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July 12, 2024

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP) FY2023 (June 1, 2023 to May 31, 2024)

Listed company name: Pasona Group Inc.
 Listing stock exchange: The Prime Section of the Tokyo Stock Exchange
 Securities code number: 2168
 URL: <https://www.pasonagroup.co.jp>
 Representative: Yasuyuki Nambu, Group CEO and President
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Date of Annual General Meeting of Shareholders: August 22, 2024

Scheduled payment date of cash dividends: August 8, 2024

Scheduled filing date of the securities report: August 23, 2024

Supplemental materials prepared for financial results: Yes

Holding of financial results meeting: Yes (for analysts and institutional investors)

(All amounts are in millions of yen rounded down unless otherwise stated.)

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results

Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
FY2023	356,733	(4.3)	6,794	(52.7)	7,152	(53.5)	95,891	—
FY2022	372,579	1.8	14,377	(34.9)	15,366	(31.7)	6,099	(29.3)

(Note) Comprehensive income FY2023: ¥99,351 million (849.1%) FY2022: ¥10,468 million ((27.5)%)

	Net profit per Share	Diluted Net Profit per Share	Return on Equity	Ordinary Profit to Total Assets	Operating Profit to Net Sales
	Yen	Yen	%	%	%
FY2023	2,447.56	2,446.76	94.7	2.5	1.9
FY2022	155.70	155.22	11.7	6.4	3.9

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates

FY2023: ¥131 million FY2022: ¥153 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2024	301,090	154,661	49.3	3,789.42
May 31, 2023	275,504	71,624	19.6	1,378.40

(Reference) Equity As of May 31, 2024: ¥148,488 million As of May 31, 2023: ¥53,998 million

(Note) Total assets for the fiscal years ended May 31, 2023 and May 31, 2024 include temporary “deposits received” from customers for contracted projects and the corresponding “cash and deposits” in assets and liabilities. For details, please refer to “1. Summary of Business Results, etc. (2) Summary of Financial Position for the Fiscal Year under Review.”

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Period
FY2023	7,397	94,252	(12,879)	137,047
FY2022	5,961	(12,502)	(2,292)	47,919

2. DIVIDENDS

	Dividends per Share (Yen)					Total Dividend Payment (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Annual			
FY2022	—	0.00	—	35.00	35.00	1,396	22.5%	2.6%
FY2023	—	0.00	—	75.00	75.00	3,018	3.1%	2.9%
FY2024(Forecast)	—	0.00	—	75.00	75.00		226.0%	

(Note) Breakdown of year-end dividend for the fiscal year ending May 31, 2024

Ordinary dividend ¥15.00 Special dividend ¥60.00

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2025

Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.

	Net Sales	Operating Profit	Ordinary Profit	Profit attributable to owners of parent	Net Profit per Share
FY2024 Full Fiscal Year	330,000 (7.5)%	5,000 (26.4)%	5,000 (30.1)%	1,300 (98.6)%	33.18 Yen

4. NOTES

(1) Changes in significant subsidiaries during the fiscal year under review: Yes

(Changes in specified subsidiaries that caused changes in the scope of consolidation)

Exclusion 1 company (company name) Benefit One Inc.

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies in line with revisions to accounting and other standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding as of the period-end (including treasury shares)

May 31, 2024: 41,690,300 shares May 31, 2023: 41,690,300 shares

2) Number of treasury shares as of the period-end

May 31, 2024: 2,505,360 shares May 31, 2023: 2,515,520 shares

3) Average number of shares for the period

FY2023: 39,178,295 shares FY2022: 39,174,636 shares

1. FY2023 (June 1, 2023 to May 31, 2024)

(1) Non-consolidated Financial Results

Percentage figures represent year-on-year increase / (decrease).

