For Immediate Release

May 15, 2023

PERSOL HOLDINGS CO., LTD. (TSE 2181)

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

PERSOL HOLDINGS CO., LTD. (the Company) today announces its consolidated financial results for the fiscal year ended March 31, 2023 and consolidated financial forecasts for the fiscal year ending March 31, 2024.

Consolidated Operating Highlights

1) Financial Results

(In millions of yen, unless otherwise stated)

	Fiscal year ended March 31,		Change
	2022	2023	
Net sales	1,060,893	1,223,967	15.4%
Operating profit	48,143	53,061	10.2%
EBITDA[1]	67,150	76,417	13.8%
Ordinary profit	49,484	53,693	8.5%
Net profit[2]	31,906	20,578	-35.5%
Net profit per share (yen)	138.51	89.61	-
Adjusted net profit	39,529	40,995	3.7%
Adjusted EPS[3] (yen)	171.60	178.51	4.0%

Notes:

1. EBITDA = operating profit + depreciation + amortization of goodwill
2. Net profit attributable to owners of parent
3. Adjusted EPS = adjusted net profit[a]/ (average number of shares during the period - number of treasury stock during the period)
    a. Adjusted net profit = 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 fiscal year ended March 31, 2023, the Company and its consolidated subsidiaries in Japan changed the accounting method of asset retirement obligations. Accordingly, retroactive adjustments are reflected in the values for the previous year.

2) Balance Sheet Data

(In millions of yen, unless otherwise stated)

	As of March 31, 2022	As of March 31, 2023
Total assets	425,110	442,159
Net assets	204,367	200,732
Equity ratio	43.1%	42.0%
Equity capital	183,048	185,517

Note:
Effective in the fiscal year ended March 31, 2023, the Company and its consolidated subsidiaries in Japan changed the accounting method of asset retirement obligations. Accordingly, retroactive adjustments are reflected in the values for the previous year.

3) Cash Flow Sheet

(In millions of yen, unless otherwise stated)

	As of March 31, 2022	As of March 31, 2023
Cash flows from operating activities	50,692	52,796
Cash flows from investing activities	-7,057	-22,504
Cash flows from financing activities	-21,145	-38,268
Cash and cash equivalents at end of period	106,558	99,658

4) Dividend Status

(In yen, unless otherwise stated)

	Fiscal year ended/ending March 31,		
	2021	2022	2023 (forecast)
Interim dividends	20.00	21.00	43.00
Year-end dividends	22.00	40.00	43.00
Annual dividends	42.00	61.00	86.00
Total dividend amount (million yen)	9,745	14,030	-
Payout ratio (%)	30.3	68.1	50.2
Dividend on equity ratio (%)	5.7	7.6	-

Notes:

1. Effective in the fiscal year ended March 31, 2023, the Company and its consolidated subsidiaries in Japan changed the accounting method of asset retirement obligations. Accordingly, retroactive adjustments are reflected in the values for the previous year.
2. The dividend payout ratio through the fiscal year ending March 31, 2023 is based on net income per share.
   Dividend forecast for the fiscal year ending March 31, 2024 shows the dividend payout ratio based on adjusted EPS

5) Consolidated Financial Forecast for the Fiscal Year Ending March 2024

(In millions of yen, unless otherwise stated)

	Forecast for the fiscal year ending March 31, 2024	Change from the previous fiscal year
Net sales	1,340,000	-
Operating profit	54,500	-
Adjusted EBITDA	75,500	-
Adjusted net profit [1]	39,000	-
Adjusted EPS (yen)	171.41	-

Notes:

1. For details, please refer to "(1) Management Discussion and Analysis, 3. Financial Forecasts for the Fiscal Year Ending March 31, 2024."
2. The company has changed its accounting policy from Japanese GAAP to International Financial Reporting Standards (IFRS) from the consolidated fiscal year ending March 31, 2024. In accordance with the disclosure based on IFRS from the first quarter of the same fiscal year, the consolidated forecast will also be disclosed accordingly.

