

For Immediate Release

November 10, 2023

PERSOL HOLDINGS CO., LTD. (TSE 2181)

Consolidated Financial Results for the Six Months Ended September 30, 2023(IFRS)

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

(1) Consolidated Operating Highlights

1. Financial Results

(In Millions of yen, unless otherwise stated)

| | Six months ended Sep. 30, | | % change |
|---|---------------------------|---------|----------|
| | 2022 | 2023 | |
| Revenue | 607,256 | 654,887 | 7.8 |
| Operating profit | 34,092 | 26,379 | -22.6 |
| profit before tax | 33,992 | 25,982 | -23.6 |
| Profit | 23,000 | 17,578 | -23.6 |
| Profit attributable to Owners of parent | 22,025 | 16,768 | -23.9 |
| Comprehensive income | 26,002 | 23,785 | -8.5 |
| Basic earnings per share (yen) | 9.58 | 7.41 | |
| Diluted earnings per share(yen) | 9.54 | 7.36 | |
| EBITDA | 49,146 | 40,771 | |
| Adjusted EBITDA | 43,285 | 35,039 | |
| Adjusted Net Profit | 24,154 | 19,004 | |
| Adjusted EPS(yen) | 10.48 | 8.35 | |

Note:

As of October 1, 2023, the Company conducted a 10-for-1 stock split of shares of common stock. As a result, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

EBITDA: Operating profit + Depreciation

Adjusted EBITDA: Operating profit + Depreciation (excluding rent and other equivalents from 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 expenses and revenues ± Non-recurring loss/profit

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 Sep. 30, 2023 |
|--|----------------------|---------------------|
| Total assets | 488,728 | 497,069 |
| Total equity | 183,529 | 199,251 |
| Total equity attributable to owners of parent | 169,670 | 184,775 |
| Ratio of Equity attributable to owners of the parent | 34.7% | 37.2% |

(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 | - |

Notes:

- ① No revision of dividend forecast from the latest announcement
- ② As of October 1, 2023, the Company conducted a 10-for-1 stock split for its common stock.
- ③ The year-end dividend for the fiscal year ending March 31, 2024 (forecast) with a record date of March 31, 2024 is based on the number of shares after the stock split, considering the effect of the stock split.
- ④ The forecast of total dividend per share is not shown because a simple comparison is not suitable due to the stock split. The dividend per share forecast on a pre-split basis is 86 yen per share.

3. 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 |
|---------------------|---|---|
| | 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 | -1.4 |
| Adjusted EPS (yen) | 17.14 | - |

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)

| | March 31, 2023 | Six month ended September 30, 2023 |
|---|----------------|---------------------------------------|
| ① Number of shares issued and outstanding at the end of the period (including treasury stock) | 2,367,048,610 | 2,331,998,610 |
| ② Number of shares of treasury stock at the end of the period | 91,773,090 | 46,776,470 |

| | Six months ended September 30, 2022 | Six months ended September 30, 2023 |
|--|--|--|
| ③ Average number of shares outstanding during the period (cumulative quarterly period) | 2,304,865,177 | 2,276,791,233 |

Notes:

The number of treasury stock at the end of the period includes 25,515,740 shares for the 2nd quarter of the fiscal year ending March 31, 2024 and 14,203,730 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 as treasury stocks.

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

As of October 1, 2023, the Company executed a 10-for-1 stock split of shares of common stock. As a result, ①, ② and ③ is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

Disclaimer

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.

Note:

(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"). Financial figures for the first half of the previous consolidated fiscal year and the previous consolidated fiscal year are also presented in accordance with IFRS.

For the changes between IFRS and Japanese GAAP in relation to financial figures, please refer to "(First-time Adoption)" on page 25.

(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

This year, PERSOL GROUP (the Group) celebrated its 50th anniversary.

At present, the Group provides a wide range of human resources (HR) related services including temporary staffing and placement service in Japan. In addition, in the Asia-Pacific (APAC) region, the Group operates staffing business and facility management business.

In the six months ended September 30, 2023, the business environment saw a trend towards a recovery in the Japanese economy due to the reclassification of COVID-19 from the "Novel Influenza and other diseases category" (equivalent to so-called Class 2) to Class 5 infectious diseases (in May 2023). However, the future remained uncertain mainly due to rising prices, which partly reflect soaring energy prices and the depreciation of the yen attributed to the prolonged Ukraine war and the crisis in Israel.

Despite such circumstances, the ratio of job offers to job seekers (seasonally adjusted) in Japan was 1.29 in September 2023, showing that demand for human resources remained strong. In the APAC region, demand remained generally steady, with the exception of certain regions where the impact of COVID-19 persisted. Concerning exchange rates, the yen continued to weaken. (Average exchange rates during the period: [U.S. dollar] ¥134.0 for FY 2023/3 1H, ¥141.1 for FY 2024/3 1H; [Australian dollar] ¥93.6 for FY 2023/3 1H, ¥93.3 for FY 2024/3 Q2)

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, in BPO SBU, operations related to infection control have settled down as initially expected with the subsiding of COVID-19. Revenue in the other SBUs increased, resulting in overall group revenue of 654,887 million yen (up 7.8% year-on-year, 48.9% progress rate for full year forecasts).

Profits increased at Career SBU on brisk corporate demand and also rose at APAC SBU, where integration is in progress. Profit declined at the other SBUs due to temporary and seasonal factors, such as an increase in social security costs at Staffing SBU, the absence of COVID-19-related operations at BPO SBU, and the brisk recruitment of new graduate engineers at Technology SBU. The overall Group's adjusted EBITDA, which the Company began to use as a key profit indicator in the current fiscal year, stood at 35,039 million yen (down 19.0% year on year, 46.4% progress rate for full year forecasts) and operating profit was 26,379 million yen (down 22.6% year on year, 48.4% progress rate for full year forecasts). Profit before tax was 25,982 million yen (down 23.6% year on year), and net profit attributable to owners of parent company stood at 16,768 million yen (down 23.9% year on year, 50.1% progress rate for full year forecasts).

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 six months ended September 30, 2023 were 286,459 million yen (up 7.4% year on year), adjusted EBITDA was 15,931 million yen (down 6.3% year on year), and operating profit was 14,420 million yen (down 5.9% year on year)

The increase in revenue is attributed mainly to the number of active temporary staff at approx. 122,000 persons (up 5.6% year on year) and the average billing rate of 2,267 yen (up 3.0% year on year). The decline in operating profit and adjusted EBITDA chiefly reflects an increase in social security cost.

