

PERSOL HOLDINGS CO., LTD. (TSE 2181)

Consolidated Financial Results for the Three Months Ended June 30, 2023(IFRS)

PERSOL HOLDINGS CO., LTD. (the Company) today announced its consolidated financial results for the three months ended June 30, 2023.

(1) Consolidated Operating Highlights

1. Financial Results

(In millions of yen, unless otherwise stated)

	Three months ended June 30,		% change
	2022	2023	
Revenue	300,467	328,703	9.4
Operating profit	17,436	14,675	△15.8
profit before tax	17,510	14,617	△16.5
Profit	11,641	9,734	△16.4
Profit attributable to Owners of parent	11,139	9,369	△15.9
Comprehensive income	13,958	15,145	8.5
Basic earnings per share (yen)	48.44	41.38	
Diluted earnings per share(yen)	48.26	41.09	
EBITDA	24,921	21,782	
Adjusted EBITDA	22,678	19,014	
Adjusted Net Profit	12,675	10,513	
Adjusted EPS(yen)	54.98	46.21	

Notes:

EBITDA: Operating profit + Depreciation

Adjusted EBITDA: Operating profit + Depreciation(Excluding depreciation of right-of-use assets)± Increase/decrease in accrued paid leave + Share-based payment expenses ± Other revenues and expenses ± Other non-recurring profit/loss

Adjusted Net Profit : Profit attributable to Owners of parent ± Adjustment Item ((Excluding the portion attributable to noncontrolling interests)) ± Tax reconciliation related to certain adjustment items

Adjustment Item : Increase/decrease in accrued paid leave + Share-based payment expenses ± other revenues and expenses ± Non-recurring profit/loss

Adjusted EPS : Adjusted net profit/(Average number of shares outstanding during the period - Average number of treasury shares during the period)

2. Statement of financial position

(In millions of yen, unless otherwise stated)

	As of March 31, 2023	As of June 30, 2023
Total assets	488,728	495,142
Net assets	183,529	189,759
Total equity attributable to owners of parent	169,670	175,739
Ratio of Equity attributable to owners of the parent	34.7%	35.5%

(2) Dividend Status

(In yen, unless otherwise stated)

	Fiscal year ended/ending March 31,	
	2023	2024 (forecast)
Interim dividends	21.00	43.00
Year-end dividends	40.00	4.30
Annual dividends	61.00	-

Note:

The Company plans a 10-for-1 split of its common stock, effective October 1, 2023. The year-end dividends per share for the fiscal year ending March 31, 2024 (forecast) are calculated to reflect the stock split. Without the stock split, the year-end dividends per share for the fiscal year ending March 31, 2024 (forecast) would be 43 yen. For details, please refer to the Notice of a Stock Split, a Revision of Articles of Incorporation and a Revision to Dividend Forecast published August 10, 2023

3. Consolidated Financial Forecast for the Fiscal Year Ending March 2024

(In millions of yen, unless otherwise stated)

	Forecast for the fiscal year	% change from the
	ending March 31, 2024	previous fiscal year
	Full year	Full year
Revenue	1,340,000	7.8
Operating profit	54,500	27.5
Adjusted EBITDA	75,500	0.3
Adjusted net profit	39,000	Δ1.4
Adjusted EPS (yen)	171.41	-

Note:

As we have changed our accounting standards from Japanese GAAP to International Financial Reporting Standards (IFRS) from the current consolidated accounting period, we disclose our consolidated financial forecasts in IFRS as well.

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.

Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

New: - (company name) Excluded: - (company name)

(2) Changes in accounting policies and accounting estimates

① Changes in accounting policies required by IFRS: None

② Changes in accounting policies other than ① above: None

③ Changes in accounting estimates: None

(3) Number of shares issued (common stock)

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

Three month ended June 30, 2023: 233,199,861 shares

March 31, 2023: 236,704,861 shares

② Number of shares of treasury stock at the end of the period:

Three month ended June 2023: 5,655,083 shares

March 31, 2023: 9,177,309 shares

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

Three months ended June 30, 2023: 227,528,565 shares

Three months ended June 30, 2022: 230,566,885 shares

(Note) The number of treasury stock at the end of the period includes 1,390,483 shares for the first quarter of the fiscal year ended March 31, 2024 and 1,420,373 shares for the fiscal year ended March 31, 2023. The "Directors' Compensation BIP Trust Account" and the "Stock Grant ESOP Trust Account" are included in the above description.

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

Explanation on the appropriate use of earnings forecasts and other special notes

(Cautionary statement regarding forward-looking statements)

Forward-looking statements in this document, such as forecasts and projections based on plans, contain elements of uncertainty and are subject to change. Accordingly, they are not intended to be a promise by the Company that they will be achieved. Actual results may differ materially from our current expectations.

(Application of International Financial Reporting Standards (IFRS))

Effective from the first quarter of the fiscal year ending March 31, 2024, the Group has adopted International Financial Reporting Standards (hereinafter referred to as "IFRS"). The

Group has adopted International Financial Reporting Standards ("IFRS") from the first quarter of the fiscal year ending March 31, 2024. Financial figures for the first quarter of the previous consolidated fiscal year and the previous consolidated fiscal year are also presented in accordance with IFRS.

(1) Management Discussion and Analysis

In the three months period ended June 30, 2023, the Company began to disclose its condensed quarterly consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). Figures for the same quarter of the previous fiscal year and ones for the previous consolidated fiscal year have been recalculated under IFRS for comparison and analysis.

1. Result of Operations

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

In the three months ended June 30, 2023, the business environment in Japan saw economic and social activities boosted by the reclassification of the novel coronavirus (COVID-19) from Class 2 to Class 5. The ratio of job offers to job seekers (seasonally adjusted) in Japan was 1.30 in June 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. Concerning exchange rates, the US dollar and Australian dollar both appreciated against the Japanese yen. (Average exchange rates during the period: [U.S. dollar] ¥129.7 for FY 2023/3 Q1, ¥137.5 for FY 2024/3 Q1; [Australian dollar] ¥92.7 for FY 2023/3 Q1, ¥91.9 for FY 2024/3 Q1)

In this business environment, the Company has been aggressively investing since the beginning of the period, mainly in the Careers SBU, BPO SBU, and Technology SBU, which were designated as the pillars of profit growth in the Midterm Plan 2026, of which the current period is the first year.

Against this backdrop, sales increased in all SBUs except the newly established BPO SBU, where operations related to infection control have settled down as initially expected with the convergence of COVID-19, resulting in overall group sales of 328,703 million yen (up 9.4% year-on-year. 24.5% progress rate for full year forecasts).

On the profit front, while profits increased at Staffing SBU, Career SBU and APAC due to brisk corporate demand, BPO SBU and Technology SBU saw a decline in profits because demand related to COVID-19 has subsided. The overall Group's adjusted EBITDA, which the Company began to use as a key profit indicator in the current fiscal year, stood at 19,014 million yen (down 16.2% year on year. 25.2% progress rate for full year forecasts) and operating profit was 14,675 million yen (down 15.8% year on year. 26.9% progress rate for full year forecasts).

Profit before tax was 14,617 million yen (down 16.5% year on year), and net profit stood at 9,369 million yen (down 15.9% year on year. 28.0% progress rate for full year forecasts).

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.

Sales for the three months ended June 30, 2023 were 144,793 million yen (up 8.4% year on year), adjusted EBITDA was 9,385 million yen (up 0.7% year on year), and operating profit was 8,386 million yen (up 6.9% year on year)

Sales increased as a result of an year-on-year increase in the number of active temporary staff by 7.0%.

b. BPO SBU

This segment is a new segment consisting mainly of the business process outsourcing (BPO) business, which belonged to Staffing SBU until the previous fiscal year.