Adjusted EBITDA = operating profit + depreciation (excluding lease depreciation and amortization) ± adjusted items(1)

Adjusted items(1) = ±increase/decrease in accrued paid leave + share-based payment expenses ± other revenues and expenses ± other non-recurring profit/loss

Current net profit after adjustment = net profit attributable to owners of the parent company ± adjusted items(2) ± tax reconciliation related to certain adjustment items(2)

Adjustment items(2) = [±increase/decrease in accrued paid leave + share-based payment expenses ± non-recurring profit/loss + amortization of intangible assets except goodwill by acquisitions] (excluding those attributable to non-controlling interests)

(1) <u>Management Discussion and Analysis</u>

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 fiscal year under review saw further waves of COVID-19, but moves to normalize economic activities continued as restrictions on activities for preventing infection were gradually eased over the period until the end of the fiscal year. The ratio of job offers to job seekers (seasonally adjusted) in Japan was 1.32 in March 2023, 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.

In this business environment, sales increased in all SBUs. As a result, consolidated net sales were 1,223,967 million yen (increasing 15.4% year-on-year). On the profit front, operating profit of the overall Group was 53,061 million yen (increasing 10.2% YoY) and ordinary profit was 53,693 million yen (increasing 8.5% YoY), mainly reflecting an increase in sales in Career SBU, driven by brisk corporate demand for hiring. However, net profit attributable to owners of parent stood at 20,578 million yen (decreasing 35.5 % YoY) due in part to the impairment of domestic and overseas subsidiaries.

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 this fiscal year were 618,481 million yen (increasing 7.4% YoY) and operating profit was 36,180 million yen (decreasing 8.1% YoY).

Sales increased on strong results of public-related projects in the BPO sector, in addition to a year-on-year increase in the number of temporary active staff. Operating profit decreased despite the effect of increased sales, more than offset by an increase in paid holidays taken by temporary staff, an increase in social insurance contributions and the impact of a temporary decrease in projects related to public health, among other factors.

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 this fiscal year were 104,467 million yen (increasing 38.8% YoY) and operating profit was 15,532 million yen (increasing 113.8% 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 this fiscal year were 134,085 million yen (increasing 10.7% YoY) and operating profit was 7,518 million yen (increasing 8.4% YoY).

Sales increased because the engineering area saw growth in demand, mainly for development in the manufacturing industry. Operating profit increased due to the effect of increased sales, more than offsetting an increase in cost that reflected a stepping up of activities to recruit engineers.

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 this fiscal year were 15,434 million yen (increasing 38.2% YoY) and the operating loss was 3,837 million yen (the operating loss was 3,058 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 growth in corporate 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 this fiscal year (APAC local accounting period of 12 months ended December 31, 2022) were 367,779 million yen (increasing 26.8% YoY) and operating profit was 2,517 million yen (increasing 141.5% 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 and growth in many areas where the Group operates. Operating profit increased due to the effect of 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, effective from the beginning of the current fiscal year. 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. Business Outlook and Management Policy

I. Changes in the Market Environment and Its Overall Picture

Reflecting the power shift of individuals, including the employment mobility and diversification of work styles and values about working, the time is coming when individuals envision their careers on their own, understand that not only work but also their life constitute a part of their career, and then seek "Workplace Well-being," or happiness felt by them through their own work. In addition, the evolution of management through collaborative creation by people and technologies is demanded at present due to rapid technological evolution, including the shift to remote work, automated operations and labor saving, and data-based analysis and optimization.

The Company aims to be a company creating Workplace Well-being, which expands the happiness of individuals and society by broadening the range of options available for each individual and the freedom of working through the provision of diverse work styles and learning opportunities under the Group Vision, "Work, and Smile." Further, to respond to these social changes and diversifying individual needs, the Company has set the direction of its management, in which it aims to evolve into a technology-driven HR service company, which achieves discontinuous growth with products and digitalization while attaching importance to the intervention value of people.

