, BPO and placement service mainly for administrative talents in Japan.

Sales for the six months ended September 30, 2022 were 302,856 million yen (increasing 8.4% YoY) and operating profit was 21,875 million yen (increasing 0.1% YoY).

Sales increased because of strong results in terms of the number of temporary active staff in the temporary staffing sector and demand in the BPO sector. Operating profit increased as a result of the effect of increased sales, more than offsetting an increase in paid holidays taken by temporary staff and an increase in personnel expenses and other costs.

b. Career SBU

In this segment, the Group mainly operates placement business, supporting corporate clients' mid-career hiring activities, and job recruitment media business.

Sales for the six months ended September 30, 2022 were 49,070 million yen (increasing 40.4% YoY) and operating profit was 8,492 million yen (increasing 166.0% YoY).

Sales in the placement business and job recruitment media business increased due to strong corporate demand. Operating profit increased significantly on stronger sales, offsetting the rise in costs that resulted from marketing investment and enhancement of hiring activities, which were aimed at achieving future growth.

c. Professional Outsourcing SBU

In this segment, the Group operates manufacture and development outsourcing business in IT and engineering areas and temporary staffing business specialized in engineers dispatching.

Sales for the six months ended September 30, 2022 were 64,090 million yen (increasing 11.0% YoY) and operating profit was 3,674 million yen (increasing 31.0% YoY).

Sales increased because the engineering area saw growth in demand, mainly for development in the manufacturing industry. An additional factor was steady growth in the IT area. Operating profit increased due to the effect of increased sales.

d. Solution SBU

In this segment, the Group provides digital solution services for hiring talents and managing human resources and creates new businesses through incubation programs.

Sales for the six months ended September 30, 2022 were 7,266 million yen (increasing 46.6% YoY) and the operating loss was 2,077 million yen (the operating loss was 1,565 million yen for the same period of the previous fiscal year).

Sales increased due to the continued growth of the job search application business and cloud POS business, mainly reflecting the growth in companies' demand for hiring and the effect of sales promotion activities. An operating loss was recorded due to an increase in costs, which resulted from increased investments for future growth.

e. Asia Pacific SBU

In this segment, the Group operates temporary staffing business and placement business in Asia and staffing business and maintenance business in Australia (those businesses are operated under PERSOLKELLY brand in Asia and under Programmed brand in Australia.)

Sales for the six months ended September 30, 2022 were 171,143 million yen (increasing 20.9% YoY) and operating profit was 291 million yen (decreasing 1.2% YoY).
Sales increased due to the effect of the stronger US dollar and Australian dollar in addition to the progress in the recovery from the impact of the spread of COVID-19 infection. Operating profit decreased due to increased costs including personnel expenses, offsetting an increased sales.

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The Company and its Japanese subsidiaries have changed their accounting policy including the accounting method of asset retirement obligations. Comparison and analysis with the same period of the previous year and the previous consolidated fiscal year have been made using figures that reflect the retroactive application. For details, please refer to " Changes in Accounting Policies" and "Changes in Accounting Estimates"

2. Financial Forecasts of the Fiscal Year Ending March 31, 2023

In the fiscal year ending March 31, 2023, the market recovery is expected to make steady progress in the 2nd half as in the 1st half, with full-year net sales are expected to reach 1,210,000 million yen and full-year operating profit anticipated at 53,000 million yen, both record high figures.

Looking at sales, in the temporary staffing sector in Staffing SBU, the number of temporary active staff is expected to increase over the period until the end of the fiscal year. In Career SBU, which operates a placement business, demand from corporate customers is likely to remain strong.

Operating profit for the fiscal year ending March 31, 2023 is expected to increase due to a recovery and an increase of net sales in all segments, although selling, general and administrative expenses are forecast to increase more in the 2nd half of the fiscal year because aggressive investments are planned in the overall Group, aiming at further growth in the fiscal year ending March 31, 2023 and beyond.