Sales for the three months ended June 30, 2023 were 26,520 million yen (down 5.7% year on year), adjusted EBITDA was 1,657 million yen (down 60.7% year on year), and operating profit was 1,093 million yen (down 70.2% year on year)

Both sales and profits decreased because businesses related to infection control hit a lull as forecast initially (with the negative impact associated with COVID-19 on profits being 1.5 billion yen)(Gross profit of COVID-19 related business:23/3-Q1 2.5B,24/3-Q1 1.0Byen).

c. Technology SBU

This segment had been Professional Outsourcing SBU until the previous fiscal year. It was renamed Technology SBU. Some businesses were transferred to BPO SBU. In this segment, the Group operates manufacturing and development outsourcing business in IT and engineering areas and temporary staffing business specialized in engineers dispatching.

Sales for the three months ended June 30, 2023 were 23,861 million yen (up 13.6% year on year), adjusted EBITDA was 759 million yen (down 43.5% year on year), and operating profit was 348 million yen (down 69.9% year on year)

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 Profits decreased due to an increase in personnel expenses that resulted from enhanced hiring activities. With new graduate engineers hiring(up 104.7% year on year)

d. 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 three months ended June 30, 2023 were 31,902 million yen (up 31.8% year on year), adjusted EBITDA was 6,645 million yen (up 13.2% year on year), and operating profit was 5,590 million yen (up 7.9% year on year).

Sales in the placement business and job recruitment media business increased due to efficient, stronger sales promotion activities in addition to the growth of demand for hiring among customers. Profits increased on stronger sales, absorbing the rise in selling, general and administrative expenses that resulted from marketing investment made in response to

the rising demand, investment to high-salary career zone businesses, and enhancement of hiring activities.

e. Asia Pacific SBU

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

Sales for the three months ended June 30, 2023 were 102,269 million yen (up 8.9% year on year), adjusted EBITDA was 2,595 million yen (up 20.6% year on year), and operating profit was 1,840 million yen (up 97.9% year on year).

Sales increased due to progress in the recovery from the impact of the spread of COVID-19 infection. Profits increased due mainly to a rise in highly profitable placement business together with cost optimization.

#

(2) Financial Position

1. Consolidated Statement of financial position

Total assets increased 6,413 million yen compared to the end of the previous fiscal year. Current assets increased 1,267 million yen, and non-current assets rose 5,146 million yen. The increase in current assets chiefly reflected an increase of 10,115 million yen in trade and other receivables. The increase was partially offset by a decrease of 12,378 million yen in cash and cash equivalents and other factors. Non-current assets climbed mainly due to increases in goodwill of 1,623 million yen and in intangible assets of 1,563 million yen.

Liabilities increased 183 million yen compared to the end of the previous fiscal year. Current liabilities increased 9,222 million yen while non-current liabilities decreased 9,038 million yen. The rise in current liabilities, income taxes payable decreased by 5,206 million yen. Bonds and loans payable increased 18,810 million yen in current liabilities and decreased 10,116 million yen in non-current liabilities.

Equity increased 6,230 million yen from the end of the previous fiscal year. This was mainly due to an increase of 268 million yen in retained earnings resulting from the payment of 9,101 million yen in dividends from surplus and the recording of 9,369 million yen in quarterly income attributable to owners of the parent, and an increase of 5,383 million yen in other components of equity due to the effect of exchange rate fluctuations.

	As of March 31, 2023	As of June 30, 2023
Ratio of operating profit to sales	3.4%	4.5%
Ratio of Adjusted EBITDA to sales	6.1%	5.8%
Current ratio	120.8%	117.0%
Fixed ratio	110.4%	109.5%
Equity attributable to owners of the parent Ratio	34.7%	35.5%
Debt(excluding lease)/equity ratio	0.30	0.34
Total assets (million yen)	488,728	495,142
Equity attributable to owners of the parent (million yen)	169,670	175,739

Cash and cash equivalents at end of period (million yen)	101,233	88,854
EBITDA (million yen)	73,069	21,782
Adjusted EBITDA (million yen)	75,277	19,014

2. Business and financial issues to address

The three months ended June 30, 2023 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 June 30, 2023 was 88,854 million yen, down 12,378 million yen from the end of the previous consolidated fiscal year.

Presented below are an overview of cash flows for the three months ended June 30, 2023 and main factors behind them.

(Cash flow from operating activities)

Capital generated by operating activities was 4,564 million yen (as compared to 9,975 million yen generated in the same period of the previous fiscal year). Major factors were a profit before tax of 14,617 million yen and depreciation and amortization of 7,107 million yen, among other cash inflows, and income taxes paid of 15,323 million yen and a decrease in unpaid bonuses of 9,877 million yen, among other cash outflows.

(Cash flow from investing activities)

Capital used as a result of investing activities was 3,977 million yen (as compared to 5,867 million yen used in the same period of the previous fiscal year). This was mainly due to spending of 2,851 million yen on the purchase of intangible assets.

(Cash flow from financing activities)

Capital used as a result of financing activities was 5,040 million yen (as compared to 12,280 million yen used in the same period of the previous fiscal year). This was mainly caused by repayments of short-term borrowings of 78,359 million yen, spending of 10,000 million yen for the redemption of bonds payable and 8,985 million yen in dividend payments, partially offset by proceeds from short-term borrowings of 96,741 million yen.

Condensed Consolidated Financial Statements

(1) Condensed Consolidated Balance Sheet

(in millions of yen)

	Date of Transition (April 1, 2022)	As of March 31, 2023	As of June 30, 2023
Assets			
Current assets			
Cash and cash equivalents	95,933	101,233	88,854
Trade and other receivables	158,857	162,853	172,968
Contract assets	19,077	23,533	22,633
Other financial assets	94	78	232
Other current assets	8,032	13,748	18,024
Total current assets	281,995	301,445	302,713
Non-current assets			
Trade and other receivables	320	309	330
Contract assets	4,230	3,937	4,397
Property, plant and equipment	9,989	9,229	8,976
Right-of-use assets	28,399	28,168	28,032
Goodwill	63,941	58,465	60,088
Intangible assets	35,762	35,250	36,814
Investments accounted for using equity method	2,771	4,729	5,024
Other financial assets	22,175	23,464	24,766
Deferred tax assets	18,460	23,410	23,678
Other non-current assets	204	317	320
Total non-current assets	186,255	187,283	192,429
Total assets	468,251	488,728	495,142

(Condensed Consolidated Balance Sheet)

(in millions of yen)

	Date of Transition (April 1, 2022)	As of March 31, 2023	As of June 30, 2023
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	87,103	93,688	97,552
Bonds and borrowings	14,968	21,174	39,985
Lease liabilities	13,630	14,005	13,637
Other financial liabilities	836	989	571
Income taxes payable	10,745	10,535	5,329
Provisions	787	1,588	1,449
Contract liabilities	4,951	6,596	7,530
Other current liabilities	92,854	100,972	92,717
Total current liabilities	225,877	249,552	258,774
Non-current liabilities			
Bonds and borrowings	40,000	30,117	20,001
Lease liabilities	12,622	12,813	13,065
Other financial liabilities	737	809	883
Provisions	4,492	4,660	4,723
Deferred tax liabilities	3,919	4,394	4,938
Other non-current liabilities	3,126	2,850	2,997
Total non-current liabilities	64,899	55,647	46,608
Total liabilities	290,777	305,199	305,383
Equity			
Share capital	17,479	17,479	17,479
Capital surplus	12,110	12,272	5,100
Retained earnings	141,880	154,926	155,194
Treasury shares	△10,351	△19,459	△11,871
Other components of equity	4,290	4,452	9,835
Total equity attributable to owners of parent	165,409	169,670	175,739
Non-controlling interests	12,064	13,859	14,020
Total equity	177,474	183,529	189,759
Total liabilities and equity	468,251	488,728	495,142