Taking advantage of various businesses and services related to working and diverse human capital, the Company will work to create value for the future, aiming to "create better work opportunities for one million people by 2030 by expanding possibilities of people."

II. Goal of Value Creation

The Company has set "creating better work opportunities for one million people by 2030 by expanding possibilities of people" as the goal of its value creation. The Company will provide diverse work styles and offer learning opportunities, aiming to create better work opportunities for at least 500,000 people under the Group Mid-term Management Plan 2026 (FY2023 to FY2025) and for at least one million people by 2030.

III. Materiality Initiatives

Under the Group Mid-term Management Plan 2026 toward 2030, the Company has identified the following eight issues of materiality, which are categorized into solving social issues through business activities and foundation for achieving sustainable growth. The Company will take initiatives to address each.

<Solving social issues through business activities>

i. Creating work opportunities: Expanding the potential of one million workers by 2030 by creating better employment opportunities, using our strengths in matching people with organizations, attracting customers and designing operations

ii. Providing diverse work styles: Proposing and providing flexible work styles and employment options, helping people realize work styles that cater to their individual needs

iii. Providing learning opportunities: Broadening the range of options for workers by providing learning opportunities that will lead to employment, reskilling, and upskilling, thus maximizing career possibilities of individuals

iv. Improving productivity at companies: Contributing to the streamlining of corporate activities and to solutions to the labor shortage by providing services which help improve productivity

<Foundation for achieving sustainable growth>

v. Active roles for diverse personnel: Achieving the Group Vision by developing a corporate culture of, and building an environment for, taking advantage of diversity

vi. Strengthening data governance: Clearly stating and further strengthening the Company's common approach and management and protection frameworks for utilization of personal data, thus improving the user environment and securing trust

vii. Respect for human rights: Promoting initiatives that conform to international norms as a responsible company, thereby reducing human rights risks and earning the trust of all stakeholders including employees

viii. Responding to climate change: Working to achieve carbon neutrality and helping realize a decarbonized society through environment-related (GX: Green Transformation) staffing services and other initiatives

IV. Financial Policy

Under the Group Mid-term Management Plan 2026, the Company has put in place a new financial strategy, so as to powerfully drive initiatives to improve the Group's corporate value by combining each SBU's business strategy and the financial strategy as an inseparable pair.

Under the new financial strategy, the Company has set growth and capital efficiency as the basic policy of management and set financial strategy indicators to drive the operation with importance attached to the pursuit of optimal capital composition, sophistication of investment decision making, and increase of shareholder diversity and stock liquidity.

Financial Strategy

PERSOL

We have set the following financial strategy to achieve greater growth, improve capital efficiency and shareholders return.

		Previous Medium-term Management Plan (until the fiscal year ended March 2023)	Current Medium-term Management Plan (until the fiscal year ending March 2026)
❶Finance Indicators	Growth	Operating profit ¥45.0 billion	Adjusted EBITDA(IFRS): **¥75.2 billion (FY2022)** → **¥100.0 billion or more (FY2025)**
	Efficiency	ROIC: 10% or higher	**1. ROIC: 15% or higher, in principle (JGAAP)** **2. ROE : 18% or higher, in principle (JGAAP)** * We plan to announce target values under IFRS when announcing the Q1 results in August 2023.
	Soundness	If net cash exceeds 1.0 time of EBITDA, measures for strengthening shareholder returns will be considered.	**1. Net D/E: Up to 1.0 at max.** **2. Net Debt/EBITDA: Up to 2.0 at max.**
❷Cash allocation		A total of 130.0 billion yen, including surplus cash, will be allocated as follows. • M&A: ¥80 billion • Capital investment: ¥30 billion • Dividend: ¥20 billion	**200 billion yen of accumulated EBITDA after tax (estimate) will be allocated to IT investment, including investment in software, shareholder returns (dividends), investment in growth, and other areas.**
❸Shareholder return		Approx. 25% (compared to adjusted EPS)	**Dividend payout ratio: Approx. 50%** (of adjusted EPS)

The Company has set numerical targets for ensuring growth potential, efficiency, and soundness as key financial KPIs and will ensure cash allocation with a good balance among businesses, capital investment, and dividends.