(2) *Financial Position*

1. Consolidated Balance Sheet

Total assets increased 8,224 million yen compared to the end of the previous fiscal year. Current assets decreased 236 million yen, and non-current assets increased 8,460 million yen. Main factors for the decrease in current assets include a decrease in cash and deposits of 15,737 million yen, more than offsetting increases in contract assets of 5,490 million yen and in accounts receivable - trade of 3,372 million yen. Main factors for the increase in non-current assets include increases in software of 2,429 million yen, in goodwill of 2,046 million yen, and in investment securities of 1,683 million yen.

Liabilities decreased 541 million yen compared to the end of the previous fiscal year. Current liabilities increased 6,099 million yen while non-current liabilities decreased 6,641 million yen. Main factors for the increase in current liabilities include an increase in current portion of bonds payable of 10,000 million yen, which more than offset decreases in the provision for bonuses of 2,838 million yen and in accrued consumption taxes of 1,369 million yen. Main reasons for the decrease in non-current liabilities include a decrease in bonds payable of 10,000 million yen, which more than offset an increase in long-term borrowings of 1,325 million yen.

Net assets increased 8,766 million yen compared to the end of the previous fiscal year. This was mainly caused by the payment of dividends of surplus of 5,104 million yen and the posting of 18,789 million yen in quarterly net profit attributable to owner of parent company, which resulted in an increase in retained earnings of 13,685 million yen and a foreign currency translation adjustment increase of 9,367 million yen. Other reasons were decreases in non-controlling interests of 7,273 million yen and in capital surplus of 5,635 million yen, mainly due to the acquisition of additional shares in PERSOLKELLY PTE. LTD. by PERSOL Asia Pacific Pte. Ltd.

	As of September 30, 2022	As of March 31, 2022
Ratio of operating profit to sales	5.2%	4.5%
Ratio of ordinary profit to sales	5.3%	4.7%
Current ratio	164.8%	170.9%
Fixed ratio	73.7%	75.5%
Equity ratio	45.9%	43.1%
Debt/equity ratio	0.27	0.28
Total assets (million yen)	433,335	425,110
Equity capital (million yen)	199,087	183,048
Invested capital (million yen)	283,719	269,376
Cash and cash equivalents at end of period (million yen)	90,946	106,558

*Effective in the three months ended June 30, 2022, the Company and its consolidated subsidiaries in Japan changed accounting method of asset retirement obligations. Accordingly, retroactive adjustments are reflected in the values for the previous consolidated fiscal year.

2. Business and Financial Issues to Address

The six months ended September 30, 2022 saw no significant change in business and financial issues that the Group should address.

3. Consolidated Cash Flows

Cash and cash equivalents (hereinafter "capital") as of September 30, 2022 was 90,946 million yen, down 15,612 million yen from the end of the previous consolidated fiscal year.

Presented below are an overview of cash flows for the six months ended September 30, 2022 and main factors behind them.

(Cash flows from operating activities)

Capital generated by operating activities was 20,226 million yen (as compared to 21,143 million yen generated in the same period of the previous fiscal year). Major factors include income taxes paid of 10,690 million yen and a decrease in the provision for bonuses of 3,007 million yen, while profit before income taxes of 31,465 million yen and depreciation of 7,793 million yen.

(Cash flows from investing activities)

Capital used as a result of investing activities was 10,463 million yen (as compared to 4,933 million yen used in the same period of the previous fiscal year). This was mainly due to spending of 4,733 million yen on the purchase of intangible assets, 1,478 million yen spent on acquisition of property, plant and equipment, and 1,453 million yen spent on acquisition of businesses.

(Cash flows from financing activities)

Capital used as a result of financing activities was 26,401 million yen (as compared to 18,087 million yen used in the same period of the previous fiscal year). This was mainly caused by spending of 13,742 million yen for the purchase of shares of subsidiaries resulting in no change in scope of consolidation, 5,103 million yen in dividend payments, and 2,054 million yen for the purchase of treasury shares.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