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

(Condensed Consolidated Income Statement)

(in millions of yen)

	Three months ended June 30,	
	2022	2023
Revenue	300,467	328,703
Cost of sales	△230,927	△253,599
Gross profit	69,539	75,103
Selling, general and administrative expenses	△52,113	△60,888
Other income	63	517
Other expenses	△53	△56
Operating profit	17,436	14,675
Finance income	321	399
Finance costs	△290	△486
Share of profit of investments accounted for using equity method	43	30
Profit before tax	17,510	14,617
Income tax expense	△5,869	△4,883
Profit	11,641	9,734
Profit attributable to		
Owners of parent	11,139	9,369
Non-controlling interests	501	365
Profit	11,641	9,734
Earnings per share		
Basic earnings per share	48.44	41.38
Diluted earnings per share	48.26	41.09

(Condensed Consolidated Comprehensive Income Statement)

(in millions of yen)

	Three months ended June 30,	
	2022	2023
Profit	11,641	9,734
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	△297	549
Remeasurements of defined benefit plans	0	△76
Share of other comprehensive income of investments accounted for using equity method		
Total of items that will not be reclassified to profit or loss	△297	473
Items that may be reclassified to profit or loss		
Cash flow hedges	△1	—
Exchange differences on translation of foreign operations	2,476	4,672
Share of other comprehensive income of investments accounted for using equity method	139	264
Total of items that may be reclassified to profit or loss	2,614	4,937
Other comprehensive income, net of tax	2,317	5,410
Comprehensive income	13,958	15,145
Comprehensive income attributable to		
Owners of parent	13,431	14,753
Non-controlling interests	527	392
Comprehensive income	13,958	15,145

(3) *Condensed Consolidated Statement of Changes in Equity*

Three months ended June 30, 2022

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Exchange differences on translation of foreign operations	Cash flow hedges
Balance at beginning of period	17,479	12,110	141,880	△10,351	-	△3
Profit	-	-	11,139	-	-	-
Other comprehensive income	-	-	-	-	2,590	△1
Comprehensive income	-	-	11,139	-	2,590	△1
Disposal of treasury shares	-	3	-	29	-	-
Dividends	-	-	△5,072	-	-	-
Share-based payment transactions	-	277	-	-	-	-
Changes in ownership interest in subsidiaries	-	△68	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	124	-	-	-
Total transactions with owners	-	212	△4,948	29	-	-
Balance at end of period	17,479	12,322	148,071	△10,322	2,590	△4

	Equity attributable to owners of parent					
	Other components of equity				Non-controlling interests	Total
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total		
Balance at beginning of period	4,309	△16	4,290	165,409	12,064	177,474
Profit	-	-	-	11,139	501	11,641
Other comprehensive income	△297	0	2,291	2,291	26	2,317
Comprehensive income	△297	0	2,291	13,431	527	13,958
Disposal of treasury shares	-	-	-	33	-	33
Dividends	-	-	-	△5,072	△248	△5,321
Share-based payment transactions	-	-	-	277	-	277
Changes in ownership interest in subsidiaries	-	-	-	△68	-	△68
Transfer from other components of equity to retained earnings	△124	-	△124	-	-	-
Total transactions with owners	△124	-	△124	△4,830	△248	△5,079
Balance at end of period	3,887	△15	6,457	174,009	12,343	186,353

Three months ended June 30, 2023

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Exchange differences on translation of foreign operations	Cash flow hedges
Balance at beginning of period	17,479	12,272	154,926	△19,459	150	-
Profit	-	-	9,369	-	-	-
Other comprehensive income	-	-	-	-	4,910	-
Comprehensive income	-	-	9,369	-	4,910	-
Disposal of treasury shares	-	14	-	59	-	-
Cancellation of treasury shares	-	△7,528	-	7,528	-	-
Dividends	-	-	△9,101	-	-	-
Share-based payment transactions	-	451	-	-	-	-
Changes in ownership interest in subsidiaries	-	△108	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	0	-	-	-
Total transactions with owners	-	△7,171	△9,101	7,588	-	-
Balance at end of period	17,479	5,100	155,194	△11,871	5,060	-

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance at beginning of period	4,287	14	4,452	169,670	13,859	183,529
Profit	-	-	-	9,369	365	9,734
Other comprehensive income	549	△76	5,383	5,383	27	5,410
Comprehensive income	549	△76	5,383	14,753	392	15,145
Disposal of treasury shares	-	-	-	73	-	73
Cancellation of treasury shares	-	-	-	-	-	-
Dividends	-	-	-	△9,101	△242	△9,343
Share-based payment transactions	-	-	-	451	-	451
Changes in ownership interest in subsidiaries	-	-	-	△108	11	△97
Transfer from other components of equity to retained earnings	△0	-	△0	-	-	-

Total transactions with owners	<u>△0</u>	<u>-</u>	<u>△0</u>	<u>△8,684</u>	<u>△231</u>	<u>△8,915</u>
Balance at end of period	<u>4,836</u>	<u>△61</u>	<u>9,835</u>	<u>145,739</u>	<u>14,020</u>	<u>189,759</u>

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities		
Profit before tax	17,510	14,617
Depreciation and amortization	7,485	7,107
Decrease (increase) in trade and other receivables	8,018	△6,348
Increase (decrease) in trade and other payables	△1,511	1,695
Decrease (increase) in contract assets	△1,802	1,839
Decrease (increase) in prepaid expenses	△924	△2,288
Increase (decrease) in accrued consumption taxes	2,651	2,312
Increase (Decrease) in accrued bonus	△9,367	△9,877
Increase (Decrease) in accrued paid vacation	1,361	1,387
Other	997	261
Subtotal	<u>24,419</u>	<u>10,708</u>
Interest and dividends received	205	331
Interest paid	△155	△280
Income taxes refund (paid)	△14,494	△15,323
Net cash provided by (used in) operating activities	<u>9,975</u>	<u>△4,564</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	△968	△900
Purchase of intangible assets	△2,320	△2,851
Purchase of investments	△30	△297
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△633	-
Payments for acquisition of businesses	△1,453	-
Other	△461	72
Net cash provided by (used in) investing activities	<u>△5,867</u>	<u>△3,977</u>

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from financing activities		
Proceeds from short-term borrowings	-	96,741
Repayments of short-term borrowings	△847	△78,359
Repayments of long-term borrowings	△2,330	△178
Repayments of lease liabilities	△3,760	△4,094
Redemption of bonds	-	△10,000
Dividends paid	△5,042	△8,985
Other	△298	△165
Net cash provided by (used in) financing activities	<u>△12,280</u>	<u>△5,040</u>
Net increase (decrease) in cash and cash equivalents	△6,984	△12,378
Cash and cash equivalents at beginning of period	95,933	101,233
Effect of exchange rate changes on cash and cash equivalents	1,188	1,204
Cash and cash equivalents	<u>88,949</u>	<u>88,854</u>

(5) *Changes in Accounting Policies*

Notes on Going Concern Assumption

Not applicable.

Segment Information

(1) Overview of reportable segments

The reportable segments are constituent parts of the Group for each of which separate financial information is available. The Board regularly reviews operations in each reportable segment to evaluate performance and determine the distribution of management resources.

The Group aims to enhance its ability to formulate and pursue strategies, clarify responsibilities, make agile management decisions in response to rapidly changing business environments, and achieve further growth. To this end, the Group has five reportable segments: Staffing, BPO, Technology, Career and Asia Pacific.