Regarding growth potential, the Company has replaced operating profit, which was the indicator under the previous Mid-term Management Plan, with adjusted EDITDA, reflecting the shift to IFRS. The Company will focus more on cash flows in performance management.

Regarding efficiency, a level exceeding that set under the previous Mid-term Management Plan will be set as the overall Group's target, although the business maturity differs among SBUs. The Company aims to achieve ROIC at 15% or higher and ROE at 18% or higher as the final targets, while assuming a temporary decline attributed to investment.

Regarding soundness, while the Company will procure funds for large-scale investments and others by making effective use of liabilities from the viewpoint of managing capital cost, it will maintain a firm financial basis by conducting monitoring with a focus on both stock and flow, so as to maintain and improve its rating.

Further, the Company positions the return of profit to shareholders as a management priority and will increase the dividend payout ratio to approx. 50% of adjusted EPS under the current Mid-term Management Plan.

While the dividend payout ratio will be increased significantly compared to the period of the previous Mid-term Management Plan, sufficient funds needed for future growth investments can be secured by a cash position with adjusted EBITDA of 100.0 billion yen or more in FY2025 and by procuring funds within the scope of prudential standards. The Company will make its shareholder returns more attractive to increase the number of its shareholders and the trading volume.

3. Financial Forecasts for Fiscal Year Ending March 31, 2024

Effective at the beginning of the fiscal year ending March 31, 2024, the Company changed its accounting policy from the Japanese GAAP to IFRS. Because the Company will disclose consolidated financial results for the first three months ending June 30, 2023 and thereafter under IFRS, the Company also discloses consolidated financial forecasts under IFRS.

While the uncertain international situation attributed to overseas geopolitical risks, the ongoing price hike, and other events need to be closely monitored, brisk corporate demand for hiring is expected due to the gradual economic recovery that has resulted from the subsiding of COVID-19 and the resumption of economic activities. Accordingly, the HR market surrounding the Company is expected to remain on a recovery trend.

Because of this environment, the Company forecasts the following financial results for the fiscal year ending March 31, 2024: revenue at 13,400 billion yen; operating profit at 545 billion yen; adjusted EBITDA at 755 billion yen; profit attributable to owners of parent at 390 billion yen, and; adjusted EPS at 171.41 yen.

(2) *Financial Position*

1. Consolidated Balance Sheet

Total assets at the end of the consolidated fiscal year under review was 442,159 million yen, an increase of 17,048 million yen from the end of the previous consolidated fiscal year. Current assets increased by 17,384 million yen, to 304,281 million yen. This mainly reflects increases in accounts receivable - trade of 10,806 million yen and in contract assets of 7,292 million yen, more than offsetting a decrease in cash and deposits of 7,788 million yen. Non-current assets decreased by 336 million yen, to 137,877 million yen. This is attributable mainly to a decrease in goodwill of 9,329 million yen, offsetting increases in deferred tax assets of 3,416 million yen and in investment securities of 3,393 million yen.

The total amount of liabilities was 241,426 million yen at the end of the fiscal year under review, up 20,683 million yen from the end of the previous consolidated fiscal year. Current liabilities increased by 27,527 million yen, to 195,421 million yen. This is mainly due to increases in short-term borrowings of 11,199 million yen, in accounts payable – other of 10,121 million yen, and in current portion of bonds payable of 10,000 million yen, more than offsetting a decrease in current portion of long-term borrowings of 11,243 million yen. Non-current liabilities decreased by 6,844 million yen, to 46,005 million yen. This is attributed mainly to a decrease in bonds payable of 10,000 million yen.