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 six months ended September 30, 2023 were 54,137 million yen (down 5.1% year on year), adjusted EBITDA was 3,729 million yen (down 57.8% year on year), and operating profit was 2,644 million yen (down 65.8% year on year)

Both revenue, operating profit and adjusted EBITDA decreased because operations related to infection control settled down as initially expected. (The negative impact associated with COVID-19 on profits was approx. 3.1 billion yen (gross profit from COVID-19 related business during the period: approx. 5.2 billion yen in 23/3-1H, approx. 2.1 billion yen in 24/3-1H).)

c. Technology SBU

This segment had been Professional Outsourcing SBU until the previous fiscal year. 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 six months ended September 30, 2023 were 49,415 million yen (up 14.2% year on year), adjusted EBITDA was 2,713 million yen (down 17.2% year on year), and operating profit was 2,339 million yen (down 24.1% year on year)

Revenue increased because the engineering area saw growth in demand, mainly for development in the manufacturing industry. An additional factor was steady growth in the IT area. Operating profit and adjusted EBITDA decreased, mainly reflecting an increase in personnel expenses that resulted from enhanced activities to recruit new graduate engineers (up 104.7% year on year).

Operating rate was 85.3% for IT and DX Solutions (up 83.8% from Q1) and 93.5% for Engineering (up 89.9% from Q1).

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 six months ended September 30, 2023 were 63,388 million yen (up 29.2% year on year), adjusted EBITDA was 11,893 million yen (up 10.7% year on year), and operating profit was 9,629 million yen (up 4.3% year on year).

Revenue 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 although slight signs of uncertainty began to be seen in business confidence. Operating profit and adjusted EBITDA 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.

With the enhanced hiring activities, the headcount (HC, the number of personnel) of CA (Career advisor) and others increased steadily, to 2,261 persons (average for the second quarter under review) (up 25.1% year on year). In addition, productivity (revenue ÷ HC) was 2,730 thousand yen (average for the second quarter under review) (up 0.4% year on year), showing that efficiency was also improved.

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 six months ended September 30, 2023 were 203,323 million yen (up 6.0% year on year), adjusted EBITDA was 5,347 million yen (up 15.3% year on year), and operating profit was 3,464 million yen (up 59.2% year on year).

Revenue increased due to progress in the recovery from the impact of the spread of COVID-19 infection, with steady growth in sales from the facility management business in particular. Operating profit and adjusted EBITDA rose significantly due to cost optimization associated with the consolidation of administrative departments, in addition to stronger sales. Profitability also improved, with operating profit margin at 1.7% (up 0.6% year on year).

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(2) Financial Position

1. Consolidated Statement of financial position

Total assets increased 8,341 million yen compared to the end of the previous fiscal year. Current assets decreased 1,641 million yen, and non-current assets rose 9,982 million yen. The decrease in current assets chiefly reflected a decrease of 2,168 million yen in trade and other receivables. Non-current assets climbed mainly due to increases in right-of-use assets of 3,517 million yen, in intangible assets of 2,094 million yen, and in goodwill of 1,793 million yen.

Liabilities decreased 7,381 million yen compared to the end of the previous fiscal year. Current liabilities decreased 1,730 million yen and non-current liabilities decreased 5,650 million yen. Liabilities declined mainly because bonds and borrowings decreased 5,392 million yen in current liabilities and 10,117 million yen in non-current liabilities, which was partially offset by a rise in lease liabilities of 3,655 million yen in non-current liabilities.

Equity increased 15,722 million yen compared to the end of the previous fiscal year. This was mainly due to an increase of 7,677 million yen in retained earnings, which resulted primarily from the payment of dividends from surplus of 9,101 million yen and the recording of 16,768 million yen in quarterly income attributable to owners of the parent, and a decrease of 9,689 million yen in treasury shares that resulted from cancellation and disposal of treasury shares.

| | As of March 31, 2023 | As of September 30, 2023 |
|---|-------------------------|-----------------------------|
| Ratio of operating profit to sales | 3.4% | 4.0% |
| Ratio of Adjusted EBITDA to sales | 6.1% | 5.4% |
| Current ratio | 120.8% | 121.0% |
| Fixed ratio | 110.4% | 106.8% |
| Fixed long-term precision | 83.1% | 84.0% |
| Equity attributable to owners of the parent Ratio | 34.7% | 37.2% |
| Debt(excluding lease)/equity ratio | 0.30 | 0.19 |
| Total assets (million yen) | 488,728 | 497,069 |
| Equity attributable to owners of the parent (million yen) | 169,670 | 184,775 |
| Cash and cash equivalents at end of period (million yen) | 101,233 | 102,753 |
| EBITDA (million yen) | 73,069 | 40,771 |
| Adjusted EBITDA (million yen) | 75,277 | 35,039 |

Notes:

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") for the first time. Non-current assets increased due in part to the recoding of right-of-use assets resulting from the transition to IFRS. Accordingly, the fixed ratio increased from the previous fiscal year, when financial statements were disclosed under Japanese GAAP.

2. Business and financial issues to address

The six months ended September 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 September 30, 2023 was 102,753 million yen, up 1,519 million yen from the end of the previous consolidated fiscal year.

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

(Cash flow from operating activities)

Capital used by operating activities was 40,867 million yen (as compared to 26,709 million yen generated in the same period of the previous fiscal year). Major factors were a profit before tax of 25,982 million yen and depreciation, amortization of 14,391 million yen, decrease in trade and other receivables, among other cash inflows, and income taxes paid of 11,600 million yen, among other cash outflows.

(Cash flow from investing activities)

Capital used as a result of investing activities was 7,781 million yen (as compared to 13,871 million yen used in the same period of the previous fiscal year). This was mainly due to spending of 5,562 million yen on the purchase of intangible assets.

(Cash flow from financing activities)

Capital used as a result of financing activities was 33,609 million yen (as compared to 21,131 million yen used in the same period of the previous fiscal year). This was mainly caused by repayments of short-term borrowings of 141,605 million yen, spending of 10,000 million yen for the redemption of bonds payable and 9,097 million yen in dividend payments, partially offset by proceeds from short-term borrowings of 135,637 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 Sep. 30, 2023 |
|--|--|-------------------------|------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 95,933 | 101,233 | 102,753 |
| Trade and other receivables | 158,857 | 162,853 | 160,684 |
| Contract assets | 19,077 | 23,533 | 22,692 |
| Other financial assets | 94 | 78 | 233 |
| Other current assets | 8,032 | 13,748 | 13,440 |
| Total current assets | 281,995 | 301,445 | 299,804 |
| Non-current assets | | | |
| Trade and other receivables | 320 | 309 | 327 |
| Contract assets | 4,230 | 3,937 | 4,731 |
| Property, plant and equipment | 9,989 | 9,229 | 8,817 |
| Right-of-use assets | 28,399 | 28,168 | 31,685 |
| Goodwill | 63,941 | 58,465 | 60,258 |
| Intangible assets | 35,762 | 35,250 | 37,345 |
| Investments accounted for using equity method | 2,771 | 4,729 | 4,908 |
| Other financial assets | 22,175 | 23,464 | 25,058 |
| Deferred tax assets | 18,460 | 23,410 | 23,834 |
| Other non-current assets | 204 | 317 | 298 |
| Total non-current assets | 186,255 | 187,283 | 197,265 |
| Total assets | 468,251 | 488,728 | 497,069 |

