

For Immediate Release

February 14, 2024

PERSOL HOLDINGS CO., LTD. (TSE 2181)

Consolidated Financial Results for the Nine Months Ended December 31, 2023(IFRS)

PERSOL HOLDINGS CO., LTD. (the Company) today announced its consolidated financial results for the nine months ended December 31, 2023.

(1) Consolidated Operating Highlights

1. Financial Results

(In millions of yen, unless otherwise stated)

	Nine months ended December 31,		% change
	2022	2023	
Revenue	924,042	990,627	7.2
Operating profit	42,955	40,921	-4.7
Profit before tax	42,001	40,322	-4.0
Net Profit	25,405	26,528	4.4
Profit attributable to owners of parent	23,812	25,209	5.9
Comprehensive income	25,039	32,572	30.1
Basic earnings per share (yen)	10.38	11.12	
Diluted earnings per share (yen)	10.33	11.05	
EBITDA	65,516	62,753	
Adjusted EBITDA	65,009	53,443	
Adjusted net profit	35,223	28,298	
Adjusted EPS (yen)	15.30	12.41	

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 December 31, 2023
Total assets	488,728	502,669
Total equity	183,529	198,688
Total equity attributable to owners of parent	169,670	183,726

Ratio of equity attributable to owners of the parent	34.7%	36.6%
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(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	1,314,000	5.7
Operating profit	49,000	14.6
Profit before tax	45,800	11.0
Profit attributable to owners of parent	29,400	29.2
Basic earnings per share (yen)	12.89	-
Adjusted EBITDA	69,000	-8.3
Adjusted net profit	38,400	-2.9
Adjusted EPS (yen)	16.83	-

Notes:

- ① Revisions to financial results forecasts published most recently: Yes
- ② For information concerning revisions to financial results forecasts, see the "Notification of Revisions of the Full-Year Financial Forecasts without Revision to Year-End Dividends Forecast" released today (February 14, 2024).
- ③ Effective in the first quarter of the consolidated fiscal year ending March 31, 2024, the Company changed its accounting policy from the Japanese GAAP to International Financial Reporting Standards (hereinafter referred to as "IFRS"). Consolidated financial forecasts are also presented in accordance with IFRS.
- ④ Effective on October 1, 2023, the Company executed a 10-for-1 stock split of shares of common stock. In consideration of the impact of this stock split, basic earnings per share and adjusted EPS are based on the number of shares after the stock split.

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	Nine month ended December 31, 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	46,184,629

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
(3) Average number of shares outstanding during the period (cumulative quarterly period)	2,301,548,844	2,279,510,766

Notes:

- ① The number of treasury stock at the end of the period includes 24,782,939 shares for the 3rd quarter of the fiscal year ending March 31, 2024 and 14,203,730 shares for the fiscal year ended March 31, 2023 held by the "Directors' Compensation BIP Trust Account" and the "Stock Grant ESOP Trust Account" that 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.
- ② 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) are 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 Regarding Reference Translation

This document has been translated from the Japanese language original for reference purposes only and may not be used or disclosed for any other purpose without the Company's prior written consent. In the event of any conflict or discrepancy between this translated document and the Japanese language original, the Japanese language original shall prevail in all respects. The Company makes no representations regarding the accuracy or completeness of this translation and assumes no responsibility for any losses or damages arising from the use of this translation.

(Application of International Financial Reporting Standards (IFRS))

Effective from the 1st 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 nine months of the previous consolidated fiscal year ended December 31, 2022 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 27.

(1) Management Discussion and Analysis

Since the 1st quarter of FY2023, the Company has disclosed its condensed quarterly consolidated financial statements in accordance with 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.

For details, please refer to (5) Notes to the Condensed Quarterly Consolidated Financial Statements (First-time Adoption) under 2. Condensed Consolidated Financial Statements

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 nine months ended December 31, 2023 (April to December), the business environment saw a temporary halt in the recovery of the Japanese economy, partly reflecting downward factors including high prices and a slowdown in overseas economies.

Despite such circumstances, the ratio of job offers to job seekers (seasonally adjusted)*¹ in Japan was 1.27 in December 2023, showing that demand for human resources remained strong. However, supply and demand began to show differences in certain industries, depending on the company size. In the APAC region, demand remained as planned, albeit at levels that differ among countries and regions.

In this business environment, the Company has been proactively investing since the beginning of the period, mainly in the Career SBU, BPO SBU, and Technology SBU, which were designated as the pillars of profit growth in the Mid-term Management Plan 2026, of which the current period is the first year. Under these circumstances, in the third quarter under review (October to December 2023), adjusted EBITDA in all SBUs excluding APAC SBU increased from the second quarter (July to September), partly reflecting the equalization of quarterly marketing costs*².

Further, in the nine months ended December 31, 2023 (April to December), BPO SBU saw operations related to infection control settle down as initially expected. However, revenue in the other SBUs increased, resulting in overall group revenue of 990,627 million yen (up 7.2% year on year).

Profits increased at Staffing SBU and Career SBU on brisk corporate demand. Profit declined at the other SBUs decreased due to temporary factors, such as the absence of COVID-19-related operations at BPO SBU, personnel expenses that resulted from the strategic recruitment of new graduate engineers and mid-career engineers at Technology SBU.

The overall Group's adjusted EBITDA, which the Company began to use as a key profit indicator from the current fiscal year, stood at 53,443 million yen (down 17.8% year on year) and operating profit was 40,921 million yen (down 4.7% year on year). Profit before tax was 40,322 million yen (down 4.0% year on year), and net profit attributable to owners of parent stood at 25,209 million yen (up 5.9% year on year).