The amount of total net assets at the end of the fiscal year under review was 200,732 million yen, down 3,634 million yen compared to the end of the previous consolidated fiscal year. This was mainly caused by the payment of dividends of surplus of 9,971 million yen and the posting of 20,578 million yen in profit attributable to owner of parent company, which resulted in an increase in retained earnings of 10,607 million yen and a foreign currency translation adjustment increase of 6,669 million yen. Other reasons were a decrease in non-controlling interests of 6,103 million yen and a decrease in capital surplus of 5,712 million yen, mainly due to the acquisition of additional shares in PERSOLKELLY PTE. LTD. by PERSOL Asia Pacific Pte. Ltd.

As financial indicators based on the financial position described above, the current ratio decreased from 170.9% to 155.7%, and the equity ratio decreased from 43.1% to 42.0%, respectively, compared to the end of the previous consolidated fiscal year.

	As of March 31, 2022	As of March 31, 2023
Return on assets (ROA)	8.6%	5.3%
Return on equity (ROE)	18.9%	11.2%
Ratio of operating profit to sales	4.5%	4.3%
Ratio of ordinary profit to sales	4.7%	4.4%
Current ratio	170.9%	155.7%
Fixed ratio	75.5%	74.3%
Equity ratio	43.1%	42.0%
ROIC	14.2	15.3
Debt/equity ratio	0.28	0.28
Net cash/EBITDA ratio	0.82	0.62
Total assets (million yen)	425,110	442,159
Equity capital (million yen)	183,048	185,517
Invested capital (million yen)	269,376	273,110
Cash and cash equivalents at end of period (million yen)	106,558	99,658

* From the current fiscal year., 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. Consolidated Cash Flows

Cash and cash equivalents (hereinafter "capital") as of March 31, 2023 was 99,658 million yen, down 6,899 million yen from the end of the previous consolidated fiscal year.

Presented below are an overview of cash flows for this fiscal year and main factors behind them.

(Cash flows from operating activities)

Capital generated by operating activities increased 2,103 million yen from the previous consolidated fiscal year, to 52,796 million yen. Major factors included income taxes paid of 24,640 million yen and an increase in trade receivables of 12,611 million yen, offset by profit before income taxes of 40,716 million yen, depreciation of 16,059 million yen, and impairment losses of 12,239 million yen.

(Cash flows from investing activities)

Capital used as a result of investing activities increased by 15,446 million yen from the previous consolidated fiscal year, to 22,504 million yen. This was mainly due to spending of 10,108 million yen on the purchase of intangible assets, 3,331 million yen spent on purchase of property, plant and equipment, and 3,321 million yen spent on purchase of shares of subsidiaries resulting in change in scope of consolidation.

(Cash flows from financing activities)

Capital used as a result of financing activities increased by 17,123 million yen from the previous consolidated fiscal year, to 38,268 million yen. This was mainly caused by spending of 13,764 million yen for purchase of shares of subsidiaries not resulting in change in scope of consolidation, 9,999 million yen for purchase of treasury shares, and 9,969 million yen for payment of dividends.

(3) *Basic Policy of Accounting Standards*

The Company previously applied the Japanese GAAP. Starting from the three months ending June 30, 2023, the Company will voluntarily apply the International Financial Reporting Standards (IFRS) instead of the Japanese GAAP for improving the international comparability of financial information in the capital markets and enhancing information it discloses, among other purposes.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