	Net Sales		Operating Profit (Loss)		Ordinary Profit (Loss)		Net Profit	
		%		%		%		%
FY2023	10,004	(36.1)	(5,206)	—	(8,778)	—	100,843	—
FY2022	15,646	55.5	997	—	691	—	2,033	52.0

	Net Profit per Share		Diluted Net Profit per Share	
		Yen		Yen
FY2023		2,573.96		—
FY2022		51.90		—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2024	194,284	118,855	61.2	3,033.18
May 31, 2023	97,963	19,396	19.8	495.11

(Reference) Equity as of May 31, 2024: ¥118,855 million As of May 31, 2023: ¥19,396 million

(Note)

The Company has introduced “Board Benefit Trust (BBT)” and “Employment Stock Ownership Plan (J-ESOP).” The Company’s shares in BBT and J-ESOP, which are reported as treasury shares under Shareholders’ equity, are counted as the number of treasury shares as of the average number of shares outstanding for the period for the purpose not including computing earnings and net assets per share.

This Financial Report is not subject to a review conducted by CPA or audit firm.

Cautionary statement and other explanatory notes

The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results might differ materially from forecasts for a variety of reasons. Please refer to (Attachment) “1. Summary of Business Results, etc., (4) Future Outlook” on page 11 for the assumptions used in the forecast of business results.

We are planning to hold a financial results online meeting for analysts and institutional investors on July 17, 2024. Supplemental materials for the financial results will be posted on the Company’s website (<https://www.pasonagroup.co.jp/ir/>) immediately after the meeting.

FY2023 Consolidated Financial Report

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1. Summary of Business Results, etc.

(1) Summary of Business Results for the Fiscal Year under Review

i) Business results for the fiscal year ended May 31, 2024

During the consolidated fiscal year under review, the Japanese economy came to a standstill toward the end of the period, although consumer spending and employment conditions improved as socioeconomic activities began to normalize. In addition, the economic outlook remains uncertain due to global monetary tightening and rising prices.etc.

As for our business environment, the demand for BPO services remained firm due to the promotion of business efficiency and DX (Digital Transformation) by companies. In addition, demand for human resources remained strong against the backdrop of economic recovery, and tourism demand continued to recover as the number of tourists, including inbound tourists, increased amid a shift in the social environment toward a post-COVID-19 situation.

Under these circumstances, the Group's net sales were negatively affected by a decline in the Expert Services, Outsourcing, and a portion of the Life Solutions businesses, as a result of a decrease in special demand related to measures to combat COVID-19 infections in the previous fiscal year. In BPO services, sales increased from the previous fiscal year as the accumulation of new contracts absorbed the decline in revenue.

As a result, consolidated net sales for the current fiscal year were ¥356,733 million (down 4.3% year-on-year), and gross profit was ¥84,825 million (down 7.3% year-on-year). SG&A expenses increased to ¥78,030 million (up 1.1% year-on-year) due to increased personnel expenses for personnel reinforcement and upfront investments in growth areas, resulting in operating profit of ¥6,794 million (down 52.7% year-on-year) and ordinary profit of ¥7,152 million (down 53.5% year-on-year).

Also, the Company sold shares of its consolidated subsidiary Benefit One Inc. during the period under review, resulting in an extraordinary gain of ¥112,040 million on the sale of shares of subsidiaries and associates in the consolidated financial statements. In addition, the Company posted an extraordinary loss of ¥1,164 million for expenses related to the sale of shares of subsidiaries and associates, which were necessary for a series of transactions related to the sale of shares. On the other hand, as a result of reviewing future business plans for commercial facilities, etc. mainly belonging to the Regional Revitalization Solutions segment in light of the business environment and current performance trends, the Company recorded an impairment loss of ¥10,811 million on fixed assets in the fourth quarter of the current fiscal year, as the recoverable amount was lower than the book value. In addition, as a result of estimating future taxable income and examining the recoverability of deferred tax assets, the Company recorded income taxes-deferred of ¥1,886 million in the current fiscal year. As a result of the above, profit attributable to owners of parent amounted to ¥95,891 million (up 1,472.1% year-on-year).