(in millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	107,545	91,808
Notes receivable - trade	100	89
Accounts receivable - trade	150,073	153,446
Contract assets	18,658	24,148
Work in process	333	919
Other	10,740	16,873
Allowance for doubtful accounts	-554	-625
Total current assets	286,897	286,660
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,036	4,121
Tools, furniture and fixtures, net	2,147	2,150
Right of use assets, net	3,410	4,281
Land	515	515
Other, net	2,304	3,314
Total property, plant and equipment	13,414	14,383
Intangible assets		
Trademark right	9,803	10,542
Goodwill	61,674	63,721
Software	16,787	19,217
Other	6,863	7,004
Total intangible assets	95,129	100,486
Investments and other assets		
Investment securities	8,664	10,348
Deferred tax assets	10,324	10,105
Other	12,208	13,054
Allowance for doubtful accounts	-1,527	-1,702
Total investments and other assets	29,670	31,804
Total non-current assets	138,213	146,674
Total assets	425,110	433,335

(Consolidated Balance Sheet)

(in millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	630	639
Short-term borrowings	162	442
Current portion of bonds payable	–	10,000
Current portion of long-term borrowings	11,304	11,813
Accounts payable - other	81,813	82,762
Income taxes payable	11,211	11,796
Accrued consumption taxes	17,432	16,062
Provision for bonuses	17,847	15,008
Provision for bonuses for directors (and other officers)	71	19
Other provisions	714	804
Other	26,706	24,643
Total current liabilities	167,893	173,993
Non-current liabilities		
Bonds payable	10,000	–
Long-term borrowings	30,000	31,325
Lease liabilities	1,997	2,503
Deferred tax liabilities	3,039	4,006
Retirement benefit liability	414	500
Provision for share awards	810	939
Provision for share awards for directors (and other officers)	835	959
Asset retirement obligations	4,430	4,565
Other provisions	81	46
Other	1,239	1,362
Total non-current liabilities	52,850	46,209
Total liabilities	220,743	220,202
Net assets		
Shareholders' equity		
Share capital	17,479	17,479
Capital surplus	19,168	13,533
Retained earnings	158,282	171,968
Treasury shares	−10,351	−11,530
Total shareholders' equity	184,579	191,450
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	959	759
Foreign currency translation adjustment	−2,489	6,877
Total accumulated other comprehensive income	−1,530	7,637
Share acquisition rights	0	0
Non-controlling interests	21,317	14,044
Total net assets	204,367	213,133
Total liabilities and net assets	425,110	433,335

(2) *Consolidated Income Statements and Comprehensive Income Statement*

(Consolidated Income Statement)

(in millions of yen)

	Six months ended September 30,	
	2021	2022
Net sales	512,847	586,749
Cost of sales	397,154	449,733
Gross profit	115,693	137,016
Selling, general and administrative expenses	89,245	106,299
Operating profit	26,448	30,716
Non-operating income		
Interest income	19	28
Dividend income	169	193
Subsidy income	507	537
Share of profit of entities accounted for using equity method	90	–
Foreign exchange gains	–	39
Other	292	113
Total non-operating income	1,079	912
Non-operating expenses		
Interest expenses	139	150
Foreign exchange losses	4	–
Commission expenses	23	1
Share of loss of entities accounted for using equity method	–	8
Other	86	110
Total non-operating expenses	254	270
Ordinary profit	27,273	31,358
Extraordinary income		
Gain on sale of non-current assets	16	24
Gain on sale of shares of subsidiaries and associates	486	–
Gain on sale of investment securities	43	227
Total extraordinary income	546	251
Extraordinary losses		
Loss on disposal of non-current assets	3	5
Impairment losses	469	–
Loss on sale of investment securities	1	–
Loss on valuation of investment securities	23	139
Restructuring expenses	514	–
Non-recurring loss	70	–
Total extraordinary losses	1,083	145
Profit before income taxes	26,736	31,465
Income taxes - current	9,287	11,208
Income taxes - deferred	818	322
Total income taxes	10,106	11,530
Profit	16,630	19,934
Profit attributable to non-controlling interests	1,245	1,145
Profit attributable to owners of parent	15,384	18,789

(Consolidated Comprehensive Income Statement)

(in millions of yen)

	Six months ended September 30,	
	2021	2022
Profit	16,630	19,934
Other comprehensive income		
Valuation difference on available-for-sale securities	−373	−199
Foreign currency translation adjustment	3,523	9,728
Share of other comprehensive income of entities accounted for using equity method	29	141
Total other comprehensive income	3,179	9,670
Comprehensive income	19,810	29,605
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,249	27,985
Comprehensive income attributable to non-controlling interests	1,560	1,620