(in millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	107,545	99,757
Notes receivable - trade	100	100
Accounts receivable - trade	150,073	160,879
Contract assets	18,658	25,951
Work in process	333	384
Other	10,740	17,780
Allowance for doubtful accounts	−554	−572
Total current assets	286,897	304,281
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,686	13,016
Accumulated depreciation	−6,639	−9,403
Accumulated impairment	−10	−54
Buildings and structures, net	5,036	3,558
Tools, furniture and fixtures	7,062	7,859
Accumulated depreciation	−4,835	−5,312
Accumulated impairment	−79	−110
Tools, furniture and fixtures, net	2,147	2,437
Right of use assets	9,169	12,676
Accumulated depreciation	−5,758	−7,420
Right of use assets, net	3,410	5,256
Land	515	515
Other	3,906	5,410
Accumulated depreciation	−1,601	−2,303
Accumulated impairment	—	−24
Other, net	2,304	3,082
Total property, plant and equipment	13,414	14,849
Intangible assets		
Trademark right	9,803	10,052
Goodwill	61,674	52,344
Software	16,787	18,081
Other	6,863	5,842
Total intangible assets	95,129	86,320
Investments and other assets		
Investment securities	8,664	12,058
Deferred tax assets	10,324	13,741
Other	12,208	12,535
Allowance for doubtful accounts	−1,527	−1,627
Total investments and other assets	29,670	36,707
Total non-current assets	138,213	137,877
Total assets	425,110	442,159

(Consolidated Balance Sheet)

(in millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	630	602
Short-term borrowings	162	11,361
Current portion of bonds payable	–	10,000
Current portion of long-term borrowings	11,304	60
Accounts payable - other	81,813	91,934
Income taxes payable	11,211	11,418
Accrued consumption taxes	17,432	18,967
Provision for bonuses	17,847	19,868
Provision for bonuses for directors (and other officers)	71	129
Other provisions	714	1,535
Other	26,706	29,541
Total current liabilities	167,893	195,421
Non-current liabilities		
Bonds payable	10,000	–
Long-term borrowings	30,000	30,116
Lease liabilities	1,997	3,421
Deferred tax liabilities	3,039	4,018
Retirement benefit liability	414	311
Provision for share awards	810	1,085
Provision for share awards for directors (and other officers)	835	1,104
Asset retirement obligations	4,430	4,659
Other provisions	81	45
Other	1,239	1,242
Total non-current liabilities	52,850	46,005
Total liabilities	220,743	241,426
Net assets		
Shareholders' equity		
Share capital	17,479	17,479
Capital surplus	19,168	13,455
Retained earnings	158,282	168,890
Treasury shares	-10,351	-19,459
Total shareholders' equity	184,579	180,366
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	959	971
Foreign currency translation adjustment	-2,489	4,179
Total accumulated other comprehensive income	-1,530	5,150
Share acquisition rights	0	0
Non-controlling interests	21,317	15,214
Total net assets	204,367	200,732
Total liabilities and net assets	425,110	442,159

(2) Consolidated Income Statements and Comprehensive Income Statement

(Consolidated Income Statement)

(in millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	1,060,893	1,223,967
Cost of sales	820,056	941,323
Gross profit	240,837	282,643
Selling, general and administrative expenses	192,694	229,581
Operating profit	48,143	53,061
Non-operating income		
Interest income	49	90
Dividend income	232	242
Subsidy income	1,342	1,696
Foreign exchange gains	25	—
Other	540	233
Total non-operating income	2,189	2,261
Non-operating expenses		
Interest expenses	270	432
Foreign exchange losses	—	353
Commission expenses	24	1
Share of loss of entities accounted for using equity method	174	529
Other	377	313
Total non-operating expenses	847	1,630
Ordinary profit	49,484	53,693
Extraordinary income		
Gain on sale of non-current assets	1,500	57
Gain on sale of shares of subsidiaries and associates	486	—
Gain on sale of investment securities	1,712	233
Total extraordinary income	3,698	290
Extraordinary losses		
Loss on disposal of non-current assets	3	8
Impairment losses	1,675	12,239
Loss on sale of investment securities	1	—
Loss on valuation of investment securities	801	369
Restructuring expenses	530	—
Non-recurring loss	127	649
Total extraordinary losses	3,139	13,267
Profit before income taxes	50,043	40,716
Income taxes - current	18,880	20,121
Income taxes - deferred	−3,653	−2,241
Total income taxes	15,227	17,880
Profit	34,815	22,835
Profit attributable to non-controlling interests	2,909	2,257
Profit attributable to owners of parent	31,906	20,578