(Changes in reportable segments)

The Group changed its management structure on April 1, 2023. Reflecting the change, the five reportable segments in the segment information have changed from Staffing, Career, Professional Outsourcing, Solution, and Asia Pacific to Staffing, BPO, Technology, Career, and Asia Pacific.

The segment information for the first three months of the previous fiscal year has been restated based on the new reportable segments.

(2) Information of reportable segments

Profit in reportable segments is adjusted EBITDA (operating profit + depreciation (excluding the depreciation of right-of-use assets) ± increase/decrease in accrued paid leave + share-based payment expenses ± other revenues and expenses ± non-recurring profit/loss).

Intersegment revenues are based on prevailing market prices.

For Three months ended June 30 2022

(Millions of yen)

	Reportable Segment						Other *1	Total	Adjustments*2	Consolidated
	Staffing	BPO	Technology	Career	Asia Pacific	Total				
Revenue										
Revenue from external customers	132,051	26,695	19,370	23,586	93,889	295,594	4,875	300,469	△1	300,467
Intersegment revenue	1,479	1,436	1,636	612	1	5,165	2,497	7,662	△7,662	—
Total	133,530	28,132	21,006	24,198	93,891	300,759	7,373	308,132	△7,664	300,467
Segment profit (loss)	9,319	4,216	1,343	5,872	2,152	22,905	△206	22,698	△19	22,678
Depreciation (excluding depreciation of right-of-use assets)										3,454
Increase/decrease in accrued paid leave										1,520
Share-based payment expenses										277
Other income										63
Other expenses										53
Operating profit										17,436

Share of profit (loss) of investments accounted for using equity method	43
Finance income	321
Finance costs	290
Profit before tax	17,510

For Three months ended June 30 2023

(Millions of yen)

	Reportable Segment						Other *1	Total	Adjustments*2	Consolidated
	Staffing	BPO	Technology	Career	Asia Pacific	Total				
Revenue										
Revenue from external customers	143,319	24,858	21,863	31,333	102,269	323,644	5,057	328,702	1	328,703
Intersegment revenue	1,474	1,661	1,997	569	—	5,702	2,978	8,681	△8,681	—
Total	144,793	26,520	23,861	31,902	102,269	329,347	8,036	337,383	△8,679	328,703
Segment profit (loss)	9,385	1,657	759	6,645	2,595	21,042	△502	20,540	△1,525	19,014
Depreciation (excluding depreciation of right-of-use assets)										2,962
Increase/decrease in accrued paid leave										1,387
Share-based payment expenses										449
Other income										517
Other expenses										56
Operating profit										14,675
Share of profit (loss) of investments accounted for using equity method										30
Finance income										399
Finance costs										486
Profit before tax										14,617

(Notes)

1. Other is a business segment that includes operations that are not included in reportable segments, including operations related to the entire Group, education and training, operations related to persons with disabilities, operations related to facility management, the provision of digital solution services for hiring talents and managing human resources, and the creation of new businesses through incubation programs.

2. Adjustments are as follows:
(Segment profit (loss))

(Millions of yen)

	Three months ended June 30 2022	Three months ended June 30 2023
Elimination of inter-segment transactions	△354	△421
Corporate revenue* ¹	3,209	2,394
Corporate expenses* ²	△2,875	△3,498
Total	△19	△1,525

*1 Corporate revenue is mostly business management fees and dividend income from Group companies.

*2 Corporate expenses are mostly expenses related to Group management at the Company

(Net Profit per Share)

The net profit per share and diluted earnings per share are as follows:

(First three-month period)

	First three-month period of previous fiscal year (April 1, 2022 - June 30, 2022)	First three-month period of current fiscal year (April 1, 2023 - June 30, 2023)
Profit attributable to owners of parent (million yen)	11,139	9,369
Adjustment to profit for the period (million yen)	—	—
Profit used to calculate diluted earnings per share (million yen)	11,139	9,369
Weighted average number of common shares (thousand shares)	229,968	226,419
Increase in number of common shares		
Share-based compensation (thousand shares)	872	1,590
Weighted average number of diluted ordinary shares (thousand shares)	230,841	228,009
Basic earnings per share (yen)	48.44	41.38
Diluted earnings per share (yen)	48.26	41.09

(Subsequent Events)

(Stock split and a revision to the Articles of Incorporation related to the stock split)

The Company resolved at the meeting of the Board of Directors held on August 10, 2023, to split its stock and partially revise its Articles of Incorporation.

(1) Purpose of the stock split

The purpose of the stock split is to reduce the amount per investment unit, thereby improving the liquidity of the Company's shares and having a broader range of shareholders.

(2) Overview of the stock split

(i) Method of the stock split

The Company will split the shares of common stock owned by the shareholders listed or recorded on the final register of shareholders as of Saturday, September 30, 2023 (virtually Friday, September 29, 2023), the record date, in the proportion of ten shares for one share.

(ii) Number of shares to be increased by the split

(i) Number of issued shares before the stock split	233,199,861 shares
(ii) Increase in the number of issued shares after the stock split	2,098,798,749 shares
(iii) Total number of shares issued after the stock split	2,331,998,610 shares
(iv) Number of shares issuable after the stock split	7,200,000,000 shares

(iii) Schedule of the split

(i) Date of public notice of record date	September 13, 2023 (Wed)
(ii) Record date	September 30, 2023 (Sat)
(iii) Effective date	October 1, 2023 (Sun)

(3) Impact on per-share information

Below is per-share information for the previous consolidated fiscal year and the current consolidated fiscal year based on the assumption that the stock split had been executed at the beginning of the previous consolidated fiscal year.

	15th term For the three months ended June 30, 2022	16th term For the three months ended June 30, 2023
Basic earnings per share (yen)	4.84	4.14
Diluted earnings per share (yen)	4.83	4.11

(4) Partial amendment of the Articles of Incorporation

(i) Reasons for the amendment

In response to the above share split, the Company intends to revise the total number of authorized shares described in Article 6 of its Articles of Incorporation effective Sunday, October 1, 2023, in accordance with the provisions of paragraph (2), Article 184 of the Companies Act.

(ii) Details of amendments

The amendments are as follows.

(The underlined parts are the amendments)

Current Articles of Incorporation	After revision
Article 6 (Total Number of Shares Authorized to be Issued) The total number of authorized shares of the Company shall be <u>720,000,000.</u>	Article 6 (Total Number of Shares Authorized to be Issued) The total number of authorized shares of the Company shall be <u>7,200,000,000.</u>

(iii) Schedule for the amendment

Effective date of the amendment of the Articles of Incorporation: October 1, 2023 (Sun)

(5) Other

The above share split will not result in a change to the amount of common stock.

(First-time Adoption)

The Group is disclosing quarterly consolidated financial statements complying with IFRS from the first quarter of this fiscal year under review. The most recent consolidated financial statements prepared under Japanese GAAP are those for the fiscal year ended March 31, 2023. The date of transition to IFRS is April 1, 2022.

(1) Exemptions set out in IFRS 1

In principle, an entity that applies IFRS for the first time (hereinafter "First-time Adopter") is requested to retrospectively apply IFRS. However, IFRS 1 - First-time Adoption of International Financial Reporting Standards (hereinafter "IFRS 1") sets out standards to which exemptions have to be applied mandatorily and standards to which exemptions are applied optionally. The effects of the applied exemptions are adjusted by retained earnings or other components of equity on the date of transition to IFRS. When the Group moved from Japanese GAAP to IFRS, it applied the following exemptions:

- Business combination

The First-time Adopter is allowed to choose not to retrospectively apply IFRS 3 Business Combinations (hereinafter "IFRS 3") to business combinations before the date of transition to IFRS. The Group has applied the exemption and has chosen not to retrospectively apply IFRS 3 to business combinations before the date of transition. As a result, goodwill that resulted from business combinations before the date of transition is based on the book value on the date of transition under Japanese GAAP.