(3) Consolidated Cash Flow Statements

(in millions of yen)

	Six months ended September 30,	
	2021	2022
Cash flows from operating activities		
Profit before income taxes	26,736	31,465
Depreciation	5,908	7,793
Impairment losses	469	–
Amortization of goodwill	3,403	3,461
Increase (decrease) in retirement benefit liability	4	46
Increase (decrease) in provision for bonuses	−1,888	−3,007
Increase (decrease) in provision for bonuses for directors (and other officers)	2	−54
Increase (decrease) in provision for share awards	111	129
Increase (decrease) in provision for share awards for directors (and other officers)	110	123
Increase (decrease) in allowance for doubtful accounts	−81	−89
Increase (decrease) in other provisions	53	48
Interest and dividend income	−188	−222
Interest expenses	139	150
Share of loss (profit) of entities accounted for using equity method	−90	8
Subsidy income	−507	−537
Loss (gain) on disposal of non-current assets	−12	−18
Loss (gain) on sale of shares of subsidiaries and associates	−486	–
Loss (gain) on sale of investment securities	−42	−227
Loss (gain) on valuation of investment securities	23	139
Restructuring expenses	514	–
Non-recurring loss	70	–
Decrease (increase) in trade receivables	−9,733	−340
Increase (decrease) in trade payables	−715	−2,334
Increase (decrease) in accrued consumption taxes	−3,324	−1,698
Increase (decrease) in long-term accounts payable - other	−91	25
Decrease (increase) in other assets	5,016	−1,447
Increase (decrease) in other liabilities	−3,298	−3,125
Subtotal	22,102	30,287
Interest and dividends received	187	225
Interest paid	−145	−162
Subsidies received	507	537
Payments of restructuring expenses	−310	–
Income taxes paid	−3,779	−10,690
Income taxes refund	2,581	29
Net cash provided by (used in) operating activities	21,143	20,226

(in millions of yen)

	Six months ended September 30,	
	2021	2022
Cash flows from investing activities		
Payments into time deposits	−2	−706
Proceeds from withdrawal of time deposits	3	955
Purchase of property, plant and equipment	−2,288	−1,478
Proceeds from sale of property, plant and equipment	20	27
Purchase of intangible assets	−3,696	−4,733
Purchase of investment securities	−51	−692
Proceeds from sale of investment securities	68	262
Purchase of shares of subsidiaries resulting in change in scope of consolidation	−	−1,257
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	673	−
Purchase of shares of subsidiaries and associates	−	−1,301
Payments for acquisition of businesses	−	−1,453
Loan advances	−0	−0
Proceeds from collection of loans receivable	0	2
Payments of guarantee deposits	−199	−424
Proceeds from refund of guarantee deposits	741	357
Other, net	−203	−21
Net cash provided by (used in) investing activities	−4,933	−10,463
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	−626	−1
Repayments of long-term borrowings	−4,239	−194
Redemption of bonds	−10,000	−
Purchase of treasury shares	−0	−2,054
Dividends paid	−3,010	−5,103
Dividends paid to non-controlling interests	−198	−248
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	−	−13,742
Other, net	−12	−5,055
Net cash provided by (used in) financing activities	−18,087	−26,401
Effect of exchange rate change on cash and cash equivalents	593	1,025
Net increase (decrease) in cash and cash equivalents	−1,284	−15,612
Cash and cash equivalents at beginning of period	82,991	106,558
Cash and cash equivalents at end of period	81,706	90,946

Changes in Accounting Policies

Notes for significant change in the amount of shareholders' equity

Capital surplus decreased 5,635 million yen due in part to the acquisition of additional shares in PERSOLKELLY PTE. LTD. by PERSOL Asia Pacific Pte. Ltd. in the three months ended June 30, 2022. As a result, capital surplus was 13,533 million yen as of September 30, 2022.

Treasury shares increased 1,179 million yen mainly because the Company acquired 727,800 treasury shares based on the resolution passed by the Board of Directors on August 10, 2022. As a result, treasury shares were 11,530 million yen as of September 30, 2022.