(Condensed Consolidated Balance Sheet)

(In Millions of yen)

| | Date of Transition (April 1, 2022) | As of March 31, 2023 | As of Sep. 30, 2023 |
|---|--|-------------------------|------------------------|
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 87,103 | 93,688 | 95,021 |
| Bonds and borrowings | 14,968 | 21,174 | 15,782 |
| Lease liabilities | 13,630 | 14,005 | 13,976 |
| Other financial liabilities | 836 | 989 | 603 |
| Income taxes payable | 10,745 | 10,535 | 9,094 |
| Provisions | 787 | 1,588 | 963 |
| Contract liabilities | 4,951 | 6,596 | 7,050 |
| Other current liabilities | 92,854 | 100,972 | 105,330 |
| Total current liabilities | 225,877 | 249,552 | 247,821 |
| Non-current liabilities | | | |
| Bonds and borrowings | 40,000 | 30,117 | 20,000 |
| Lease liabilities | 12,622 | 12,813 | 16,469 |
| Other financial liabilities | 737 | 809 | 934 |
| Provisions | 4,492 | 4,660 | 4,774 |
| Deferred tax liabilities | 3,919 | 4,394 | 4,868 |
| Other non-current liabilities | 3,126 | 2,850 | 2,948 |
| Total non-current liabilities | 64,899 | 55,647 | 49,996 |
| Total liabilities | 290,777 | 305,199 | 297,818 |
| Equity | | | |
| Share capital | 17,479 | 17,479 | 17,479 |
| Capital surplus | 12,110 | 12,272 | 3,851 |
| Retained earnings | 141,880 | 154,926 | 162,604 |
| Treasury shares | -10,351 | -19,459 | -9,770 |
| Other components of equity | 4,290 | 4,452 | 10,610 |
| Total equity attributable to owners of parent | 165,409 | 169,670 | 184,775 |
| Non-controlling interests | 12,064 | 13,859 | 14,476 |
| Total equity | 177,474 | 183,529 | 199,251 |
| Total liabilities and equity | 468,251 | 488,728 | 497,069 |

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

(Condensed Consolidated Income Statement)

(In Millions of yen)

| | Six months ended Sep. 30, | |
|--|---------------------------|----------|
| | 2022 | 2023 |
| Revenue | 607,256 | 654,887 |
| Cost of sales | -468,025 | -506,242 |
| Gross profit | 139,231 | 148,645 |
| Selling, general and administrative expenses | -105,073 | -122,587 |
| Other income | 150 | 570 |
| Other expenses | -215 | -248 |
| Operating profit | 34,092 | 26,379 |
| Finance income | 267 | 495 |
| Finance costs | -431 | -760 |
| Share of profit of investments accounted for using equity method | 64 | -132 |
| Profit before tax | 33,992 | 25,982 |
| Income tax expense | -10,992 | -8,404 |
| Profit | 23,000 | 17,578 |
| Profit attributable to | | |
| Owners of parent | 22,025 | 16,768 |
| Non-controlling interests | 974 | 809 |
| Profit | 23,000 | 17,578 |
| Earnings per share | | |
| Basic earnings per share | 9.58 | 7.41 |
| Diluted earnings per share | 9.54 | 7.36 |

(Condensed Consolidated Income Statement)

(In Millions of yen)

| | Three months ended Sep. 30, | |
|---|-----------------------------|----------|
| | 2022 | 2023 |
| Revenue | 306,788 | 326,183 |
| Cost of sales | -237,097 | -252,642 |
| Gross profit | 69,691 | 73,541 |
| Selling, general and administrative expenses | -52,960 | -61,699 |
| Other income | 87 | 53 |
| Other expenses | -162 | -191 |
| Operating profit | 16,655 | 11,703 |
| Finance income | 103 | 103 |
| Finance costs | -297 | -279 |
| Share of profit of investments accounted for using equity method | 21 | -162 |
| Profit before tax | 16,482 | 11,365 |
| Income tax expense | -5,123 | -3,521 |
| Profit | 11,359 | 7,843 |
| Profit attributable to | | |
| Owners of parent | 10,886 | 7,399 |
| Non-controlling interests | 473 | 444 |
| Profit | 11,359 | 7,843 |
| Earnings per share | | |
| Basic earnings per share | 4.74 | 3.27 |
| Diluted earnings per share | 4.71 | 3.25 |

(Condensed Consolidated Comprehensive Income Statement)

(In Millions of yen)

| | Six months ended Sep. 30, | |
|--|---------------------------|--------|
| | 2022 | 2023 |
| Profit | 23,000 | 17,578 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | -303 | 501 |
| Remeasurements of defined benefit plans | 3 | -77 |
| Total of items that will not be reclassified to profit or loss | -300 | 423 |
| Items that may be reclassified to profit or loss | | |
| Cash flow hedges | 16 | - |
| Exchange differences on translation of foreign operations | 3,040 | 5,473 |
| Share of other comprehensive income of investments accounted for using equity method | 245 | 310 |
| Total of items that may be reclassified to profit or loss | 3,302 | 5,783 |
| Other comprehensive income, net of tax | 3,002 | 6,207 |
| Comprehensive income | 26,002 | 23,785 |
| Comprehensive income attributable to | | |
| Owners of parent | 24,990 | 22,937 |
| Non-controlling interests | 1,012 | 848 |
| Comprehensive income | 26,002 | 23,785 |

(Condensed Consolidated Comprehensive Income Statement)

(In Millions of yen)

| | Three months ended Sep. 30, | |
|--|-----------------------------|-------|
| | 2022 | 2023 |
| Profit | 11,359 | 7,843 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | -5 | -48 |
| Remeasurements of defined benefit plans | 3 | -0 |
| Total of items that will not be reclassified to profit or loss | -2 | -49 |
| Items that may be reclassified to profit or loss | | |
| Cash flow hedges | 17 | - |
| Exchange differences on translation of foreign operations | 564 | 800 |
| Share of other comprehensive income of investments accounted for using equity method | 106 | 45 |
| Total of items that may be reclassified to profit or loss | 687 | 846 |
| Other comprehensive income, net of tax | 684 | 796 |
| Comprehensive income | 12,044 | 8,640 |
| Comprehensive income attributable to | | |
| Owners of parent | 11,559 | 8,184 |
| Non-controlling interests | 484 | 456 |
| Comprehensive income | 12,044 | 8,640 |