Consolidated Business Results

(Millions of yen)

	FY2022	FY2023	YoY
Net sales	372,579	356,733	(4.3)%
Operating profit	14,377	6,794	(52.7)%
Ordinary profit	15,366	7,152	(53.5)%
Profit attributable to owners of parent	6,099	95,891	1,472.1 %

ii) Business Segment Information (before elimination of intersegment transactions)

*In accordance with the reorganization of subsidiaries in the current consolidated fiscal year, some businesses falling under "BPO Services" and "HR Consulting, Education/Training and Others" were reviewed and the segment classifications were changed. Figures for the previous consolidated fiscal year are compared based on the reclassified figures after the change.

HR Solutions

Expert Services (Temporary Staffing), BPO Services (Contracting and Outsourcing), etc.

Net sales ¥297,085 million Operating profit ¥11,770 million

[Expert Services] Net sales ¥134,534 million

In this business, the Group provides a wide range of human resource services, including office work support, clerical work, the provision of highly specialized skilled personnel, engineers, sales, and marketing personnel, and Expert Services (Temporary Staffing) for a wide range of age groups and job types, from young adults to senior citizens.

During the period under review, the number of active staff continued to decline throughout the year as operations related to COVID-19 infections, which were handled nationwide in the previous period, were largely completed. On the other hand, unit dispatch costs increased due to the revision of dispatch fee rates, and we also made progress in improving compensation to temporary staff. However, the negative impact of the special demand could not be made up, and net sales totaled ¥134,534 million (down 8.6% year-on-year). Looking ahead to the next fiscal year, Pasona Inc. is working to strengthen its business foundation by launching "Code; Without Barriers in Japan" with Microsoft to increase orders for high-level clerical work and to develop human resources, and by training 10,000 temporary staff to become digital human resources.

[BPO Services] Net sales ¥142,854 million

In this business, the Group provides BPO services by contracting reception, sales administration, order receipt and placement, human resources, labor, and payroll, as well as general administration and general affairs to consolidate and streamline complicated clerical work and accounting and finance to handle expense reimbursement and other operations according to the busy schedule of customers.

During the period under review, the Company secured new demand from both the private sector and the public sector, despite a decline in the number of projects that had been in special demand up to the previous period. Private-sector companies increased their needs for support to concentrate on core operations in the areas of human resources, accounting and general affairs, as well as for RPA implementation and operation support to improve productivity, while needs expanded for overseas human resources support, as companies' overseas expansion became more active with the general end of the COVID-19 infections. The public sector has expanded its contracting of reskilling and administrative agency services. In our strategic X-TECH BPO, we also expanded in-house production support for DX human resources development in both the private and public sectors, as well as in online health promotion support for employees.

On a company-by-company basis, Bewith, Inc., which provides contact center and BPO services utilizing digital technology such as Omnia LINK, a self-developed cloud-based PBX, and Pasona Nihon Soumubu Co., Ltd. (renamed on April 1, 2024, formerly Pasona Panasonic Business Service Co., Ltd) made steady progress in acquiring new projects.

As a result, net sales totaled ¥142,854 million (up 0.4% year-on-year), absorbing the decline in revenue from special demand related to measures to combat COVID-19 infections.

[HR Consulting, Education & Training, Others] Net sales ¥8,673 million

this business, we provide consulting and management support by professional personnel such as freelancers and former executives of listed companies in the advisory consulting business, as well as education and training business commissioned by companies and the public sector.

In the advisory and consulting business, demand for professional personnel in specialized areas related to human capital management and integrated reporting increased, as did hiring demand from companies seeking female directors. In the recruiting business, demand for recruiting consulting services further expanded in order to secure the most suitable personnel amid a steady demand for human resources. In the education and training business, demand for specialized training and other training increased from the previous fiscal year as companies promoting the advancement of female employees increased their needs, and the majority of new employee training was face-to-face training.