Application of the Guidance on Accounting Standard for Fair Value Measurement

The Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) began to be applied at the beginning of the three months ended June 30, 2022. It was decided that the new accounting policies prescribed in the Guidance on Accounting Standard for Fair Value Measurement will be applied into the future in accordance with the transitional treatment provided for in Paragraph 27-2 of the Guidance on Accounting Standard for Fair Value Measurement.

The application has no effect on quarterly consolidated financial statements.

Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38), an agenda decision by IFRIC

At a foreign subsidiary where the International Financial Reporting Standards (IFRS) are applied, configuration or customization costs in a cloud computing arrangement were previously recognized as intangible assets by applying the IAS No. 38 Intangible Assets. Effective in the three months ended December 31, 2021, however, the method was changed to one with which the above costs are recognized as costs generated when the configuration or customization service is received, based on the "Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38)", an agenda decision by the IFRS Interpretations Committee (IFRIC) that was announced in April 2021.

This change in accounting policy is applied retroactively, and the change is reflected in the quarterly consolidated financial statements for the six months ended September 30, 2021 and consolidated financial statements for the previous fiscal year.

As a result, compared to values before the retroactive application, operating profit, ordinary profit, and profit before income taxes for the six months ended September 30, 2021 decreased 287 million yen. The beginning balance of retained earnings decreased 1,483 million yen and foreign currency translation adjustment decreased 74 million yen for the previous fiscal year due to the application of the cumulative effect to net assets as of the beginning of the previous fiscal year.

From these results, quarterly net profit per share for the six months ended September 30, 2021 decreased 0.82 yen.

Change in Accounting for Asset Retirement Obligations

Previously, asset retirement obligations related to obligation to restore to original condition set forth in real-estate lease agreements signed by the Company and its consolidated subsidiaries in Japan were posted in the following way. The amount of leasehold deposits related to the said real-estate lease agreements which was not expected to be collected finally was reasonably estimated, and then, the portion of the above amount to be allocated to each quarter was posted. However, the non-current asset management system was reviewed, and more appropriate accounting has become possible. Therefore, starting from the three months ended June 30, 2022, expenses for restoration to original condition is posted as asset retirement obligations, and removal cost corresponding to the asset retirement obligations is included in property, plant and equipment and depreciated.

This change in accounting policy is applied retroactively, and the change is reflected in the quarterly consolidated financial statements for the six months ended September 30, 2021 and consolidated financial statements for the previous fiscal year.

As a result, in the consolidated balance sheet for the previous consolidated fiscal year, buildings and structures, net increased 1,348 million yen, deferred tax assets increased 91 million yen, investments and other assets (other) increased 1,892 million yen, asset retirement obligations increased 3,791 million yen, and deferred tax liabilities increased 48 million yen, while non-current liabilities (other) decreased 559 million yen, compared to before the retroactive application.

Asset retirement obligations of 638 million yen, which were included in other under non-current liabilities in the previous consolidated fiscal year, are presented as a separate item from the previous consolidated fiscal year, as the combined effect of the retrospective application of this change in accounting policy exceeded 1/100th of total liabilities and net assets.

The beginning balance of retained earnings for the previous consolidated fiscal year decreased by 329 million yen due to the application of the cumulative effect to net assets as of the beginning of the previous consolidated fiscal year.

The change has a minor effect on profit and quarterly net profit per share for the six months ended September 30, 2021.

Changes in Accounting Estimates

Changes in Estimates of Facilities attached to Buildings

In the three months ended June 30, 2022, the Company changed its office strategy to permit diverse workstyles, such as remote work. The Company took this change as an opportunity to review the number of years during which facilities attached to buildings installed at leasehold estates of the Company and its consolidated subsidiaries in Japan are expected to be used. As a result, the expected lifetime of those facilities was changed from the previous 3 to 15 years to 2 to 10 years.

As described in Changes in Accounting Policies, effective from the beginning of the three months ended June 30, 2022, removal cost corresponding to asset retirement obligations is added to the book value of facilities attached to buildings as relevant property, plant and equipment. The removal cost has been distributed based on the number of years during which the facilities attached to buildings are expected to be used.

As a result of this change, operating profit, ordinary profit, and profit before income taxes for the six months ended September 30, 2022 decreased 1,119 million yen.