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

Six months ended September 30, 2022

(In 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 | - | - | 22,025 | - | - | - |
| Other comprehensive income | - | - | - | - | 3,248 | 16 |
| Comprehensive income | - | - | 22,025 | - | 3,248 | 16 |
| Purchase of treasury shares | - | - | - | -2,054 | - | - |
| Disposal of treasury shares | - | -821 | - | 875 | - | - |
| Dividends | - | - | -5,072 | - | - | - |
| Share-based payment transactions | - | 567 | - | - | - | - |
| Increase (decrease) by business combination | - | - | - | - | - | - |
| Changes in ownership interest in subsidiaries | - | -68 | - | - | - | - |
| Loss of control of subsidiaries | - | - | - | - | - | - |
| Transfer from other components of equity to retained earnings | - | - | 187 | - | - | - |
| Other | | | | | | |
| Total transactions with owners | - | -322 | -4,884 | -1,179 | - | - |
| Balance at end of period | 17,479 | 11,788 | 159,021 | -11,531 | 3,248 | 13 |

| | Equity attributable to owners of parent | | | Non-controlling interests | Total | |
|---|--|---|-------|---------------------------|--------|---------|
| | Other components of equity | | Total | | | |
| | Financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans | Total | | | |
| Balance at beginning of period | 4,309 | -16 | 4,290 | 165,409 | 12,064 | 177,474 |
| Profit | - | - | - | 22,025 | 974 | 23,000 |
| Other comprehensive income | -303 | 3 | 2,964 | 2,964 | 37 | 3,002 |
| Comprehensive income | -303 | 3 | 2,964 | 24,990 | 1,012 | 26,002 |
| Purchase of treasury shares | - | - | - | -2,054 | - | -2,054 |
| Disposal of treasury shares | - | - | - | 53 | - | 53 |
| Dividends | - | - | - | -5,072 | -248 | -5,321 |
| Share-based payment transactions | - | - | - | 567 | - | 567 |
| Increase (decrease) by business combination | - | - | - | - | -10 | -10 |

| | | | | | | |
|---|-------|-----|-------|---------|--------|---------|
| Changes in ownership interest in subsidiaries | - | - | - | -68 | - | -68 |
| Loss of control of subsidiaries | - | - | - | - | 8 | 8 |
| Transfer from other components of equity to retained earnings | -187 | - | -187 | - | - | - |
| Other | | | | | | |
| Total transactions with owners | -187 | - | -187 | -6,574 | -251 | -6,825 |
| Balance at end of period | 3,818 | -12 | 7,067 | 183,824 | 12,826 | 196,651 |

Six months ended September 30, 2023

(In 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 | - | - | 16,768 | - | - | - |
| Other comprehensive income | - | - | - | - | 5,744 | - |
| Comprehensive income | - | - | 16,768 | - | 5,744 | - |
| Purchase of treasury shares | - | - | - | -- | - | - |
| Disposal of treasury shares | - | -1,915 | - | 2,160 | - | - |
| Cancellation of treasury shares | - | -7,528 | - | 7,528 | - | - |
| Dividends | - | - | -9,101 | - | - | - |
| Share-based payment transactions | - | 1,131 | - | - | - | - |
| Increase (decrease) by business combination | - | - | - | - | - | - |
| Changes in ownership interest in subsidiaries | - | -107 | - | - | - | - |
| Loss of control of subsidiaries | - | - | - | - | - | - |
| Transfer from other components of equity to retained earnings | - | - | -10 | - | - | - |
| Other | - | -0 | - | - | - | - |
| Total transactions with owners | - | -8,420 | -9,090 | 9,689 | - | - |
| Balance at end of period | 17,479 | 3,851 | 162,604 | -9,770 | 5,894 | - |

| | Equity attributable to owners of parent | | | | | |
|---------------------------------|--|---|-------|----------------------------|---------------------------|---------|
| | Financial assets measured at fair value through other comprehensive income | | | Other components of equity | | |
| | Financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans | Total | Total | Non-controlling interests | Total |
| Balance at beginning of period | 4,287 | 14 | 4,452 | 169,670 | 13,859 | 183,529 |
| Profit | - | - | - | 16,768 | 809 | 17,578 |
| Other comprehensive income | 501 | -77 | 6,168 | 6,168 | 38 | 6,207 |
| Comprehensive income | 501 | -77 | 6,168 | 22,937 | 848 | 23,785 |
| Purchase of treasury shares | - | - | - | - | - | -- |
| Disposal of treasury shares | - | - | - | 245 | - | 245 |
| Cancellation of treasury shares | - | - | - | - | - | - |

| | | | | | | |
|---|--------------|------------|---------------|----------------|---------------|----------------|
| Dividends | - | - | - | -9,101 | -242 | -9,343 |
| Share-based payment transactions | - | - | - | 1,131 | - | 1,131 |
| Increase (decrease) by business combination | - | - | - | - | - | - |
| Changes in ownership interest in subsidiaries | - | - | - | -107 | 11 | -96 |
| Loss of control of subsidiaries | - | - | - | - | - | - |
| Transfer from other components of equity to retained earnings | -10 | - | -10 | - | - | - |
| Other | - | - | - | -0 | - | -0 |
| Total transactions with owners | <u>-10</u> | <u>-</u> | <u>-10</u> | <u>-7,832</u> | <u>-231</u> | <u>-8,063</u> |
| Balance at end of period | <u>4,778</u> | <u>-62</u> | <u>10,610</u> | <u>184,775</u> | <u>14,476</u> | <u>199,251</u> |