(Exchange Rate)

Average exchange rate during the period:

(USD) 3rd quarter FY2022: 136.5 yen, 3rd quarter FY2023: 143.3 yen

(AUD) 3rd quarter FY2022: 93.3 yen, 3rd quarter FY2023: 94.3 yen

*1. Active job openings-to-applicants ratio (seasonally adjusted):

Announced by the Ministry of Health, Labour and Welfare

*2. Leveling of marketing costs per quarter:

In the past, our company had a tendency for profits to be biased towards the first half of the year as marketing expenses and other costs concentrated in the second half of the year (from October onwards). For this term, by evenly distributing costs for the entire year on a quarterly basis, we plan to smoothen profits for each quarter as well.

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.

(Nine months ended December 31, 2023 (April to December))

Revenue for the nine months ended December 31, 2023 was 433,117 million yen (up 6.9% year on year), adjusted EBITDA was 23,873 million yen (up 1.1% year on year), and operating profit was 21,540 million yen (up 3.1% year on year)

The increases in revenue and profits are attributed mainly to the number of active temporary staff at 124 thousand persons (up 3.8% year on year) and the average billing rate of 2,274 yen/hr (up 3.2% year on year).

(Three months ended December 31, 2023 (October to December))

In the third quarter of the fiscal year ending March 31, 2024 (October to December), adjusted EBITDA stood at 7,942 million yen (up 20.1% year on year) and operating profit was 7,120 million yen (up 27.8% year on year). This represented significant increases compared to adjusted EBITDA of 9,385 million yen (up 0.7% year on year) and operating profit of 8,386 million yen (up 6.9% year on year) in the first quarter (April to June) and adjusted EBITDA of 6,546 million yen (down 14.7% year on year) and operating profit of 6,033 million yen (down 19.3% year on year) in the second quarter (July to September).

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.

(Nine months ended December 31, 2023 (April to December))

Revenue for the nine months ended December 31, 2023 was 81,706 million yen (down 7.0% year on year), adjusted EBITDA was 6,014 million yen (down 57.7% year on year), and operating profit was 4,402 million yen (down 65.1% year on year)

Revenue, adjusted EBITDA, and operating profit all decreased because operations related to infection control settled down as initially expected. (The negative impact associated with COVID-19 on profits was approx. 5.2 billion yen (gross profit from COVID-19 related business during the period: approx. 8.2 billion yen in the first nine months of FY2023, approx. 2.9 billion yen in the first nine months of FY2024).

(Three months ended December 31, 2023 (October to December))

In the third quarter under review (October to December), adjusted EBITDA was 2,284 million yen (down 57.7% year on year) and operating profit was 1,758 million yen (down 64.0% year on year).

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.

(Nine months ended December 31, 2023 (April to December))

Revenue for the nine months ended December 31, 2023 was 75,613 million yen (up 14.3% year on year), adjusted EBITDA was 4,896 million yen (down 2.4% year on year), and operating profit was 4,287 million yen (down 7.4% 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. Adjusted EBITDA and operating profit decreased, mainly reflecting an increase in personnel expenses that resulted from increasing in number of hiring new graduate and mid-career engineers (up 51.8% year on year).

(Three months ended December 31, 2023 (October to December))

In the third quarter under review (October to December), adjusted EBITDA was 2,182 million yen (up 25.6% year on year) and operating profit stood at 1,948 million yen (up 25.5% year on year), both having increased significantly. Operating rate as of the end of the third quarter under review rose both for IT and DX Solutions, being 89.1% (83.8% at the end of Q1 and 85.3% at the end of Q2) and for Engineering, being 94.1% (89.9% at the end of Q1 and 93.5% at the end of Q2).

d. Career SBU

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

(Nine months ended December 31, 2023 (April to December))

Revenue for the nine months ended December 31, 2023 was 94,296 million yen (up 25.6% year on year), adjusted EBITDA was 17,459 million yen (up 14.0% year on year), and operating profit was 14,206 million yen (up 9.0% year on year).

Revenue increased significantly although some uncertainty in business confidence began to emerge in the placement business and job recruitment media business. In addition, the special demand for hiring following the subsiding of COVID-19 began to show a sign of coming to an end. Adjusted EBITDA and operating profit increased, partly reflecting improvements made in the efficiency of marketing investment in high-salary career zone businesses, while selling, general and administrative expenses were increasing mainly due to marketing investment and enhancement of hiring activities.

(Three months ended December 31, 2023 (October to December))

In the third quarter under review (October to December), adjusted EBITDA was 5,565 million yen (up 21.6% year on year) and operating profit stood at 4,576 million yen (up 20.6% year on year), both rising significantly. With the enhanced hiring activities, the preliminary figure

for the headcount (HC) of Career advisor (CA) and others increased steadily, to 2,304 persons (average for the third quarter under review) (up 25.3% year on year). In addition, productivity (revenue ÷ HC) was 2,574 thousand yen (average for the third quarter under review) (down 6.3% year on year).

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.) (Nine months ended December 31, 2023 (April to December))

Revenue for the nine months ended December 31, 2023 was 308,363 million yen (up 6.1% year on year), adjusted EBITDA was 7,565 million yen (down 3.4% year on year), and operating profit was 5,156 million yen (Operating loss for the same quarter in the previous fiscal year was 3,615 million yen). In addition to one-time earnings, we recorded an impairment loss of approximately 8.9 billion yen in the previous third quarter.

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.

(Three months ended December 31, 2023 (October to December))

In the third quarter under review (October to December), adjusted EBITDA was 2,218 million yen (down 30.6% year on year) and operating profit was 1,692 million yen (Operating loss for the same quarter in the previous fiscal year was 5,790 million yen).