As a result, net sales amounted to ¥8,673 million (up 4.0% year-on-year).

[Global Sourcing] Net sales ¥11,024 million Operating profit ¥270 million

This segment provides a full line of human resource-related services overseas, including placement and recruiting, temporary staffing and outsourcing, payroll, and education and training.

In the Asian region, demand for human resources from the semiconductor and manufacturing industries increased in Taiwan, and in Vietnam, development work in the IT field from Japanese companies expanded on contract. In addition, human resource services expanded in Indonesia, where economic growth continues, and other Southeast Asian countries saw increased revenues. In the North America region, while placement and recruiting expanded due to a tight labor market, temporary staffing revenues declined due to an increase in direct hiring by companies. On the cost front, SG&A expenses increased due to up-front hiring and compensation improvements to strengthen personnel at many locations, particularly in the U.S., as well as due to active implementation of training and business travel.

As a result, net sales amounted to ¥11,024 million (up 12.1% year-on-year), while operating profit amounted to ¥270 million (down 56.2% year-on-year), due in part to the foreign exchange effects of the weaker yen.

Net sales for the segment consisting of the above businesses amounted to ¥297,085 million (down 3.4% year-on-year). In terms of profit, operating profit was ¥11,770 million (down 22.2% year-on-year), mainly due to a decrease in gross profit margins in Expert Services as a result of a decline in the number of active personnel, also due to a decrease in the dispatch of medical professionals as a result of the general end of COVID-19 pandemic.

Career Solutions (Placement/Recruiting, Outplacement)

Net sales ¥13,054 million Operating profit ¥4,042 million

This business segment provides the Placement/Recruiting business, which supports companies' mid-career recruitment activities and matches job-transfer candidates, and the Outplacement business, which supports companies' personnel transitions based on their human resource strategies.

In the Placement / Recruiting business, although there was a decline in the willingness to hire in some industries, stable demand continued in the high-career field, a strategic focus for the Group, and the unit contract price rose from the beginning of the period. On the other hand, the number of contracts signed decreased compared to the previous fiscal year due to an increase in the number of job-transfer applicants who were consoled with their resignation.

In the Outplacement business, demand continued to decline from the beginning of the period, as the number of early and voluntary retirements offered by domestic companies in the period under review was the smallest in more than a decade. However, an increasing number of companies are now offering early and voluntary retirement due to changes in the business environment and corporate structural reforms. In addition, "Safe Placement Total Service," which supports employees' autonomous career development, expanded steadily due to the reskilling of veteran personnel and the rise of corporate human capital management.

As a result, net sales were ¥13,054 million (down 6.2% year-on-year) and operating profit was ¥4,042 million (down 1.1% year-on-year) as efforts to curb SG&A expenses, mainly through a review of personnel allocation, failed

to offset the decline in sales.

Outsourcing

Net sales ¥38,962 million Operating profit ¥7,615 million

This segment includes the outsourcing services provided by Benefit One Inc., a former consolidated subsidiary of the Company, mainly for the provision of employee benefit services for corporations, public offices and municipalities.

In the welfare and benefit business, membership fee revenue, which accounts for the majority of sales, increased from the previous year, while transactions specific to the former JTB Benefit and others declined. In terms of expenses, profitability improved due to the effect of duplicate cost reductions resulting from the integration of services of the former JTB Benefit, although expenses increased from the previous fiscal year due to investments in human resources and systems for medium- and long-term growth.

In the healthcare business, sales of the COVID-19 vaccination support business decreased from the previous year due to a contraction of operations. The health guidance business posted year-on-year increases in both revenue and income, despite delays in acquiring new orders. The health checkup business generally progressed as planned.