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(In Millions of yen)

| | Six months ended September 30, 2022 | Six months ended September 30, 2023 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 33,992 | 25,982 |
| Depreciation and amortization | 15,054 | 14,391 |
| Decrease (increase) in trade and other receivables | 3,016 | 6,414 |
| Increase (decrease) in trade and other payables | -5,074 | -976 |
| Decrease (increase) in contract assets | -2,015 | 1,601 |
| Decrease (increase) in prepaid expenses | -838 | -1,826 |
| Increase (decrease) in accrued consumption taxes | -1,734 | 2,561 |
| Increase (Decrease) in accrued bonus | -2,014 | -1,607 |
| Increase (Decrease) in accrued paid vacation | 1,428 | 1,789 |
| Other | 479 | 4,196 |
| Subtotal | 42,293 | 52,527 |
| Interest and dividends received | 231 | 404 |
| Interest paid | -282 | -464 |
| Income taxes refund (paid) | -15,533 | -11,600 |
| Net cash provided by (used in) operating activities | 26,709 | 40,867 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | -1,591 | -1,656 |
| Purchase of intangible assets | -4,640 | -5,562 |
| Purchase of shares of subsidiaries and associates | -1,301 | - |
| Purchase of investments | -692 | -387 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | -3,321 | -10 |
| Payments for acquisition of businesses | -1,453 | - |
| Other | -870 | -164 |
| Net cash provided by (used in) investing activities | -13,871 | -7,781 |
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 1,600 | 135,637 |
| Repayments of short-term borrowings | -870 | -141,605 |
| Repayments of long-term borrowings | -2,346 | -183 |
| Repayments of lease liabilities | -8,126 | -8,207 |
| Redemption of bonds | - | -10,000 |
| Purchase of treasury shares | -2,055 | - |
| Dividends paid | -5,071 | -9,097 |
| Other | -4,261 | -153 |
| Net cash provided by (used in) financing activities | -21,131 | -33,609 |
| Effect of exchange rate changes on cash and cash equivalents | 945 | 2,042 |
| Net increase (decrease) in cash and cash equivalents | -7,348 | 1,519 |
| Cash and cash equivalents at beginning of period | 95,933 | 101,233 |
| Cash and cash equivalents | 88,585 | 102,753 |

(5) *Notes to the Condensed Quarterly Consolidated Financial Statements*

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 changed its management structure on April 1, 2023. Aiming 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.

The segment information for the six months and three months ended September 30, 2022 is prepared based on the new reportable segments.

(2) Information of reportable segments

Profit in reportable segments is adjusted EBITDA (operating profit + depreciation (excluding rent and other equivalents from 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 Six months ended September 30 2022

(Millions of yen)

| | Reportable Segment | | | | | | Other *1 | Total | Adjustme nts*2 | Consolida ted |
|--|--------------------|--------|----------------|--------|-----------------|---------|-------------|---------|-------------------|------------------|
| | Staffing | BPO | Technolog y | Career | Asia Pacific | Total | | | | |
| Revenue | | | | | | | | | | |
| Revenue from external customers | 263,739 | 54,151 | 39,693 | 47,890 | 191,649 | 597,124 | 10,127 | 607,252 | 3 | 607,256 |
| Intersegment revenue | 3,068 | 2,912 | 3,565 | 1,180 | 1 | 10,728 | 4,967 | 15,695 | -15,695 | – |
| Total | 266,808 | 57,064 | 43,259 | 49,070 | 191,650 | 607,853 | 15,094 | 622,948 | -15,692 | 607,256 |
| Segment profit (loss) | 16,993 | 8,834 | 3,279 | 10,741 | 4,638 | 44,487 | -902 | 43,584 | -299 | 43,285 |
| Depreciation (excluding rent and other equivalents from depreciation of right-of-use assets) | | | | | | | | | | 6,976 |
| Increase/decrease in accrued paid leave | | | | | | | | | | 1,583 |
| Share-based payment expenses | | | | | | | | | | 567 |
| Other income | | | | | | | | | | 150 |
| Other expenses | | | | | | | | | | 215 |
| Operating profit | | | | | | | | | | 34,092 |
| Share of profit (loss) of investments accounted for using equity method | | | | | | | | | | 64 |

| | |
|-------------------|--------|
| Finance income | 267 |
| Finance costs | 431 |
| Profit before tax | 33,992 |

For Six months ended September 30 2023

(Millions of yen)

| | Reportable Segment | | | | | | Other *1 | Total | Adjustme nts*2 | Consolida ted |
|--|--------------------|--------|----------------|--------|-----------------|---------|-------------|---------|-------------------|------------------|
| | Staffing | BPO | Technolog y | Career | Asia Pacific | Total | | | | |
| Revenue | | | | | | | | | | |
| Revenue from external customers | 283,648 | 50,916 | 44,266 | 62,321 | 203,223 | 644,377 | 10,508 | 654,885 | 2 | 654,887 |
| Intersegment revenue | 2,810 | 3,220 | 5,149 | 1,067 | – | 12,247 | 6,041 | 18,289 | -18,289 | – |
| Total | 286,459 | 54,137 | 49,415 | 63,388 | 203,223 | 656,625 | 16,550 | 673,175 | -18,287 | 654,887 |
| Segment profit (loss) | 15,931 | 3,729 | 2,713 | 11,893 | 5,347 | 39,615 | -936 | 38,679 | -3,639 | 35,039 |
| Depreciation (excluding rent and other equivalents from depreciation of right-of-use assets) | | | | | | | | | | 6,078 |
| Increase/decrease in accrued paid leave | | | | | | | | | | 1,791 |
| Share-based payment expenses | | | | | | | | | | 1,113 |
| Other income | | | | | | | | | | 570 |
| Other expenses | | | | | | | | | | 248 |
| Operating profit | | | | | | | | | | 26,379 |
| Share of profit (loss) of investments accounted for using equity method | | | | | | | | | | -132 |
| Finance income | | | | | | | | | | 495 |
| Finance costs | | | | | | | | | | 760 |
| Profit before tax | | | | | | | | | | 25,982 |

(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))

(In Millions of yen)

| | | |
|--|-------------------------------|-------------------------------|
| | Six months ended Sep. 30 2022 | Six months ended Sep. 30 2023 |
|--|-------------------------------|-------------------------------|

| | | |
|---|--------|--------|
| Elimination of inter-segment transactions | -832 | -1,497 |
| Corporate revenue*1 | 6,443 | 4,905 |
| Corporate expenses*2 | -5,910 | -7,047 |
| Total | -299 | -3,639 |

*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

For Three months ended September 30 2022

(In Millions of yen)

| | Reportable Segment | | | | | | Other*1 | Total | Adjustments*2 | Consolidated |
|--|--------------------|--------|------------|--------|--------------|---------|---------|---------|---------------|--------------|
| | Staffing | BPO | Technology | Career | Asia Pacific | Total | | | | |
| Revenue | | | | | | | | | | |
| Revenue from external customers | 131,688 | 27,455 | 20,323 | 24,303 | 97,759 | 301,530 | 5,252 | 306,782 | 5 | 306,788 |
| Intersegment revenue | 1,589 | 1,476 | 1,929 | 568 | 0 | 5,563 | 2,469 | 8,033 | -8,033 | - |
| Total | 133,278 | 28,931 | 22,252 | 24,872 | 97,759 | 307,094 | 7,721 | 314,815 | -8,027 | 306,788 |
| Segment profit (loss) | 7,673 | 4,617 | 1,935 | 4,869 | 2,486 | 21,582 | -695 | 20,886 | -280 | 20,606 |
| Depreciation (excluding rent and other equivalents from depreciation of right-of-use assets) | | | | | | | | | | 3,522 |
| Increase/decrease in accrued paid leave | | | | | | | | | | 63 |
| Share-based payment expenses | | | | | | | | | | 289 |
| Other income | | | | | | | | | | 87 |
| Other expenses | | | | | | | | | | 162 |
| Operating profit | | | | | | | | | | 16,655 |
| Share of profit (loss) of investments accounted for using equity method | | | | | | | | | | 21 |
| Finance income | | | | | | | | | | 103 |
| Finance costs | | | | | | | | | | 297 |
| Profit before tax | | | | | | | | | | 16,482 |