Financial Forecasts of the Fiscal Year Ending March 31, 2024

With the subsiding of COVID-19, demand for human resources, which had been remarkably overheated, is about to ease again. The placement business is seeing a tendency to select human resources carefully, mainly among major companies, and changes in the behaviors of people desiring a career change, reflecting the uncertainty of the overall economy. Temporary staffing business is also seeing a temporary halt in the market. To reflect these circumstances, the Company revised its financial forecasts, which it announced on May 15, 2023, as described above.

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(2) Financial Position

1. Consolidated Statement of financial position

Total assets increased 13,940 million yen compared to the end of the previous fiscal year. Current assets decreased 764 million yen, and non-current assets rose 14,705 million yen. The decrease in current assets chiefly reflected a decrease in cash and cash equivalents of 955 million yen and a decrease in trade and other receivables of 977 million yen, partially offset by an increase in contract assets of 1,447 million yen. Non-current assets climbed mainly due to increases in right-of-use assets of 4,288 million yen, in intangible assets of 3,695 million yen, and in goodwill of 2,249 million yen.

Liabilities decreased 1,217 million yen compared to the end of the previous fiscal year. Current liabilities increased 3,843 million yen while non-current liabilities decreased 5,061 million yen. Current liabilities increased mainly due to 4,887 million increase in bonds and

borrowings, 2,491 million increase in trade and other receivables while income tax payable decreased 6,076 million yen. Non-current liabilities decreased mainly due to 10,117 million yen decrease in bonds and borrowings while lease liabilities increased by 4,229 million yen

Equity increased 15,158 million yen compared to the end of the previous fiscal year. This was mainly due to an increase of 6,292 million yen in retained earnings, which resulted primarily from the recording of 25,209 million yen in profit attributable to owners of parent and the payment of dividends of 18,927 million yen, and an increase of 6,006 million yen in other components of equity mainly due to the effects of exchange differences on translation of foreign operations.

	As of March 31, 2023	As of December 31, 2023
Ratio of operating profit to revenue	3.4%	4.1%
Ratio of adjusted EBITDA to revenue	6.1%	5.4%
Current ratio	120.8%	118.7%
Fixed ratio*	110.4%	109.9%
Fixed long-term precision	83.1%	86.2%
Equity attributable to owners of the parent ratio	34.7%	36.6%
Debt (excluding lease)/equity ratio	0.30	0.25
Total assets (million yen)	488,728	502,669
Equity attributable to owners of the parent (million yen)	169,670	183,726
Cash and cash equivalents at end of period (million yen)	101,233	100,278
EBITDA (million yen)	73,069	62,753
Adjusted EBITDA (million yen)	75,277	53,443

Note:

Effective from the first quarter of the fiscal year ending March 31, 2024, the Group has adopted 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 nine months ended December 31, 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 December 31, 2023 was 100,278 million yen, down 955 million yen from the end of the previous consolidated fiscal year. Presented below are an overview of cash flows for the nine months ended December 31, 2023 and main factors behind them.

(Cash flow from operating activities)

Capital generated as a result of operating activities was 49,774 million yen (as compared to 55,490 million yen generated in the same period of the previous fiscal year). Major factors were a profit before tax of 40,322 million yen, depreciation and amortization of 21,831 million yen, and a decrease in trade and other receivables of 6,028 million yen, among other cash inflows, and income taxes paid of 20,469 million yen and a decrease in accrued bonus of 8,751 million yen, among other cash outflows.

(Cash flow from investing activities)

Capital used as a result of investing activities was 14,263 million yen (as compared to 18,339 million yen used in the same period of the previous fiscal year). This was mainly due to spending of 8,848 million yen on the purchase of intangible assets.

(Cash flow from financing activities)

Capital used as a result of financing activities was 37,562 million yen (as compared to 10,211 million yen used in the same period of the previous fiscal year). This was mainly caused by repayments of short-term borrowings of 156,722 million yen, dividends paid of 18,909 million yen and repayments of lease liabilities of 12,447 million yen, partially offset by proceeds from short-term borrowings of 160,878 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 December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	95,933	101,233	100,278
Trade and other receivables	158,857	162,853	161,875
Contract assets	19,077	23,533	24,980
Other financial assets	94	78	139
Other current assets	8,032	13,748	13,408
Total current assets	281,995	301,445	300,680
Non-current assets			
Trade and other receivables	320	309	320
Contract assets	4,230	3,937	4,611
Property, plant and equipment	9,989	9,229	9,208
Right-of-use assets	28,399	28,168	32,456
Goodwill	63,941	58,465	60,714
Intangible assets	35,762	35,250	38,945
Investments accounted for using equity method	2,771	4,729	4,691
Other financial assets	22,175	23,464	26,889
Deferred tax assets	18,460	23,410	23,588
Other non-current assets	204	317	561
Total non-current assets	186,255	187,283	201,988
Total assets	468,251	488,728	502,669

(Condensed Consolidated Balance Sheet)

(In millions of yen)