As a result, net sales amounted to ¥38,962 million (down 8.1% year-on-year), and although the SG&A-to-sales ratio was at the same level as the previous year, operating profit amounted to ¥7,615 million (down 27.4% year-on-year) due to a decrease in gross profit margin caused by an increase in subsidy expenditures due to increased use of employee benefit services toward the end of the period and increased amortization of system-related expenses, etc.

Life Solutions

Net sales ¥7,792 million Operating profit ¥128 million

This business includes: the childcare business, which includes the operation of licensed and certified childcare centers, in-house childcare facilities, and childcare for school-age children; the nursing care business, which includes daycare services and home-visit nursing care; and the life support business, which includes housekeeping services.

In the childcare business, although the number of children accepted at existing childcare facilities increased from the previous year, including the opening of new licensed nursery schools and school-age clubs, gross profit decreased due to upfront expenses for new openings and higher personnel and other operating expenses.

In the Life Support business, sterilization and disinfection services, which until the previous fiscal year had been contracted by hospitals and lodging facilities as a countermeasure against the spread of COVID-19 infections, declined, as did demand for the dispatch of nursing care personnel to care facilities for infected patients. In addition, although business commissioned by local governments, such as housekeeping services for families raising children, expanded steadily, SG&A expenses, especially personnel expenses, increased due to the dispersion of such services across multiple regions.

As a result, net sales amounted to ¥7,792 million (down 5.0% year-on-year), while operating profit amounted to ¥128 million (down 64.8% year-on-year).

Regional Revitalization Solutions

Net sales ¥6,223 million Operating profit ¥(2,588) million

In this business, we are engaged in regional development projects to create new industries and employment in rural areas in cooperation and collaboration with local residents, local businesses, and local governments.

At the Hyogo Prefectural Awaji Island Park Animation Park "Nijigen-no-Mori," the "NARUTO & BORUTO SHINOBI-ZATO" attraction from "NARUTO," which is popular even overseas, and the "Godzilla Intercept Operation," a Godzilla attraction that has gained increased interest in Japan and overseas after winning the 2024 Academy Award this year, saw a large increase in inbound visitors. In addition, the rural "Haru-Sansan" restaurant in the field, which serves cuisine from local areas using local ingredients from Awaji Island, attracted many visitors as a facility where visitors can fully enjoy the charms of nature.

On the other hand, during the period under review, the number of visitors to some facilities did not reach the initial forecast due to the summer heat wave and bad weather on weekends, as well as the dispersion of tourist destinations in Japan. In addition, at facilities that provide restaurants and other food & beverage services, the cost of sales ratio rose due to soaring raw material prices, and personnel expenses also increased due to improved compensation. The Company reviewed future business plans in light of these business environments and current performance trends and, as a result, recorded an impairment loss on fixed assets in those commercial facilities, etc. in the fourth quarter of the current fiscal year, since the recoverable amount was less than the book value.

As a result, net sales were ¥6,223 million (down 10.2% year-on-year), and although the deficit improved slightly, an operating profit was ¥(2,588) million (operating profit of ¥(2,877) million in the previous period). In the previous fiscal year, some subsidiaries changed their fiscal year-ends from March to May, resulting in a 14-month accounting period. Excluding the technical impact of this change, sales increased from the previous fiscal year.

Eliminations and Corporate

Net sales ¥(6,385) million Operating profit ¥(14,174) million

This includes costs for eliminating intergroup transactions and maximizing group synergies, incubation costs for new businesses, and administrative costs as a holding company.

In the period under review, personnel expenses and IT-related expenses to promote DX increased, as well as some expenses related to the pavilion at the Osaka-Kansai Expo in 2025. As a result of these, net sales for the elimination of intergroup transactions amounted to ¥(6,385) million (¥(6,539) million in the previous fiscal year), while operating profit amounted to ¥(14,174) million (¥(12,819) million in the previous fiscal year).