For Three months ended Sep. 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 | 140,329 | 26,058 | 22,402 | 30,988 | 100,954 | 320,732 | 5,450 | 326,183 | 0 | 326,183 |
| Intersegment revenue | 1,336 | 1,559 | 3,151 | 498 | – | 6,545 | 3,063 | 9,608 | -9,608 | – |
| Total | 141,665 | 27,617 | 25,554 | 31,486 | 100,954 | 327,278 | 8,513 | 335,791 | -9,608 | 326,183 |
| Segment profit (loss) | 6,546 | 2,072 | 1,954 | 5,248 | 2,751 | 18,573 | -433 | 18,139 | -2,113 | 16,025 |
| Depreciation (excluding rent and other equivalents from depreciation of right-of-use assets) | | | | | | | | | | 3,116 |
| Increase/decrease in accrued paid leave | | | | | | | | | | 403 |
| Share-based payment expenses | | | | | | | | | | 663 |
| Other income | | | | | | | | | | 53 |
| Other expenses | | | | | | | | | | 191 |
| Operating profit | | | | | | | | | | 11,703 |
| Share of profit (loss) of investments accounted for using equity method | | | | | | | | | | -162 |
| Finance income | | | | | | | | | | 103 |
| Finance costs | | | | | | | | | | -279 |
| Profit before tax | | | | | | | | | | 11,365 |

(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))

(In Millions of yen)

| | Three months ended Sep. 30 2022 | Three months ended Sep. 30 2023 |
|---|------------------------------------|------------------------------------|
| Elimination of inter-segment transactions | -478 | -1,076 |
| Corporate revenue*1 | 3,233 | 2,511 |
| Corporate expenses*2 | -3,035 | -3,548 |
| Total | -280 | -2,113 |

*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

(Earnings per Share)

Basic earnings per share and diluted earnings per share are as follows:

(First six-month period)

| | Six months ending September 30, 2022 | Six months ending September 30, 2023 |
|--|---|---|
| Profit attributable to owners of parent (million yen) | 22,025 | 16,768 |
| Adjustment to profit for the period (million yen) | — | — |
| Profit used to calculate diluted earnings per share (million yen) | 22,025 | 16,768 |
| Weighted average number of common shares (thousand shares) | 2,298,208 | 2,264,486 |
| Increase in number of common shares | | |
| Share-based compensation (thousand shares) | 9,617 | 15,097 |
| Weighted average number of common shares after dilution (thousand shares) | 2,307,825 | 2,279,584 |
| Basic earnings per share (yen) | 9.58 | 7.41 |
| Diluted earnings per share (yen) | 9.54 | 7.36 |

(Three months period)

| | Three months ending September, 2022 | Three months ending September, 2023 |
|---|--|--|
| Profit attributable to owners of parent (million yen) | 10,886 | 7,399 |
| Adjustment to profit for the period (million yen) | — | — |
| Profit used to calculate diluted earnings per share (million yen) | 10,886 | 7,399 |
| Weighted average number of common shares (thousand shares) | 2,296,211 | 2,263,994 |
| Increase in number of common shares | | |
| Share-based compensation (thousand shares) | 10,540 | 15,217 |
| Weighted average number of diluted ordinary shares (thousand shares) | 2,306,752 | 2,279,211 |
| Basic earnings per share (yen) | 4.74 | 3.27 |
| Diluted earnings per share (yen) | 4.71 | 3.25 |

Note:

As of October 1, 2023, the Company conducted a 10-for-1 stock split of shares of common stock. As a result, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(Subsequent Events)

Not applicable.

(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 contains a lease based on the facts and circumstances that exist at the date of transition to IFRSs. Applying this exemption, the Group has assessed whether the contract contains a lease on the basis of the 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 exceptions under IFRS 1

IFRS 1 prohibits retrospective application of IFRSs 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 applies IFRSs on these topics prospectively from the date of transition to IFRSs.

(3) Reconciliations

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)

(In Millions of Yen)

| 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 | 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 | |
| Other | - | - | 94 | - | 94 | 1,3 | Other financial assets |
| Allowance for doubtful accounts | 10,740 | 20 | -1,519 | -1,208 | 8,032 | 2 | Other current assets |
| Total current assets | -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 |
| Trade and other receivables | - | - | 308 | 12 | 320 | 4,6 | Trade and other receivables |
| Contract assets | - | - | 4,230 | - | 4,230 | | Contract assets |
| Property, plant and equipment | 13,414 | 254 | - 4,820 | 1,140 | 9,989 | | Property, plant and equipment |
| Right-of-use assets | - | - | 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 | | 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 (September 30, 2022)

(In Millions of Yen)

| 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 | 91,808 | -2,055 | -1,167 | - | 88,585 | 1 | Cash and cash equivalents |
| Notes and accounts receivable - trade | 153,535 | 2,123 | 1,579 | -0 | 157,238 | 3,4 | Trade and other receivables |
| Contract assets | 24,148 | 1,686 | -4,459 | - | 21,375 | | Contract assets |
| Work in process | 919 | - | -919 | - | - | 2 | |
| | - | - | 5,114 | 625 | 5,739 | 1,3 | Other financial assets |
| Other | 16,873 | 260 | -5,182 | -1,583 | 10,367 | 2 | Other current assets |
| Allowance for doubtful accounts | -625 | 48 | 576 | - | - | 4 | |
| Total current assets | 286,660 | 2,064 | -4,459 | -959 | 283,306 | | Total current assets |
| Non-current assets | | | | | | | Non-current assets |
| | - | - | 333 | - | 333 | 4,6 | Trade and other receivables |
| | - | - | 4,459 | - | 4,459 | | Contract assets |
| Property, plant and equipment | 14,383 | 1,405 | -6,621 | 822 | 9,989 | | Property, plant and equipment |
| | - | - | 6,621 | 22,255 | 28,876 | 17 | Right-of-use assets |
| Intangible assets | 100,486 | 1,161 | -36,421 | 3,583 | 68,810 | 15 | Goodwill |
| | - | - | 36,421 | 1,486 | 37,907 | 14 | Intangible assets |
| | - | - | 5,262 | 80 | 5,342 | 5 | Investments accounted for using equity method |
| Investment securities | 10,348 | 237 | 5,446 | 5,124 | 21,156 | 5,6,16 | Other financial assets |
| Deferred tax assets | 10,105 | 59 | - | 8,720 | 18,884 | 12 | Deferred tax assets |
| Other | 13,054 | -1,630 | -11,101 | -53 | 269 | 6 | |
| Allowance for doubtful accounts | -1,702 | 1,642 | 60 | - | - | 4 | |
| Total non-current assets | 146,674 | 2,877 | 4,459 | 42,019 | 196,030 | | Total non-current assets |
| Total assets | 433,335 | 4,941 | - | 41,060 | 479,336 | | Total assets |