	Date of Transition (April 1, 2022)	As of March 31, 2023	As of December 31, 2023
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	87,103	93,688	96,179
Bonds and borrowings	14,968	21,174	26,062
Lease liabilities	13,630	14,005	14,205
Other financial liabilities	836	989	854
Income taxes payable	10,745	10,535	4,458
Provisions	787	1,588	977
Contract liabilities	4,951	6,596	7,048
Other current liabilities	92,854	100,972	103,607
Total current liabilities	225,877	249,552	253,395
Non-current liabilities			
Bonds and borrowings	40,000	30,117	20,000
Lease liabilities	12,622	12,813	17,043
Other financial liabilities	737	809	908
Provisions	4,492	4,660	4,945
Deferred tax liabilities	3,919	4,394	4,783
Other non-current liabilities	3,126	2,850	2,905
Total non-current liabilities	64,899	55,647	50,585
Total liabilities	290,777	305,199	303,981
Equity			
Share capital	17,479	17,479	17,479
Capital surplus	12,110	12,272	4,193
Retained earnings	141,880	154,926	161,219
Treasury shares	-10,351	-19,459	-9,625
Other components of equity	4,290	4,452	10,459
Total equity attributable to owners of parent	165,409	169,670	183,726
Non-controlling interests	12,064	13,859	14,961
Total equity	177,474	183,529	198,688
Total liabilities and equity	468,251	488,728	502,669

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

(Condensed Consolidated Income Statement)

(In millions of yen)

	Nine months ended December 31,	
	2022	2023
Revenue	924,042	990,627
Cost of sales	-711,843	-766,268
Gross profit	212,199	224,359
Selling, general and administrative expenses	-160,259	-184,142
Other income	206	991
Other expenses	-9,191	-286
Operating profit	42,955	40,921
Finance income	311	738
Finance costs	-991	-1,026
Share of profit of investments accounted for using equity method	-273	-311
Profit before tax	42,001	40,322
Income tax expense	-16,596	-13,794
Profit	25,405	26,528
Profit attributable to		
Owners of parent	23,812	25,209
Non-controlling interests	1,593	1,318
Profit	25,405	26,528
Earnings per share (Unit: yen)		
Basic earnings per share	10.38	11.12
Diluted earnings per share	10.33	11.05

(Condensed Consolidated Income Statement)

(In millions of yen)

	Three months ended December 31,	
	2022	2023
Revenue	316,786	335,740
Cost of sales	-243,818	-260,026
Gross profit	72,968	75,714
Selling, general and administrative expenses	-55,185	-61,555
Other income	56	421
Other expenses	-8,975	-37
Operating profit	8,863	14,542
Finance income	57	298
Finance costs	-574	-322
Share of profit of investments accounted for using equity method	-337	-179
Profit before tax	8,009	14,339
Income tax expense	-5,604	-5,389
Profit	2,404	8,949
Profit attributable to		
Owners of parent	1,786	8,441
Non-controlling interests	618	508
Profit	2,404	8,949
Earnings per share (Unit: yen)		
Basic earnings per share	0.80	3.71
Diluted earnings per share	0.79	3.69

(Condensed Consolidated Comprehensive Income Statement)

(In millions of yen)

	Nine months ended December 31,	
	2022	2023
Profit	25,405	26,528
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	-153	423
Remeasurements of defined benefit plans	33	-75
Total of items that will not be reclassified to profit or loss	-120	348
Items that may be reclassified to profit or loss		
Cash flow hedges	3	-
Exchange differences on translation of foreign operations	-356	5,422
Share of other comprehensive income of investments accounted for using equity method	107	273
Total of items that may be reclassified to profit or loss	-245	5,695
Other comprehensive income, net of tax	-365	6,044
Comprehensive income	25,039	32,572
Comprehensive income attributable to		
Owners of parent	23,424	31,227
Non-controlling interests	1,614	1,344
Comprehensive income	25,039	32,572

(Condensed Consolidated Comprehensive Income Statement)

(In millions of yen)

	Three months ended December 31,	
	2022	2023
Profit	2,404	8,949
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	150	-77
Remeasurements of defined benefit plans	30	2
Total of items that will not be reclassified to profit or loss	180	-75
Items that may be reclassified to profit or loss		
Cash flow hedges	-13	-
Exchange differences on translation of foreign operations	-3,397	-51
Share of other comprehensive income of investments accounted for using equity method	-137	-37
Total of items that may be reclassified to profit or loss	-3,548	-88
Other comprehensive income, net of tax	-3,368	-163
Comprehensive income	-963	8,786
Comprehensive income attributable to		
Owners of parent	-1,565	8,290
Non-controlling interests	602	496
Comprehensive income	-963	8,786

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

Nine months ended December 31, 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	—	—	23,812	—	—	—
Other comprehensive income	—	—	—	—	-270	—
Comprehensive income	—	—	23,812	—	-270	3
Purchase of treasury shares	—	—	—	-6,097	—	—
Disposal of treasury shares	—	-826	—	884	—	—
Dividends	—	—	-9,909	—	—	—
Share-based payment transactions	—	853	—	—	—	—
Increase (decrease) by business combination	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	-81	—	—	—	—
Loss of control of subsidiaries	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	193	—	—	—
Other	—	—	—	—	—	—
Total transactions with owners	—	-54	-9,715	-5,213	—	—
Balance at end of period	17,479	12,055	155,976	-15,564	-270	—

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Total	Total		
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans				
Balance at beginning of period	4,309	-16	4,290	165,409	12,064	177,474
Profit	—	—	—	23,812	1,593	25,405
Other comprehensive income	-153	33	-387	-387	21	-365
Comprehensive income	-153	33	-387	23,424	1,614	25,039
Purchase of treasury shares	—	—	—	-6,097	—	-6,097
Disposal of treasury shares	—	—	—	57	—	57
Dividends	—	—	—	-9,909	-248	-10,158
Share-based payment transactions	—	—	—	853	—	853
Increase (decrease) by business combination	—	—	—	—	-10	-10
Changes in ownership interest in subsidiaries	—	—	—	-81	0	-80
Loss of control of subsidiaries	—	—	—	—	8	8
Transfer from other components of equity to retained earnings	-193	—	-193	—	—	—
Other	—	—	—	—	—	—
Total transactions with owners	-193	—	-193	-15,177	-250	-15,427
Balance at end of period	3,962	17	3,709	173,656	13,428	187,085