Segment Information (Figures include intersegment sales)**Consolidated Net Sales by Segment**

(Millions of yen)

	FY2022	FY2023	YoY
<i>HR Solutions</i>	363,987	349,102	(4.1) %
Expert Services (Temporary staffing), BPO Services (Contracting), Others	307,687	297,085	(3.4) %
Expert Services (Temporary staffing)	147,188	134,534	(8.6) %
BPO Services (Contracting)	142,327	142,854	0.4 %
HR Consulting, Education & Training, Others	8,340	8,673	4.0 %
Global Sourcing (Overseas)	9,831	11,024	12.1 %
Career Solutions (Placement / Recruiting, Outplacement)	13,923	13,054	(6.2) %
Outsourcing	42,376	38,962	(8.1) %
<i>Life Solutions</i>	8,200	7,792	(5.0) %
<i>Regional Revitalization Solutions</i>	6,931	6,223	(10.2) %
Eliminations and Corporate	(6,539)	(6,385)	—
Total	372,579	356,733	(4.3) %

Consolidated Operating Profit (Loss) by Segment

(Millions of yen)

	FY2022	FY2023	YoY
<i>HR Solutions</i>	29,709	23,428	(21.1) %
Expert Services (Temporary staffing), BPO Services (Contracting), Others	15,132	11,770	(22.2) %
Expert Services (Temporary staffing)	14,515	11,499	(20.8) %
BPO Services (Contracting)			
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas)	617	270	(56.2) %
Career Solutions (Placement / Recruiting, Outplacement)	4,089	4,042	(1.1) %
Outsourcing	10,487	7,615	(27.4) %
<i>Life Solutions</i>	364	128	(64.8) %
<i>Regional Revitalization Solutions</i>	(2,877)	(2,588)	—
Eliminations and Corporate	(12,819)	(14,174)	—
Total	14,377	6,794	(52.7) %

*In accordance with the reorganization of subsidiaries in the current consolidated fiscal year, some businesses falling under "BPO Services" and "HR Consulting, Education/Training and Others" were reviewed and the segment classifications were changed. Figures for the previous consolidated fiscal year are compared based on the reclassified figures after the change.

(2) Summary of Financial Position for the Fiscal Year under Review

Status of Assets, Liabilities and Net Assets

Assets and liabilities as of May 31, 2024 included ¥54,975 million (¥74,869 million as of May 31, 2023) in temporary “deposits received” from customers related to contract projects for which use by the Group is restricted and a corresponding amount of “cash and deposits.”

Assets

Total assets as of May 31, 2024 increased ¥25,585 million (up 9.3%) from the end of the previous fiscal year to ¥301,090 million. Cash and deposits increased by ¥69,214 million due to the sale of shares of a consolidated subsidiary of the Company, Benefit One Inc. (hereinafter referred to as "Benefit One"), decrease in "Deposits received" above, acquisition of fixed assets and repayment of long-term debt, etc. and construction in progress increased by ¥11,977 million in the Regional Revitalization Solutions business, while the exclusion of Benefit One from consolidation led to a ¥7,379 million decrease in accounts receivable-trade, a ¥7,692 million decrease in other current assets, and a ¥21,570 million decrease in intangible fixed assets.

Liabilities

Total liabilities as of May 31, 2024, amounted to ¥146,428 million, a decrease of ¥57,451 million or 28.2%, compared with May 31, 2023. Deposits received decreased by ¥22,316 million due to the above-mentioned commissioned projects, etc., and long-term loans payable decreased by ¥14,077 million due to repayment of borrowings. Also contract liabilities decreased by ¥5,377 million due to the deconsolidation of Benefit One and accounts payable-trade decreased by ¥4,003 million, etc.

Net Assets

Net assets as of May 31, 2024, amounted to ¥154,661 million, an increase of ¥83,037 million or 115.9%, compared with May 31, 2023. This was mainly attributable to an increase of ¥94,507 million in retained earnings due to net income attributable to owners of the parent of 95,891 million yen, and noncontrolling interests decreased by ¥11,451 million as a result of the deconsolidation of Benefit One.