(Consolidated Comprehensive Income Statement)

(in millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	34,815	22,835
Other comprehensive income		
Valuation difference on available-for-sale securities	−1,391	12
Foreign currency translation adjustment	4,358	6,857
Share of other comprehensive income of entities accounted for using equity method	40	281
Total other comprehensive income	3,007	7,151
Comprehensive income	37,822	29,987
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	34,350	27,260
Comprehensive income attributable to non-controlling interests	3,472	2,727

(3) Consolidated Statement of Changes in Equity

For the Fiscal Year Ended March 31, 2021

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,479	19,008	134,151	-11,100	159,539
Cumulative effects of changes in accounting policies			-124		-124
Restated balance	17,479	19,008	134,027	-11,100	159,415
Changes during period					
Dividends of surplus			-7,651		-7,651
Profit attributable to owners of parent			31,906		31,906
Purchase of treasury shares				-0	-0
Disposal of treasury shares		167		749	917
Change in ownership interest of parent due to transactions with non-controlling interests		-7			-7
Net changes in items other than shareholders' equity					
Total changes during period	-	160	24,254	748	25,163
Balance at end of period	17,479	19,168	158,282	-10,351	184,579

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	2,350	-6,325	-3,974	0	18,035	173,600
Cumulative effects of changes in accounting policies						-124
Restated balance	2,350	-6,325	-3,974	0	18,035	173,476
Changes during period						
Dividends of surplus						-7,651
Profit attributable to owners of parent						31,906
Purchase of treasury shares						-0
Disposal of treasury shares						917
Change in ownership interest of parent due to transactions with non-controlling interests						-7
Net changes in items other than shareholders' equity	-1,391	3,836	2,444	-	3,282	5,726
Total changes during period	-1,391	3,836	2,444	-	3,282	30,890
Balance at end of period	959	-2,489	-1,530	0	21,317	204,367

For the Fiscal Year Ended March 31, 2022

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,479	19,168	158,282	-10,351	184,579
Changes during period					
Dividends of surplus			-9,971		-9,971
Profit attributable to owners of parent			20,578		20,578
Purchase of treasury shares				-9,999	-9,999
Disposal of treasury shares		335		892	1,227
Change in ownership interest of parent due to transactions with non-controlling interests		-6,048			-6,048
Net changes in items other than shareholders' equity					
Total changes during period		-5,712	10,607	-9,107	-4,212
Balance at end of period	17,479	13,455	168,890	-19,459	180,366

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	959	-2,489	-1,530	0	21,317	204,367
Changes during period						
Dividends of surplus						-9,971
Profit attributable to owners of parent						20,578
Purchase of treasury shares						-9,999
Disposal of treasury shares						1,227
Change in ownership interest of parent due to transactions with non-controlling interests						-6,048
Net changes in items other than shareholders' equity	11	6,669	6,681		-6,103	578
Total changes during period	11	6,669	6,681		-6,103	-3,634
Balance at end of period	971	4,179	5,150	0	15,214	200,732