Nine months ended December 31, 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	-	-	25,209	-	-	-
Other comprehensive income	-	-	-	-	5668	-
Comprehensive income	-	-	25,209	-	5668	-
Purchase of treasury shares	-	-	-	-0	-	-
Disposal of treasury shares	-	-1,915	-	2306	-	-
Cancellation of treasury shares	-	-7,528	-	7528	-	-
Dividends	-	-	-18,927	-	-	-
Share-based payment transactions	-	1473	-	-	-	-
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	-	-8,078	-18,917	9,834	-	-
Balance at end of period	17,479	4,193	161,219	-9,625	5819	-

	Equity attributable to owners of parent			Total	Non-controlling interests	Total
	Other components of equity		Total			
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans				
Balance at beginning of period	4,287	14	4,452	169,670	13,859	183,529
Profit	-	-	-	25,209	1,318	26,528
Other comprehensive income	423	-75	6017	6017	26	6044
Comprehensive income	423	-75	6017	31,227	1,344	32,572
Purchase of treasury shares	-	-	-	-0	-	-0
Disposal of treasury shares	-	-	-	390	-	390
Cancellation of treasury shares	-	-	-	-	-	-
Dividends	-	-	-	-18,927	-242	-19,169
Share-based payment transactions	-	-	-	1473	-	1473
Increase (decrease) by business combination	-	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	-	-	-107	11	-96
Loss of control of subsidiaries	-	-	-	-	-10	-10
Transfer from other components of equity to retained earnings	-10	-	-10	-	-	-
Other	-	-	-	-0	-	-0
Total transactions with owners	-10	-	-10	-17,171	-242	-17,413
Balance at end of period	4,700	-60	10,459	183,726	14,961	198,688

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(In millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities		
Profit before tax	42,001	40,322
Depreciation and amortization	22,561	21,831
Impairment losses (reversal of impairment losses)	8,994	–
Decrease (increase) in trade and other receivables	5,020	6,028
Increase (decrease) in trade and other payables	1,161	-733
Decrease (increase) in contract assets	-4,941	-401
Decrease (increase) in prepaid expenses	-69	-1,260
Increase (decrease) in accrued consumption taxes	4,419	4,313
Increase (Decrease) in accrued bonus	-7,807	-8,751
Increase (Decrease) in accrued paid vacation	2,202	2,466
Other	6,971	6,629
Subtotal	80,514	70,444
Interest and dividends received	274	482
Interest paid	-530	-682
Income taxes refund (paid)	-24,768	-20,469
Net cash provided by (used in) operating activities	55,490	49,774
Cash flows from investing activities		
Purchase of property, plant and equipment	-2,682	-2,469
Purchase of intangible assets	-7,083	-8,848
Purchase of shares of subsidiaries and associates	-1,301	–
Purchase of investments	-2,616	-762
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-3,321	-674
Payments for acquisition of businesses	-1,535	–
Other	200	-1,508
Net cash provided by (used in) investing activities	-18,339	-14,263
Cash flows from financing activities		
Proceeds from short-term borrowings	49,797	160,878
Repayments of short-term borrowings	-14,190	-156,722
Repayments of long-term borrowings	-15,504	-186
Repayments of lease liabilities	-12,075	-12,447
Redemption of bonds	–	-10,000
Purchase of treasury shares	-6,098	-0
Dividends paid	-9,900	-18,909
Other	-2,240	-174
Net cash provided by (used in) financing activities	-10,211	-37,562
Effect of exchange rate changes on cash and cash equivalents	671	1,096
Net increase (decrease) in cash and cash equivalents	27,610	-955
Cash and cash equivalents at beginning of period	95,933	101,233
Cash and cash equivalents	123,543	100,278

(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 nine months and three months ended December 31, 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 nine months ended December 31, 2022

(Millions of yen)

	Reportable Segment						Other *1	Total	Adjustments*2	Consolidated
	Staffing	BPO	Technology	Career	Asia Pacific	Total				
Revenue										
Revenue from external customers	400,361	83,306	60,657	73,352	290,748	908,426	15,610	924,036	5	924,042
Intersegment revenue	4,883	4,535	5,519	1,714	1	16,653	8,335	24,988	-24,988	-
Total	405,245	87,841	66,176	75,066	290,749	925,080	23,945	949,025	-24,983	924,042
Segment profit (loss)	23,607	14,230	5,016	15,317	7,835	66,008	-338	65,670	-660	65,009
Depreciation (excluding rent and other equivalents from depreciation of right-of-use assets)										10,422
Increase/decrease in accrued paid leave										2,367
Share-based payment expenses										852
Other income										206
Other expenses										9,191
Other non-recurring profit/loss										573
Operating profit										42,955
Share of profit (loss) of investments accounted for using equity method										-273
Finance income										311
Finance costs										991
Profit before tax										42,001

For nine months ended December 31, 2023

(Millions of yen)

	Reportable Segment						Other *1	Total	Adjustments*2	Consolidated
	Staffing	BPO	Technology	Career	Asia Pacific	Total				
Revenue										
Revenue from external customers	428,786	76,783	67,772	92,745	308,363	974,452	16,172	990,624	3	990,627
Intersegment revenue	4,331	4,923	7,840	1,550	–	18,644	9,836	28,481	-28,481	–
Total	433,117	81,706	75,613	94,296	308,363	993,097	26,008	1,019,106	-28,478	990,627
Segment profit (loss)	23,873	6,014	4,896	17,459	7,565	59,810	-701	59,108	-5,664	53,443
Depreciation (excluding rent and other equivalents from depreciation of right-of-use assets)										9,115
Increase/decrease in accrued paid leave										2,467
Share-based payment expenses										1,644
Other income										991
Other expenses										286
Other non-recurring profit/loss										–
Operating profit										40,921
Share of profit (loss) of investments accounted for using equity method										-311
Finance income										738
Finance costs										1,026
Profit before tax										40,322