The Group conducted an impairment test related to goodwill on the date of transition regardless of the existence of signs of impairment.

- Exchange differences on translation of foreign operations

IFRS 1 allows entities to choose to deem cumulative translation differences for foreign operations as of the date of transition to IFRS to be zero. The Group has chosen to deem cumulative translation differences for foreign operations to be zero as of the date of transition.

- Share-based payment transactions

The Group has chosen not to apply IFRS 2 of Share-based payment transactions to stock compensation that was vested before the date of transition.

- Lease

IFRS 1 permits a first-time adopter to assess whether a contract existing at the date of transition to IFRSs contains a lease. Applying this exemption, the Group has assessed whether the contract contains a lease on the basis of facts and circumstances existing at that date.

- Decommissioning liabilities included in the cost of property, plant and equipment

Regarding decommissioning liabilities included in the cost of property, plant and equipment, IFRS 1 permits an entity to select either to retrospectively

apply IFRSs requirements for the period back to the time when the liability first arose or to measure the liability as at the date of transition to IFRSs. The Group has chosen to measure the decommissioning liabilities included in the cost of property, plant and equipment as at the date of transition to IFRSs.

- Designation of previously recognized financial instruments

Regarding the classification under IFRS 9 Financial Instruments (hereafter, "IFRS 9"), IFRS 1 permits an entity to make a judgment on the basis of the facts and circumstances that exist at the date of transition to IFRSs, instead of facts and circumstances at the time of initial recognition. IFRS 1 also permits an entity to designate an equity instrument as a financial asset to be measured at fair value through other comprehensive income, on the basis of the facts and circumstances that exist at the date of transition to IFRSs.

Regarding the classification under IFRS 9, the Group has made judgments on the basis of the facts and circumstances that existed at the date of transition to IFRSs and designated some of its equity instruments as financial assets to be measured at fair value through other comprehensive income.

(2) Mandatory exemptions under IFRS 1

IFRS 1 prohibits retrospective application of IFRS in relation to estimates, derecognition of financial assets and financial liabilities, hedge accounting, non-controlling interests, classification and measurement of financial products, etc. The Group has been applying these items from the date of transition onwards.

(3) Adjustments table

Reconciliations that are required to be disclosed in the first-time adoption of IFRS are as follows.

The "Impact of change of the fiscal year end" among the reconciliations shows the impact of unifying the reporting period of subsidiaries and affiliates whose fiscal year end differed from the Company's. Among the other reconciliations, items which do not have an impact on retained earnings and comprehensive income are presented in "Reclassification" and those that do have an impact on retained earnings and comprehensive income are presented in "Recognition and measurement differences."

Reconciliations of equity as of transition date (April 1, 2022)

Line items under Japanese GAAP	Japanese GAAP	Impact of change in accounting period	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under Japanese IFRSs
	Million of Yen	Million of Yen	Million of Yen	Million of Yen	Million of Yen		
Assets							Assets
Current assets							Current assets
Cash and deposits	107,545	△11,524	△88	—	95,933	1	Cash and cash equivalents
Notes and accounts receivable - trade	150,173	7,390	1,294	—	158,857	3,4	Trade and other receivables
Contract assets	18,658	4,649	△4,230	—	19,077		Contract assets
Work in process	333	—	△333	—	—	2	
	—	—	94	—	94	1,3	Other financial assets
Other	10,740	20	△1,519	△1,208	8,032	2	Other current assets
Allowance for doubtful accounts	△554	1	552	—	—	4	
Total current assets	286,897	537	△4,230	△1,208	281,995		Total current assets
Non-current assets							Non-current assets
	—	—	308	12	320	4,6	Trade and other receivables
	—	—	4,230	—	4,230		Contract assets
Property, plant and equipment	13,414	254	△ 4,820	1,140	9,989		Property, plant and equipment
	—	—	4,820	23,579	28,399	17	Right-of-use assets
Intangible assets	95,129	3,112	△ 34,300	—	63,941	15	Goodwill
	—	—	34,300	1,462	35,762	14	Intangible assets

	-	-	2,771	-	2,771	5	Investments accounted for using equity method
Investment securities	8,664	126	7,432	5,951	22,175	5,6,16	Other financial assets
Deferred tax assets	10,324	10	-	8,125	18,460	12	Deferred tax assets
Other	12,208	199	△12,193	△9	204	6	Other non-current assets
Allowance for doubtful accounts	△1,527	△153	1,681	-	-	4	
Total non-current assets	138,213	3,549	4,230	40,261	186,255		Total non-current assets
Total assets	425,110	4,087	-	39,052	468,251		Total assets
Liabilities							Liabilities and equity
Current liabilities							Liabilities
Short-term borrowings	162	824	13,998	△16	14,968	7	Current liabilities
Current portion of long-term borrowings	11,304	2,694	△13,998	-	-	7	Bonds and borrowings
Accounts payable - trade	630	△45	86,587	△68	87,103	8,9	Lease liabilities
Accounts payable - other	81,813	6,649	△88,462	-	-	8	Trade and other payables
Income taxes payable	11,211	△465	-	-	10,745	8	Other financial liabilities
Other provisions	714	73	-	-	787	8	Income taxes payable
Accrued consumption taxes	17,432	0	△17,431	-	-	9	Provisions
Provision for bonuses	17,847	△497	△17,350	-	-	9	Contract liabilities
Provision for bonuses for directors (and other officers)	71	△45	△25	-	-	9	
Other	26,706	928	29,307	35,911	92,854	8,9,18	Other current liabilities
Total current liabilities	167,893	10,115	-	47,868	225,877		Total current liabilities

Non-current liabilities							Non-current liabilities
Bonds payable	10,000	–	30,000	–	40,000		Bonds and borrowings
Long-term borrowings	30,000	–	△30,000	–	–		
Lease liabilities	1,997	△16	–	10,642	12,622	17	Lease liabilities
	–	–	9	727	737	8,11	Other financial liabilities
Asset retirement obligation	4,430	60	1	–	4,492	10	Provisions
Deferred tax liabilities	3,039	1,111	–	△231	3,919	12	Deferred tax liabilities
Retirement benefit liability	414	24	△439	–	–	11	
Provision for share awards	810	1	△811	–	–	11	
Provision for share awards for directors (and other officers)	835	0	△836	–	–	11	
Other provisions	81	0	△81	–	–	11	
Other	1,239	43	2,157	△313	3,126	11,18	Other non-current liabilities
Total non-current liabilities	52,850	1,225	–	10,824	64,899		Total non-current liabilities
Total liabilities	220,743	11,340	–	58,693	290,777		Total liabilities
Net assets							Equity
Share capital	17,479	–	–	–	17,479		Share capital
Capital surplus	19,168	△5,974	0	△1,083	12,110		Capital surplus
Retained earnings	158,282	△918	–	△15,483	141,880	16,19	Retained earnings
Treasury shares	△10,351	–	–	–	△10,351		Treasury shares
Total accumulated other comprehensive income	△1,530	7,609	–	△1,788	4,290	13,16	Other components of equity
	183,048	716	0	△18,356	165,409		Total equity attributable to owners of parent
Share acquisition rights	0	–	0	–	–		