(4) *Consolidated Cash Flow Statements*

(in millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	50,043	40,716
Depreciation	12,150	16,059
Impairment losses	1,675	12,239
Amortization of goodwill	6,856	7,296
Increase (decrease) in retirement benefit liability	−482	−134
Increase (decrease) in provision for bonuses	2,378	1,832
Increase (decrease) in provision for bonuses for directors (and other officers)	21	52
Increase (decrease) in provision for share awards	226	275
Increase (decrease) in provision for share awards for directors (and other officers)	301	268
Increase (decrease) in allowance for doubtful accounts	−193	6
Increase (decrease) in other provisions	33	859
Interest and dividend income	−281	−332
Interest expenses	270	432
Share of loss (profit) of entities accounted for using equity method	174	529
Subsidy income	−1,342	−1,694
Loss (gain) on sale of shares of subsidiaries and associates	−486	—
Loss (gain) on sale of investment securities	−1,711	−233
Loss (gain) on valuation of investment securities	801	369
Loss (gain) on disposal of non-current assets	−1,496	−48
Restructuring expenses	530	—
Non-recurring loss	127	—
Decrease (increase) in trade receivables	−28,855	−12,611
Increase (decrease) in trade payables	7,367	7,735
Increase (decrease) in accrued consumption taxes	99	1,283
Increase (decrease) in long-term accounts payable - other	−225	−81
Decrease (increase) in other assets	9,920	−415
Increase (decrease) in other liabilities	1,922	1,444
Subtotal	59,827	75,848
Interest and dividends received	280	334
Interest paid	−265	−471
Subsidies received	1,342	1,694
Payments of restructuring expenses	−530	—
Income taxes paid	−12,542	−24,640
Income taxes refund	2,581	29
Net cash provided by (used in) operating activities	50,692	52,796

(in millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Payments into time deposits	−820	−174
Proceeds from withdrawal of time deposits	51	1,178
Purchase of property, plant and equipment	−2,604	−3,331
Proceeds from sale of property, plant and equipment	1,877	86
Purchase of intangible assets	−8,383	−10,108
Purchase of shares of subsidiaries and associates	－	−1,301
Purchase of investment securities	−1,195	−2,867
Proceeds from sale of investment securities	4,276	309
Purchase of shares of subsidiaries resulting in change in scope of consolidation	−250	−3,321
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	673	－
Payments for acquisition of businesses	−1,126	−2,486
Proceeds from sale of businesses	－	20
Proceeds from absorption-type mergers	－	−16
Loan advances	−3	−0
Proceeds from collection of loans receivable	4	3
Payments of guarantee deposits	−452	−728
Proceeds from refund of guarantee deposits	1,072	779
Other, net	−178	−545
Net cash provided by (used in) investing activities	−7,057	−22,504
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	−470	11,020
Repayments of long-term borrowings	−691	−13,040
Redemption of bonds	−10,000	－
Purchase of treasury shares	0	−9,999
Dividends paid	−7,651	−9,969
Dividends paid to non-controlling interests	−198	−248
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	−7	−13,764
Other, net	−2,125	−2,265
Net cash provided by (used in) financing activities	−21,145	−38,268
Effect of exchange rate change on cash and cash equivalents	1,078	1,077
Net increase (decrease) in cash and cash equivalents	23,567	−6,899
Cash and cash equivalents at beginning of period	82,991	106,558
Cash and cash equivalents at end of period	106,558	99,658

Changes in Accounting Policies

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 consolidated financial statements.

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 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.

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 net profit per share for the previous consolidated fiscal year.

Changes in Accounting Estimates

Changes in Estimates of Facilities attached to Buildings

In the consolidated fiscal year ended March 31, 2023, 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 consolidated fiscal year ended March 31, 2023 decreased 2,251 million yen.

(Changes in Presentation Methods)

Consolidated Balance Sheet

Asset retirement obligations, which were included in other under non-current liabilities in the previous consolidated fiscal year, are presented as a separate item, starting from the consolidated fiscal year under review, as the combined effect of the retrospective application of this change in accounting policy exceeded 1/100th of total liabilities and net assets. The consolidated financial statements for the previous consolidated fiscal year have been restated to reflect these changes in presentation.

As a result, 5,669 million yen in other under non-current liabilities in the consolidated balance sheet for the previous consolidated fiscal year (after the retrospective application of the change in accounting policy) has been restated as 4,430 million yen in asset retirement obligations and 1,239 million yen in other.