(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)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Elimination of inter-segment transactions	-1,098	-1,521
Corporate revenue*1	9,699	7,389
Corporate expenses*2	-9,261	-11,532
Total	-660	-5,664

*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 December 31, 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	136,621	29,154	20,963	25,462	99,099	311,301	5,483	316,784	2	316,786
Intersegment revenue	1,814	1,622	1,953	533	0	5,925	3,368	9,293	-9,293	-
Total	138,436	30,777	22,916	25,996	99,099	317,226	8,851	326,077	-9,291	316,786
Segment profit (loss)	6,614	5,396	1,737	4,575	3,196	21,520	564	22,085	-360	21,724
Depreciation (excluding rent and other equivalents from depreciation of right-of-use assets)										3,446
Increase/decrease in accrued paid leave										783
Share-based payment expenses										285
Other income										56
Other expenses										8,975
Other non-recurring profit/loss										573
Operating profit										8,863
Share of profit (loss) of investments accounted for using equity method										-337
Finance income										57
Finance costs										574
Profit before tax										8,009

For three months ended December 31, 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	145,137	25,866	23,506	30,424	105,139	330,075	5,664	335,739	1	335,740
Intersegment revenue	1,520	1,702	2,691	483	–	6,397	3,794	10,191	-10,191	–
Total	146,658	27,569	26,197	30,907	105,139	336,472	9,458	345,930	-10,190	335,740
Segment profit (loss)	7,942	2,284	2,182	5,565	2,218	20,194	234	20,428	-2,024	18,404
Depreciation (excluding rent and other equivalents from depreciation of right-of-use assets)										3,036
Increase/decrease in accrued paid leave										676
Share-based payment expenses										531
Other income										421
Other expenses										37
Other non-recurring profit/loss										–
Operating profit										14,542
Share of profit (loss) of investments accounted for using equity method										-179
Finance income										298
Finance costs										322
Profit before tax										14,339

(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 December 31, 2022	Three months ended December 31, 2023
Elimination of inter-segment transactions	-266	-23
Corporate revenue*1	3,256	2,483
Corporate expenses*2	-3,350	-4,484
Total	-360	-2,024

*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 nine-month period)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit attributable to owners of parent (million yen)	23,812	25,209
Adjustment to profit for the period (million yen)	—	—
Profit used to calculate diluted earnings per share (million yen)	23,812	25,209
Weighted average number of common shares (thousand shares)	2,294,578	2,266,570
Increase in number of common shares		
Share-based compensation (thousand shares)	10,544	14,074
Weighted average number of common shares after dilution (thousand shares)	2,305,122	2,280,645
Basic earnings per share (yen)	10.38	11.12
Diluted earnings per share (yen)	10.33	11.05

(Three months period)

	Three months ended December 31, 2022	Three months ended December, 2023
Profit attributable to owners of parent (million yen)	1,786	8,441
Adjustment to profit for the period (million yen)	—	—
Profit used to calculate diluted earnings per share (million yen)	1,786	8,441
Weighted average number of common shares (thousand shares)	2,288,194	2,269,653
Increase in number of common shares		
Share-based compensation (thousand shares)	12,358	7,317
Weighted average number of diluted ordinary shares (thousand shares)	2,300,553	2,276,971
Basic earnings per share (yen)	0.80	3.71
Diluted earnings per share (yen)	0.79	3.69

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)

Presecration under Japanese GAAP	Japanese GAAP	Impact of change in accounting period	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
	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	
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
	-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
Current liabilities							Current liabilities
Short-term borrowings	162	824	13,998	-16	14,968	7	Bonds and borrowings
Current portion of long-term borrowings	11,304	2,694	-13,998	-	-	7	
	-	-	1,608	12,021	13,630	9,17	Lease liabilities
Accounts payable - trade	630	-45	86,587	-68	87,103	9	Trade and other payables
Accounts payable - other	81,813	6,649	-88,462	-	-	8	
	-	-	815	21	836	8,9	Other financial liabilities
Income taxes payable	11,211	-465	-	-	10,745		Income taxes payable
Other provisions	714	73	-	-	787		Provisions
	-	-	4,951	-	4,951		Contract liabilities
Accrued consumption taxes	17,432	0	-17,431	-	-	9	
Provision for bonuses	17,847	-497	-17,350	-	-	9	
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 (December 31, 2022)

(In millions of yen)