Non-controlling interests	21,317	△7,969	–	△1,283	12,064	Non-controlling interests
Total net assets	204,367	△7,252	–	△19,640	177,474	Total equity
Total liabilities and net assets	425,110	4,087	–	39,052	468,251	Total liabilities and equity

Reconciliations of equity as of transition date (June 30, 2022)

Line items under Japanese GAAP	Japanese GAAP	Impact of change in accounting period	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under Japanese IFRSs
Assets							Assets
Current assets							Current assets
Cash and deposits	92,272	△2,461	△862	–	88,949	1	Cash and cash equivalents
Notes and accounts receivable - trade	148,343	2,387	1,592	–	152,323	3,4	Trade and other receivables
Contract assets	26,201	△794	△4,521	–	20,885		Contract assets
Work in process	836	–	△836	–	–	2	
	–	–	868	375	1,243	1,3	Other financial assets
Other	12,652	△297	△1,378	△1,202	9,772	2	Other current assets
Allowance for doubtful accounts	△534	△81	616	–	–	4	
Total current assets	279,771	△1,247	△4,521	△827	273,174		Total current assets
Non-current assets							Non-current assets
	–	–	316	13	329	4,6	Trade and other receivables
	–	–	4,521	–	4,521		Contract assets
Property, plant and equipment	13,047	1,901	△5,438	981	10,492		Property, plant and equipment
	–	–	5,438	22,574	28,012	17	Right-of-use assets
Intangible assets	98,384	547	△34,978	1,765	65,719	15	Goodwill
	–	–	34,978	1,510	36,488	14	Intangible assets
	–	–	2,917	36	2,953	5	Investments accounted for using equity method
Investment securities	8,633	167	7,055	5,548	21,405	5,6,16	Other financial assets
Deferred tax assets	8,060	61	–	10,540	18,662	12	Deferred tax assets
Other	12,148	71	△12,007	△46	165	6	Other non-current assets
Allowance for doubtful accounts	△1,684	△34	1,718	–	–	4	
Total non-current assets	138,590	2,715	4,521	42,924	188,752		Total non-current assets
Total assets	418,362	1,468	–	42,096	461,926		Total assets
Liabilities							Liabilities and equity
Current liabilities							Liabilities
Current liabilities							Current liabilities
Short-term borrowings	986	△794	21,828	381	22,401	7	Bonds and borrowings
Current portion of bonds payable	10,000	–	△10,000	–	–	7	
Current portion of long-term borrowings	14,001	△2,172	△11,828	–	–	7	

	-	-	1,925	11,661	13,587	9,17	Lease liabilities
Accounts payable - trade	547	0	85,885	△173	86,259	8,9	Trade and other payables
Accounts payable - other	84,838	1,910	△86,749	-	-	8	
	-	-	564	-	564	8	Other financial liabilities
Income taxes payable	5,586	△1,265	-	2,022	6,343		Income taxes payable
Other provisions	787	16	-	-	804		Provisions
	-	-	5,782	-	5,782		Contract liabilities
Accrued consumption taxes	19,642	504	△20,147	-	-	9	
Provision for bonuses	8,116	△93	△8,023	-	-	9	
Provision for bonuses for directors (and other officers)	19	-	△19	-	-	9	
Other	26,680	536	20,782	37,009	85,008	8,9,18	Other current liabilities
Total current liabilities	171,208	△1,357	-	50,901	220,751		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	-	-	30,004	-	30,004		Bonds and borrowings
Long-term borrowings	30,004	-	△30,004	-	-		
Lease liabilities	1,978	530	-	10,102	12,611	17	Lease liabilities
	-	-	12	807	820	8,11	Other financial liabilities
Asset retirement obligation	4,522	△22	0	-	4,500	10	Provisions
Deferred tax liabilities	4,185	△176	-	△350	3,658	12	Deferred tax liabilities
Retirement benefit liability	454	28	△482	-	-	11	
Provision for share awards	887	1	△888	-	-	11	
Provision for share awards for directors (and other officers)	903	0	△904	-	-	11	
Other provisions	56	-	△56	-	-	11	
Other	1,381	21	2,319	△496	3,227	11,18	Other non-current liabilities
Total non-current liabilities	44,374	383	-	10,063	54,821		Total non-current liabilities
Total liabilities	215,582	△973	-	60,964	275,573		Total liabilities
Net assets							Equity
Share capital	17,479	-	-	-	17,479		Share capital
Capital surplus	13,124	-	0	△802	12,322		Capital surplus
Retained earnings	163,479	△872	-	△14,535	148,071	16,19	Retained earnings
Treasury shares	△10,321	-	-	0	△10,322		Treasury shares

Total accumulated other comprehensive income	5,402	3,259	-	△2,204	6,457	13,16	Other components of equity
	189,164	2,386	0	△17,542	174,009		Total equity attributable to owners of parent
Share acquisition rights	0	-	0	-	-		
Non-controlling interests	13,614	54	-	△1,325	12,343		Non-controlling interests
Total net assets	202,779	2,441	-	△18,868	186,353		Total equity
Total liabilities and net assets	418,362	1,468	-	42,096	461,926		Total liabilities and equity

Reconciliations of equity as of transition date (March 31, 2023)

Line items under Japanese GAAP	Japanese GAAP	Impact of change in accounting period	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under Japanese IFRSs
Assets							Assets
Current assets							Current assets
Cash and deposits	99,757	1,553	△77	–	101,233	1	Cash and cash equivalents
Notes and accounts receivable - trade	160,980	△9	1,881	–	162,853	3,4	Trade and other receivables
Contract assets	25,951	1,519	△3,937	–	23,533		Contract assets
Work in process	384	–	△384	–	–	2	
	–	–	78	–	78	1,3	Other financial assets
Other	17,780	△351	△2,124	△1,556	13,748	2	Other current assets
Allowance for doubtful accounts	△572	△53	626	–	–	4	
Total current assets	304,281	2,658	△3,937	△1,556	301,445		Total current assets
Non-current assets							Non-current assets
	–	–	309	–	309	4,6	Trade and other receivables
	–	–	3,937	–	3,937		Contract assets
Property, plant and equipment	14,849	△319	△5,803	503	9,229		Property, plant and equipment
	–	–	5,803	22,364	28,168	17	Right-of-use assets
Intangible assets	86,320	△845	△33,632	6,623	58,465	15	Goodwill
	–	–	33,632	1,617	35,250	14	Intangible assets
	–	–	4,542	187	4,729	5	Investments accounted for using equity method
Investment securities	12,058	△121	5,681	5,846	23,464	5,6,16	Other financial assets
Deferred tax assets	13,741	33	–	9,634	23,410	12	Deferred tax assets
Other	12,535	△10	△12,162	△44	317	6	Other non-current assets
Allowance for doubtful accounts	△1,627	△2	1,629	–	–	4	
Total non-current assets	137,877	△1,266	3,937	46,734	187,283		Total non-current assets
Total assets	442,159	1,392	–	45,177	488,728		Total assets
Liabilities							Liabilities and equity
Current liabilities							Liabilities
Current liabilities							Current liabilities
Short-term borrowings	11,361	△247	10,060	–	21,174	7	Bonds and borrowings
Current portion of bonds payable	10,000	–	△10,000	–	–	7	
Current portion of long-term borrowings	60	0	△60	–	–	7	