| | | | | | | | |
|--|---------|-------|---------|--------|---------|--------|-----------------------------|
| Liabilities | | | | | | | Liabilities and equity |
| Current liabilities | | | | | | | Liabilities |
| Short-term borrowings | 442 | 11 | 23,456 | 607 | 24,517 | 7 | Current liabilities |
| Current portion of bonds payable | 10,000 | – | -10,000 | – | – | 7 | Bonds and borrowings |
| Current portion of long-term borrowings | 11,813 | 1,642 | -13,456 | – | – | 7 | |
| | – | – | 2,070 | 11,485 | 13,556 | 9,17 | Lease liabilities |
| Accounts payable - trade | 639 | 2 | 82,092 | 0 | 82,733 | 8,9 | Trade and other payables |
| Accounts payable - other | 82,762 | 329 | -83,092 | – | – | 8 | |
| | – | – | 435 | – | 435 | 8 | Other financial liabilities |
| Income taxes payable | 11,796 | -173 | – | -51 | 11,571 | | Income taxes payable |
| Other provisions | 804 | 2 | – | – | 806 | | Provisions |
| | – | – | 5,907 | – | 5,907 | | Contract liabilities |
| Accrued consumption taxes | 16,062 | -280 | -15,782 | – | – | 9 | |
| Provision for bonuses | 15,008 | 376 | -15,385 | – | – | 9 | |
| Provision for bonuses for directors (and other officers) | 19 | – | -19 | – | – | 9 | |
| Other | 24,643 | 442 | 23,773 | 36,745 | 85,604 | 8,9,18 | Other current liabilities |
| Total current liabilities | 173,993 | 2,353 | – | 48,786 | 225,133 | | Total current liabilities |
| Non-current liabilities | | | | | | | Non-current liabilities |
| Bonds payable | – | – | 31,514 | – | 31,514 | | Bonds and borrowings |
| Long-term borrowings | 31,325 | 188 | -31,514 | – | – | | |
| Lease liabilities | 2,503 | 1,166 | – | 9,966 | 13,635 | 17 | Lease liabilities |
| | – | – | 13 | 839 | 853 | 8,11 | Other financial liabilities |
| Asset retirement obligation | 4,565 | 12 | 0 | – | 4,578 | 10 | Provisions |
| Deferred tax liabilities | 4,006 | 155 | – | -368 | 3,792 | 12 | |
| Retirement benefit liability | 500 | 23 | -524 | – | – | 11 | |

| | | | | | | | |
|---|---------|-------|-------|---------|---------|-------|---|
| Provision for share awards | 939 | 1 | -940 | - | - | 11 | |
| Provision for share awards for directors (and other officers) | 959 | 0 | -959 | - | - | 11 | |
| Other provisions | 46 | - | -46 | - | - | 11 | |
| Other | 1,362 | 7 | 2,456 | -648 | 3,178 | 11,18 | Other non-current liabilities |
| Total non-current liabilities | 46,209 | 1,554 | - | 9,788 | 57,552 | | Total non-current liabilities |
| Total liabilities | 220,202 | 3,908 | - | 58,575 | 282,685 | | Total liabilities |
| Net assets | | | | | | | Equity |
| Share capital | 17,479 | - | - | - | 17,479 | | Share capital |
| Capital surplus | 13,533 | -72 | 0 | -1,673 | 11,788 | | Capital surplus |
| Retained earnings | 171,968 | -543 | - | -12,404 | 159,021 | 16,19 | Retained earnings |
| Treasury shares | -11,530 | - | - | 0 | -11,531 | | Treasury shares |
| Total accumulated other comprehensive income | 7,637 | 1,480 | - | -2,050 | 7,067 | 13,16 | Other components of equity |
| | 199,087 | 864 | 0 | -16,128 | 183,824 | | Total equity attributable to owners of parent |
| Share acquisition rights | 0 | - | -0 | - | - | | |
| Non-controlling interests | 14,044 | 168 | - | -1,386 | 12,826 | | Non-controlling interests |
| Total net assets | 213,133 | 1,033 | - | -17,515 | 196,651 | | Total equity |
| Total liabilities and net assets | 433,335 | 4,941 | - | 41,060 | 479,336 | | Total liabilities and equity |

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

(In Millions of Yen)

| 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 | |
| Other | - | - | 78 | - | 78 | 1,3 | Other financial assets |
| Allowance for doubtful accounts | 17,780 | -351 | -2,124 | -1,556 | 13,748 | 2 | Other current assets |
| Total current assets | 304,281 | 2,658 | -3,937 | -1,556 | 301,445 | | Total current assets |
| Non-current assets | | | | | | | Non-current assets |
| Trade and other receivables | - | - | 309 | - | 309 | 4,6 | Trade and other receivables |
| Contract assets | - | - | 3,937 | - | 3,937 | | Contract assets |
| Property, plant and equipment | 14,849 | -319 | -5,803 | 503 | 9,229 | | Property, plant and equipment |
| Right-of-use assets | - | - | 5,803 | 22,364 | 28,168 | 17 | Right-of-use assets |
| Intangible assets | 86,320 | -845 | -33,632 | 6,623 | 58,465 | 15 | Goodwill |
| Intangible assets | - | - | 33,632 | 1,617 | 35,250 | 14 | Intangible assets |
| Investments accounted for using equity method | - | - | 4,542 | 187 | 4,729 | 5 | Investments accounted for using equity method |
| Other financial assets | 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 non-current assets | 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 |
| Liabilities | | | | | | | Liabilities |
| Current liabilities | | | | | | | Current liabilities |
| Bonds and 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 | 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