Preseaction under Japanese GAAP	Japanese GAAP	Impact of change in accounting period	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets							Assets
Current assets							Current assets
Cash and deposits	120,056	3,562	-75	-	123,543	1	Cash and cash equivalents
Notes and accounts receivable - trade	157,354	-5,771	2,781	-	154,365	3,4	Trade and other receivables
Contract assets	26,412	1,400	-3,935	-	23,876	-	Contract assets
Work in process	1,123	-	-1,123	-	-	2	-
Other	-	-	-	-	-	-	-
Other	15,271	531	-4,134	-1,555	10,113	2	Other financial assets
Allowance for doubtful accounts	-587	9	577	-	-	4	Other current assets
Total current assets	319,632	-267	-3,935	-1,555	313,872		Total current assets
Non-current assets							Non-current assets
	-	-	316	-	316	4,6	Trade and other receivables
	-	-	3,935	-	3,935	-	Contract assets
Property, plant and equipment	15,672	-594	-6,098	662	9,643	-	Property, plant and equipment
	-	-	6,098	22,369	28,467	17	Right-of-use assets
Intangible assets	101,193	-11,276	-36,286	4,897	58,527	15	Goodwill
	-	-	36,286	1,530	37,816	14	Intangible assets
	-	-	4,735	131	4,867	5	Investments accounted for using equity method
Investment securities	12,546	-575	5,614	5,290	22,875	5,6,16	Other financial assets
Deferred tax assets	8,460	27	-	10,438	18,926	12	Deferred tax assets
Other	12,780	-165	-12,291	-44	278	6	Other non-current assets
Allowance for doubtful accounts	-1,706	82	1,624	-	-	4	-
Total non-current assets	148,946	-12,503	3,935	45,275	185,654		Total non-current assets
Total assets	468,579	-12,771	-	43,719	499,527		Total assets
Liabilities							Liabilities and equity
Current liabilities							Liabilities
Current liabilities							Current liabilities
Short-term borrowings	25,202	11,158	10,060	-	46,422	7	Bonds and borrowings
Current portion of bonds payable	10,000	-	-10,000	-	-	7	-
Current portion of long-term borrowings	7,817	-7,757	-60	-	-	7	-
	-	-	1,952	11,683	13,635	9,17	Lease liabilities
Accounts payable - trade	564	4	87,958	0	88,527	8,9	Trade and other payables
Accounts payable - other	93,250	-3,919	-89,330	-	-	8	-
	-	-	512	-	512	8	Other financial liabilities
Income taxes payable	6,417	75	-	1,342	7,835	-	Income taxes payable
Other provisions	806	71	-	-	878	-	Provisions
	-	-	6,005	-	6,005	-	Contract liabilities
Accrued consumption taxes	22,095	-176	-21,919	-	-	9	-
Provision for bonuses	9,165	249	-9,415	-	-	9	-
Provision for bonuses for directors (and other officers)	151	18	-169	-	-	9	-
Other	32,281	-955	24,406	37,544	93,277	8,9,18	Other current liabilities
Total current liabilities	207,754	-1,229	-	50,569	257,094		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	-	-	30,117	-	30,117	-	Bonds and borrowings
Long-term borrowings	30,190	-73	-30,117	-	-	-	-
Lease liabilities	3,666	-243	-	9,905	13,328	17	Lease liabilities
	-	-	15	774	790	8,11	Other financial liabilities
Asset retirement obligation	4,538	-40	1	-	4,499	10	Provisions
Deferred tax liabilities	4,171	-123	-	-363	3,685	12	Deferred tax liabilities
Retirement benefit liability	512	-198	-314	-	-	11	-
Provision for share awards	1,016	0	-1,017	-	-	11	-
Provision for share awards for directors (and other officers)	1,027	0	-1,027	-	-	11	-
Other provisions	46	-	-46	-	-	11	-
Other	1,383	-23	2,388	-822	2,926	11,18	Other non-current liabilities
Total non-current liabilities	46,555	-702	-	9,494	55,347		Total non-current liabilities
Total liabilities	254,309	-1,932	-	60,063	312,441		Total liabilities
Net assets							Equity
Share capital	17,479	-	-	-	17,479	-	Share capital
Capital surplus	13,468	-19	0	-1,393	12,055	-	Capital surplus
Retained earnings	175,471	-7,977	-	-11,517	155,976	16,19	Retained earnings
Treasury shares	-15,564	-	-	0	-15,564	-	Treasury shares
Total accumulated other comprehensive income	8,731	-2,933	-	-2,087	3,709	13,16	Other components of equity
	199,586	-10,930	0	-14,999	173,656	-	Total equity attributable to owners of parent
Share acquisition rights	0	-	-0	-	-	-	-
Non-controlling interests	14,682	91	-	-1,344	13,428	-	Non-controlling interests
Total net assets	214,269	-10,839	-	-16,344	187,085		Total equity
Total liabilities and net assets	468,579	-12,771	-	43,719	499,527		Total liabilities and equity

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

(In millions of yen)