	-	-	1,937	12,068	14,005	9,17	Lease liabilities
Accounts payable - trade	602	△15	93,101	0	93,688	9	Trade and other payables
Accounts payable - other	91,934	3,233	△95,167	-	-	8	
	-	-	989	-	989	8,9	Other financial liabilities
Income taxes payable	11,418	△883	-	-	10,535		Income taxes payable
Other provisions	1,535	52	-	-	1,588		Provisions
	-	-	6,596	-	6,596		Contract liabilities
Accrued consumption taxes	18,967	△40	△18,927	-	-	9	
Provision for bonuses	19,868	△866	△19,001	-	-	9	
Provision for bonuses for directors (and other officers)	129	91	△221	-	-	9	
Other	29,541	1,123	30,693	39,614	100,972	8,9,18	Other current liabilities
Total current liabilities	195,421	2,448	-	51,682	249,552		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	-	-	30,117	-	30,117		Bonds and borrowings
Long-term borrowings	30,116	0	△30,117	-	-		
Lease liabilities	3,421	△175	-	9,567	12,813	17	Lease liabilities
	-	-	15	793	809	8,11	Other financial liabilities
Asset retirement obligation	4,659	1	-	-	4,660	10	Provisions
Deferred tax liabilities	4,018	348	-	27	4,394	12	Deferred tax liabilities
Retirement benefit liability	311	22	△333	-	-	11	
Provision for share awards	1,085	0	△1,086	-	-	11	
Provision for share awards for directors (and other officers)	1,104	0	△1,104	-	-	11	
Other provisions	45	-	△45	-	-	11	
Other	1,242	24	2,553	△969	2,850	11,18	Other non-current liabilities
Total non-current liabilities	46,005	223	-	9,418	55,647		Total non-current liabilities
Total liabilities	241,426	2,671	-	61,100	305,199		Total liabilities
Net assets							Equity
Share capital	17,479	-	-	-	17,479		Share capital
Capital surplus	13,455	△17	0	△1,167	12,272		Capital surplus
Retained earnings	168,890	△2,481	-	△11,481	154,926	19	Retained earnings
Treasury shares	△19,459	-	-	0	△19,459		Treasury shares

Total accumulated other comprehensive income	5,150	1,141	-	△1,840	4,452	13,16	Other components of equity
	185,517	△1,357	0	△14,489	169,670		Total equity attributable to owners of parent
Share acquisition rights	0	-	0	-	-		
Non-controlling interests	15,214	77	-	△1,433	13,859		Non-controlling interests
Total net assets	200,732	△1,279	-	△15,923	183,529		Total equity
Total liabilities and net assets	442,159	1,392	-	45,177	488,728		Total liabilities and equity

Notes on reconciliation of capital

(Reclassification)

(1) Cash and deposits

Time deposits whose deposit term is more than three months, which were included in cash and deposits under the Japanese GAAP, are presented by including them in "Other financial assets" under IFRS.

(2) Work in process

"Work in process," which was listed separately under the Japanese GAAP, is presented by including it in "Other current assets" under IFRS.

(3) Current assets (Other)

Other accounts receivable and advances paid, which were included in "Other" under "Current assets" under the Japanese GAAP, are presented by including them in "Trade and other receivables" under IFRS, and deposits paid, advance payments, and short-term loans receivable are presented by including them in "Other financial assets" under current assets under IFRS.

(4) Allowance for doubtful accounts

"Allowance for doubtful accounts," which was listed separately under "Current assets" under the Japanese GAAP, has been reclassified under IFRS so that it is presented as a net amount through direct deduction from "Trade and other receivables" under current assets. "Allowance for doubtful accounts" under "Investment and other assets" has also been reclassified to be presented as a net amount through direct deduction from "Trade and other receivables" under non-current assets.

(5) Investment securities

"Investments accounted for using equity method," which were included in "Investment securities" under the Japanese GAAP, are listed separately under IFRS while other securities are presented by including them in "Other financial assets" under non-current assets.

(6) Investments and other assets (others)

Long-term accounts receivable, which were included in "Other" under investments and other assets under the Japanese GAAP, are included in "Trade and other receivables" under non-current assets under IFRS while long-term loans receivable, etc. are presented by including them in "Other financial assets" under non-current assets and long-term prepaid expense, etc. is presented by including it in "Other non-current assets."

(7) Bonds and borrowings

"Current portion of bonds payable" and "Current portion of long-term borrowings," which were listed separately under the Japanese GAAP, are reclassified as "Bonds and borrowings" under current liabilities under IFRS.

(8) Accounts payable - other

Salaries payable, etc., which were included in "Accounts payable - other" under the Japanese GAAP, are presented by including them in "Trade and other payables" under IFRS while accounts payable – facilities are presented by including them in "Other financial liabilities" under current liabilities.

(9) Current liabilities (Other)

Lease liabilities, which were included in "Other" under current liabilities under the Japanese GAAP, are listed separately as current liabilities under IFRS. Further, guarantee deposits received are included in "Trade and other payables" under current liabilities, refund liability is included in "Other financial liabilities" under current liabilities, and deposits received are included in "Other current liabilities."

"Accrued consumption taxes," "Provision for bonuses," and "Provision for bonuses for directors (and other officers)," which were listed separately under the Japanese GAAP, are presented by including them in "Other current liabilities" under IFRS.

(10) Asset retirement obligations

"Asset retirement obligations," which were listed separately as an item under non-current liabilities under the Japanese GAAP, are included in "Provisions" under non-current liabilities under IFRS.

(11) Non-current liabilities (Other)

Guarantee deposits received, which were included in "Other" under non-current liabilities under the Japanese GAAP, are included in "Other financial liabilities" under non-current liabilities under IFRS.

The provision for directors' retirement benefits, which was included in "Other provisions" under non-current liabilities under the Japanese GAAP, and "Retirement benefit liability," "Provision for share awards," and "Provision for share awards for directors (and other officers)," which were listed separately under the Japanese GAAP, are presented by including them in "Other non-current liabilities" under IFRS.

(Recognition and measurement differences)

(12) Deferred tax assets and deferred tax liabilities

Reflecting the application of IFRS, the collectability of all deferred tax assets has been reconsidered. Further, deferred tax assets and deferred tax liabilities have been recorded to reflect temporary differences that have arisen due to reconciliations associated with the transition from Japanese GAAP to IFRS.

(13) Transfer of cumulative translation differences related to foreign subsidiaries

At the time of the initial adoption, the Company selected the exemption provided in IFRS 1 and transferred all of the cumulative translation differences that existed at the date of transition to retained earnings.

(14) Intangible assets with an indefinite useful life

Among intangible assets that were amortized under the Japanese GAAP, the amortization of those classified as intangible assets with an indefinite useful life under IFRS has been cancelled retrospectively to the period back to the time of acquisition.

(15) Goodwill

Under the Japanese GAAP, goodwill was to be amortized evenly over the periods in which the effects of the goodwill were expected to be produced. Under IFRS, goodwill is not amortized.

(16) Financial assets measured at fair value through other comprehensive income

Impairment losses that were recognized in past fiscal years in relation to financial assets measured at fair value through other comprehensive income have been transferred from retained earnings to other components of equity. Further, while unlisted shares without market prices and money invested were evaluated with the cost method under the Japanese GAAP, they are measured based on fair value under IFRS.

(17) Lease

Under the Japanese GAAP, lessee's leases were classified into finance leases and operating leases, and the method for regular lease transactions was applied to the accounting for operating leases. Under IFRS, lessee's leases are not separated into finance leases and operating leases, so "right-of-use assets" and "lease liabilities" are recorded for all lease transactions, in principle.

(18) Accrued paid leave

Accrued paid leave, which was not recorded under the Japanese GAAP, is recorded and presented by including it in "Other current liabilities" and "Other non-current liabilities."