(In Millions of Yen)

| | Date of Transition (April 1, 2022) | As of Sep. 30, 2022 | As of March 31, 2023 |
|--|---------------------------------------|------------------------|-------------------------|
| Deferred tax assets and deferred tax liabilities | 9,828 | 9,910 | 11,133 |
| Transfer of cumulative translation differences related to foreign subsidiaries | 5,090 | 5,090 | 5,090 |
| Intangible assets with an indefinite useful life | 2,354 | 2,445 | 2,536 |
| Goodwill | — | 3,573 | 6,675 |
| Financial assets measured at fair value through other comprehensive income | 1,402 | 1,445 | 1,465 |
| Leasing | 47 | -139 | -206 |
| Accrued paid leave | -35,894 | -36,745 | -39,614 |
| Other | 1,686 | 2,015 | 1,435 |
| Total | -15,483 | -12,404 | -11,481 |

Reconciliations of profits/losses and comprehensive income for the six months ended
September 30, 2022

(In Millions of
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 | 586,749 | 20,506 | - | - | 607,256 | | Revenue |
| Cost of sales | 449,733 | 17,827 | -48 | 512 | 468,025 | 4 | Cost of sales |
| Gross profit | 137,016 | 2,679 | 48 | -512 | 139,231 | | Gross profit |
| Selling, general and administrative expenses | 106,299 | 2,090 | -332 | -2,984 | 105,073 | 2,3,4,6 | Selling, general and administrative expenses |
| | - | - | 150 | - | 150 | 1 | Other income |
| | - | - | 240 | -24 | 215 | 1 | Other expenses |
| Operating profit | 30,716 | 588 | 290 | 2,495 | 34,092 | | Operating profit |
| Non-operating income | 912 | -162 | -749 | - | - | 1 | |
| Non-operating expenses | 270 | 132 | -402 | - | - | 1 | |
| Ordinary profit | 31,358 | 294 | -31,652 | - | - | | |
| Extraordinary income | 251 | 12 | -264 | - | - | 1 | |
| Extraordinary loss | 145 | 0 | -145 | - | - | 1 | |
| | - | - | 457 | -189 | 267 | 1 | Finance income |
| | - | - | 268 | 162 | 431 | 1,4 | Finance costs |
| | - | - | -12 | 76 | 64 | 1 | Share of profit of investments accounted for using equity method |
| Profit before income taxes | 31,465 | 306 | - | 2,220 | 33,992 | | Profit before tax |
| Income taxes - current | 11,208 | 225 | 190 | -633 | 10,992 | 5 | Income tax expense |
| Income taxes - deferred | 322 | -131 | -190 | - | - | 5 | |
| Net profit | 19,934 | 211 | - | 2,853 | 23,000 | | Profit |
| Other comprehensive income | | | | | | | Other comprehensive income |
| | | | | | | | Items that will not be reclassified to profit or loss |

(In Millions of 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 |
|---|---------------|---|------------------|---|--------|-------|--|
| Valuation difference on available-for-sale securities | -199 | — | — | -104 | -303 | 4 | Financial assets measured at fair value through other comprehensive income |
| Retirement benefit adjustments | — | — | — | 3 | 3 | 6 | Remeasurements of defined benefit plans |
| Deferred gains or losses on hedges | — | — | — | 16 | 16 | | Items that may be reclassified to profit or loss Cash flow hedges |
| Foreign currency translation adjustment | 9,728 | -6,696 | — | 8 | 3,040 | 7 | Exchange differences on translation of foreign operations |
| Share of other comprehensive income of entities accounted for using equity method | 141 | 104 | — | — | 245 | | Share of other comprehensive income of investments accounted for using equity method |
| Total other comprehensive income | 9,670 | -6,591 | — | -77 | 3,002 | | Other comprehensive income, net of tax |
| Comprehensive income | 29,605 | -6,379 | — | 2,776 | 26,002 | | Comprehensive income |

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

(In Millions of 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 | 302,649 | 4,139 | - | - | 306,788 | | Revenue |
| Cost of sales | 234,335 | 3,091 | -31 | -297 | 237,097 | 4 | Cost of sales |
| Gross profit | 68,313 | 1,048 | 31 | 297 | 69,691 | | Gross profit |
| Selling, general and administrative expenses | 54,092 | 676 | -161 | -1,647 | 52,960 | 2,3,4,6 | Selling, general and administrative expenses |
| | - | - | 87 | - | 87 | 1 | Other income |
| | - | - | 186 | -24 | 162 | 1 | Other expenses |
| Operating profit | 14,221 | 371 | 94 | 1,969 | 16,655 | | Operating profit |
| Non-operating income | 61 | 222 | -284 | - | - | 1 | |
| Non-operating expenses | 169 | 93 | -263 | - | - | 1 | |
| Ordinary profit | 14,114 | 499 | -14,613 | - | - | | |
| Extraordinary income | 115 | 17 | -133 | - | - | 1 | |
| Extraordinary loss | 2 | 0 | -2 | - | - | 1 | |
| | - | - | 284 | -181 | 103 | 1 | Finance income |
| | - | - | 205 | 91 | 297 | 1,4 | Finance costs |
| | - | - | -20 | 41 | 21 | 1 | Share of profit of investments accounted for using equity method |
| Profit before income taxes | 14,227 | 516 | - | 1,738 | 16,482 | | Profit before tax |
| Income taxes - current | 7,867 | -638 | -1,764 | -340 | 5,123 | 5 | Income tax expense |
| Income taxes - deferred | -2,599 | 834 | 1,764 | - | - | 5 | |
| Net profit | 8,958 | 321 | - | 2,078 | 11,359 | | Profit |
| Other comprehensive income | | | | | | | Other comprehensive income |
| | | | | | | | Items that will not be reclassified to profit or loss |

(In Millions of 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 |
|---|---------------|---|------------------|---|--------|-------|--|
| Valuation difference on available-for-sale securities | -199 | - | - | 194 | -5 | 4 | Financial assets measured at fair value through other comprehensive income |
| Retirement benefit adjustments | - | - | - | 3 | 3 | 6 | Remeasurements of defined benefit plans |
| Deferred gains or losses on hedges | - | - | - | 17 | 17 | | Items that may be reclassified to profit or loss Cash flow hedges |
| Foreign currency translation adjustment | 2,452 | -1,886 | - | -2 | 564 | 7 | Exchange differences on translation of foreign operations |
| Share of other comprehensive income of entities accounted for using equity method | 48 | 58 | - | - | 106 | | Share of other comprehensive income of investments accounted for using equity method |
| Total other comprehensive income | 2,301 | 1,829 | - | 212 | 684 | | Other comprehensive income, net of tax |
| Comprehensive income | 11,260 | -1,506 | - | 2,290 | 12,044 | | Comprehensive income |

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

(In Millions of
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 |

(In Millions of 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.