Preseparation under Japanese GAAP	Japanese GAAP	Impact of change in accounting period	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
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
Property, plant and equipment	14,849	-319	-5,803	503	9,229	4,6	Trade and other receivables
Intangible assets	86,320	-845	-33,632	6,623	58,465	17	Contract assets
Investment securities	12,058	-121	5,681	5,846	23,464	15	Property, plant and equipment
Deferred tax assets	13,741	33	-	9,634	23,410	14	Right-of-use assets
Other	12,535	-10	-12,162	-44	317	5	Goodwill
Allowance for doubtful accounts	-1,627	-2	1,629	-	-	14	Intangible assets
Total non-current assets	137,877	-1,266	3,937	46,734	187,283	5,6,16	Investments accounted for using
Total assets	442,159	1,392	-	45,177	488,728	12	Total non-current assets
						6	Total assets
Liabilities							Liabilities and equity
Current liabilities							Liabilities
Short-term borrowings	11,361	-247	10,060	-	21,174	7	Current liabilities
Current portion of bonds payable	10,000	-	-10,000	-	-	7	Bonds and borrowings
Current portion of long-term	60	0	-60	-	-	7	-
Accounts payable - trade	602	-15	93,101	12,068	14,005	9,17	Lease liabilities
Accounts payable - other	91,934	3233	-95,167	-	93,688	8,9	Trade and other payables
Income taxes payable	11,418	-883	-	-	10,535	8	-
Other provisions	1535	52	-	-	1588	8	Other financial liabilities
Accrued consumption taxes	18,967	-40	-18,927	-	-	8	Income taxes payable
Provision for bonuses	19,868	-866	-19,001	-	-	8	Provisions
Provision for bonuses for directors	129	91	-221	-	-	8	Contract liabilities
Other	29,541	1123	30,693	39,614	100,972	9	-
Total current liabilities	195,421	2,448	-	51,682	249,552	8,9,18	Other current liabilities
Non-current liabilities							Total current liabilities
Bonds payable	-	-	30,117	-	30,117	-	Total current liabilities
Long-term borrowings	30,116	0	-30,117	-	-	-	Non-current liabilities
Lease liabilities	3,421	-175	-	9,567	12,813	17	Bonds and borrowings
Asset retirement obligation	4,659	1	-	793	809	8,11	Lease liabilities
Deferred tax liabilities	4,018	348	-	27	4,394	10	Other financial liabilities
Retirement benefit liability	311	22	-333	-	-	10	Provisions
Provision for share awards	1085	0	-1,086	-	-	11	Deferred tax liabilities
Provision for share awards for	1104	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	16,19	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
Share acquisition rights	0	-	-	-	-	-	Total equity attributable to owners of parent
Non-controlling interests	15,214	77	-0	-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 December 31, 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	2,490	2,536
Goodwill	—	4,952	6,675
Financial assets measured at fair value through other comprehensive income	1,402	1,430	1,465
Leasing	47	-142	-206
Accrued paid leave	-35,894	-37,544	-39,614
Other	1,686	2,293	1,435
Total	-15,483	-11,517	-11,481

Reconciliations of profits/losses and comprehensive income for the nine months ended December 31, 2022

(In millions of yen)

Presecation 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	902,067	21,976	–	–	924,042		Revenue
Cost of sales	692,787	18,397	-624	1,283	711,843	4	Cost of sales
Gross profit	209,279	3,578	624	-1,283	212,199		Gross profit
Selling, general and administrative expenses	163,845	1,739	-562	-4,763	160,259	2,3,4,6	Selling, general and administrative expenses
	–	–	206	–	206	1	Other income
	–	–	8715	475	9191	1	Other expenses
Operating profit	45,434	1839	-7,322	3,004	42,955		Operating profit
Non-operating income	1176	81	-1,258	–	–	1	
Non-operating expenses	725	135	-860	–	–	1	
Ordinary profit	45,886	1785	-47,671	–	–		
Extraordinary income	281	-2	-278	–	–	1	
Extraordinary loss	246	8494	-8,741	–	–	1	
	–	–	520	-208	311	1	Finance income
	–	–	858	133	991	1,4	Finance costs
	–	–	-403	130	-273	1	Share of loss (profit) of entities accounted for using equity method
Profit before income taxes	45,921	-6,711	–	2,792	42,001		Profit before tax
Income taxes - current	14,609	1019	1919	-952	16,596	5	Income tax expense
Income taxes - deferred	2444	-525	-1,919	–	–	5	
Net profit	28,866	-7,206	–	3,745	25,405		Profit
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	-64	–	–	-89	-153	4	Financial assets measured at fair value through other comprehensive income
Retirement benefit adjustments	–	–	–	33	33	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	10,395	-10,822	–	71	-356	7	Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	417	-310	–	–	107		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	10,748	-11,131	–	–	-365		Other comprehensive income, net of tax
Comprehensive income	39,614	-18,338	–	3,763	25,039		Comprehensive income

Reconciliations of profits/losses and comprehensive income for the three months ended December 31, 2022

(In millions of yen)

Presecation 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	315,317	1,469	–	–	316,786		Revenue
Cost of sales	243,053	570	-576	771	243,818	4	Cost of sales
Gross profit	72,263	899	576	-771	72,968		Gross profit
Selling, general and administrative expenses	57,545	-351	-229	-1,778	55,185	2,3,4,6	Selling, general and administrative expenses
	–	–	56	–	56	1	Other income
	–	–	8,475	499	8,975	1	Other expenses
Operating profit	14,718	1,250	-7,613	508	8,863		Operating profit
Non-operating income	264	244	-508	–	–	1	
Non-operating expenses	454	3	-458	–	–	1	
Ordinary profit	14,527	1,491	-16,018	–	–		
Extraordinary income	29	-14	-14	–	–	1	
Extraordinary loss	101	8,494	-8,596	–	–	1	
	–	–	77	-19	57	1	Finance income
	–	–	603	-29	574	1,4	Finance costs
	–	–	-391	54	-337	1	Share of loss (profit) of entities accounted for using equity method
Profit before income taxes	14,455	-7,018	–	571	8,009		Profit before tax
Income taxes - current	3,400	794	1,728	-319	5,604	5	Income tax expense
Income taxes - deferred	2,122	-393	-1,728	–	–	5	
Net profit	8,932	-7,418	–	891	2,404		Profit
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	134	–	–	16	150	4	Financial assets measured at fair value through other comprehensive income
Retirement benefit adjustments	–	–	–	30	30	6	Remeasurements of defined benefit plans
							Items that may be reclassified to profit or loss
Deferred gains or losses on hedges	–	–	–	-13	-13		Cash flow hedges
Foreign currency translation adjustment	666	-4,125	–	62	-3,397	7	Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	275	-412	–	–	-137		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	1,077	-4,540	–	95	-3,368		Other comprehensive income, net of tax
Comprehensive income	10,009	-11,958	–	986	-963		Comprehensive income

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

(In millions of yen)

Presecration 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 loss (profit) of entities 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		Net Profit
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.