(19) Reconciliation of retained earnings

(million yen)

	Date of Transition (April 1, 2022)	As of June 30, 2022	As of March 31, 2023
Deferred tax assets and deferred tax liabilities	9,828	9,903	11,133

(million yen)

	Date of Transition (April 1, 2022)	As of June 30, 2022	As of March 31, 2023
Transfer of cumulative translation differences related to foreign subsidiaries	5,090	5,090	5,090
Intangible assets with an indefinite useful life	2,354	2,400	2,536
Goodwill	—	1,758	6,675
Financial assets measured at fair value through other comprehensive income	1,402	1,566	1,465
Leasing	47	-44	-206
Accrued paid leave	-35,894	-36,983	-39,614
Other	1,686	1,771	1,435
Total	-15,483	-14,535	-11,481

Reconciliations of profits/losses and comprehensive income for the three months ended June 30, 2022

(million yen)

Account under Japanese GAAP	Japanese GAAP	Impact of the change of fiscal year end	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Net sales	284,100	16,367	-	-	300,467		Revenue
Cost of sales	215,398	14,735	-16	810	230,927	(4)	Cost of sales
Gross profit	68,702	1,631	16	-810	69,539		Gross profit
Selling, general and administrative expenses	52,207	1,413	-170	-1,337	52,113	(2)(3) (4)()	Selling, general and administrative expenses
	-	-	63	-	63	(1)	Other income
	-	-	53	-	53	(1)	Other expenses
Operating profit	16,495	217	196	526	17,436		Operating profit
Non-operating income	850	-384	-465	-	-	(1)	
Non-operating expenses	100	38	-139	-	-	(1)	
Ordinary profit	17,244	-205	-17,039	-	-		
Extraordinary income	136	-5	-130	-	-	(1)	
Extraordinary loss	142	-	-142	-	-	(1)	
	-	-	329	-8	321	(1)	Finance income
	-	-	219	71	290	(1)(4)	Finance costs
	-	-	8	34	43	(1)	Share of profit of investments accounted for using equity method
Profit before income taxes	17,238	-210	-	482	17,510		Profit before tax
Income taxes - current	3,341	864	1,955	-292	5,869	(5)	Income tax expense
Income taxes - deferred	2,921	-965	-1,955	-	-	(5)	
Net profit	10,975	-109	-	775	11,641		Profit

(million yen)

Account under Japanese GAAP	Japanese GAAP	Impact of the change of fiscal year end	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	-0	-	-	-297	-297	(4)	Financial assets measured at fair value through other comprehensive income
Retirement benefit adjustments	-	-	-	0	0	(6)	Remeasurements of defined benefit plans
							Items that may be reclassified to profit or loss
Deferred gains or losses on hedges	-	-	-	-1	-1		Cash flow hedges
Foreign currency translation adjustment	7,276	-4,811	-	11	2,476	(7)	Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	93	46	-	-	139		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	7,369	-4,765	-	-286	2,317		Other comprehensive income, net of tax
Comprehensive income	18,345	-4,875	-	488	13,958		Comprehensive income

Reconciliations of profits/losses and comprehensive income for the fiscal year ended
March 31, 2023

(million yen)

Account under Japanese GAAP	Japanese GAAP	Impact of the change of fiscal year end	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Net sales	1,223,967	18,643	-	-	1,242,611		Revenue
Cost of sales	941,323	17,371	-897	2,953	960,751	(4)	Cost of sales
Gross profit	282,643	1,272	897	-2,953	281,859		Gross profit
Selling, general and administrative expenses	229,581	2,668	-655	-6,115	225,479	(2)(3) (4)(6)	Selling, general and administrative expenses
	-	-	262	-	262	(1)	Other income
	-	-	13,388	499	13,888	(1)	Other expenses
Operating profit	53,061	-1,396	-11,573	2,661	42,754		Operating profit
Non-operating income	2,261	-108	-2,152	-	-	(1)	
Non-operating expenses	1,630	205	-1,835	-	-	(1)	
Ordinary profit	53,693	-1,710	-51,982	-	-		
Extraordinary income	290	-26	-263	-	-	(1)	
Extraordinary loss	13,267	212	-13,479	-	-	(1)	
	-	-	598	-28	570	(1)	Finance income
	-	-	1,235	334	1,569	(1)(4)	Finance costs
	-	-	-689	183	-505	(1)	Share of profit of investments accounted for using equity method
Profit before income taxes	40,716	-1,950	-	2,482	41,249		Profit before tax
Income taxes - current	20,121	278	-2,719	-1,208	16,471	(5)	Income tax expense
Income taxes - deferred	-2,241	-478	2,719	-	-	(5)	
Net profit	22,835	-1,750	-	3,691	24,777		Profit

(million yen)

Account under Japanese GAAP	Japanese GAAP	Impact of the change of fiscal year end	Reclassification	Recognition and measurement differences	IFRS	Notes	Presentation under IFRS
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	12	—	—	158	170	(4)	Financial assets measured at fair value through other comprehensive income
Retirement benefit adjustments	—	—	—	31	31	(6)	Remeasurements of defined benefit plans
							Items that may be reclassified to profit or loss
Deferred gains or losses on hedges	—	—	—	3	3		Cash flow hedges
Foreign currency translation adjustment	6,857	-6,947	—	67	-22	(7)	Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	281	-79	—	—	201		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	7,151	-7,027	—	260	384		Other comprehensive income, net of tax
Comprehensive income	29,987	-8,776	—	3,951	25,161		Comprehensive income

Notes on reconciliations of profits/losses and comprehensive income

(1) Reconciliation of presented items

Of the items that were included in "non-operating income," "non-operating expenses," "Extraordinary income," and "Extraordinary losses" under the Japanese GAAP, finance-related items are recorded as "Finance income" or "Finance costs" under IFRS, and the other items are reclassified as "Other income," "Other expenses," or "Share of profit of investments accounted for using equity method" under IFRS.

(2) Reconciliation of recorded amount of goodwill

Goodwill is amortized under the Japanese GAAP but not amortized under IFRS. Accordingly, amortization of goodwill has been discontinued since the date of transition.

(3) Unused paid leave

Unused paid leave, which was not recorded under the Japanese GAAP, is recognized as personnel expenses under IFRS.

(4) Reconciliation of finance income and costs

Under the Japanese GAAP, (loss) gain on sale of investment securities or impairment losses was profit or loss. Under IFRS, concerning equity instruments designated to be measured at fair value through other comprehensive income, fluctuation of fair value is recognized as other comprehensive income and is transferred to retained earnings in the case of derecognition. Further, while lease payments related to operating leases were recorded in "Cost of sales" and "Selling, general and administrative expenses" under the Japanese GAAP, IFRS requires recognition of lease liabilities for all leases, in principle, and interest costs are recorded in "Finance costs."

(5) Income tax expense

Under the Japanese GAAP, "Income taxes - current" and "Income taxes - deferred" were presented separately. Under IFRS, they are collectively presented as "Income tax expense." In addition, reflecting the application of IFRS, collectability of all deferred tax assets has been reconsidered.

(6) Remeasurements of defined benefit plans

Under the Japanese GAAP, actuarial gains/losses on retirement benefit obligations and past service cost were recognized as other comprehensive income when such gains/losses or cost were generated and collectively recorded as expenses for the fiscal year when they were generated. Under IFRS, remeasurements of defined benefit plans are recognized as other comprehensive income and past service cost is recognized as profit or loss when it is generated.

(7) Exchange differences on translation of foreign operations

At the time of the initial adoption, the Company selected the exemption provided in IFRS 1 and transferred all of the cumulative translation differences that existed at the date of transition to retained earnings.

Reconciliation of cash flows

Under the Japanese GAAP, lease payments related to operating leases were classified as cash flows from operating activities. IFRS requires recognition of lease liabilities for all leases, in principle, and expenditure for the repayment of lease liabilities is classified as cash flows from financing activities.