As a result of the above, the equity ratio as of May 31, 2024 was 49.3% (19.6% at the end of the previous fiscal year). Total assets, after deducting “cash and deposits” associated with “deposits received” for commissioned projects, amounted to ¥246,115 million (¥200,634 million at the end of the previous fiscal year), resulting in an equity ratio of 60.3% (26.9% at the end of the previous fiscal year).

(3) Summary of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereafter “net cash”) in FY2023 increased by ¥89,127 million, compared with May 31, 2023, to ¥137,047 million. “Net cash” does not include “cash and deposits” corresponding to temporary “deposits received” from customers related to contract projects.

Cash Flows from Operating Activities

Net cash provided by operating activities increased by ¥1,435 million, compared with the previous fiscal year, to ¥7,397 million (an increase of ¥5,961 million in the previous fiscal year).

Major cash inflows included profit before income taxes totaling ¥106,251 million (¥16,766 million in the previous fiscal year), depreciation and amortization totaling ¥5,569 million (¥5,126 million in the previous fiscal year), and impairment loss totaling ¥10,811 million (none occurred in the previous fiscal year).

The cash flow from the sale of shares of Benefit One is included in the cash flow from investing activities, and the gain on sale of shares of subsidiaries and affiliates of ¥112,040 million is deducted from the cash flow from operating activities.

Cash Flows from Investing Activities

Net cash used in investing activities increased by ¥106,754 million, compared with the previous fiscal year, to ¥94,252 million (a decrease of ¥12,502 million in the previous fiscal year).

Major cash inflows was mainly due to proceeds of ¥115,228 million (none occurred in the previous fiscal year) from the sale of shares of a subsidiary resulting in a change in the scope of consolidation, as a result of the sale of shares of Benefit One.

Major cash outflows was mainly due to the purchase of property, plant and equipment of ¥15,244 million (¥ 9,029 million in the previous fiscal year) for the opening of commercial facilities in the Awaji Island Regional Revitalization Solutions project and the construction of new business facilities in the corporate segment, and the purchase of intangible assets of ¥ 4,905 million (¥ 4,591 million in the previous fiscal year) for system capital expenditures.

Cash Flows from Financing Activities

Net cash used in financing activities increased by ¥10,586 million, compared with the previous fiscal year, to ¥12,879 million (a decrease of ¥2,292 million in the previous fiscal year).

Major cash inflows included proceeds from long-term loans payable totaling ¥2,500 million (¥15,727 million in the previous fiscal year) for the purpose of securing long-term working capital and funds for capital investment.

Major cash outflows included repayment of long-term loans payable totaling ¥10,325 million (¥10,339 million in the previous fiscal year), and dividends paid totaling ¥4,568 million (¥5,169 million in the previous fiscal year).

(Reference) Cash Flow Benchmarks

	FY2019	FY2020	FY2021	FY2022	FY2023
Equity ratio	22.7%	25.2%	24.5%	19.6%	49.3%
Equity ratio based on market capitalization	35.7%	49.0%	40.3%	24.7%	28.4%
Ratio of interest-bearing debt to cash flows (years)	3.2	1.8	5.3	9.9	5.8
Interest coverage ratio	57.9	64.5	35.4	15.9	16.6

Notes:

1. Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market capitalization: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

2. Each benchmark is calculated based on the consolidated financial statements.

3. Market capitalization is calculated by multiplying the period-end closing share price with the number of outstanding shares at period-end (after deducting treasury shares).

4. Cash flows from operating activities are used in calculations for cash flows.

5. Interest-bearing debt includes all interest-bearing debt under liabilities recorded on the consolidated balance sheets.

6. The equity ratio after deduction of temporary "deposits" from customers related to contracted projects whose use by the Group is restricted and the corresponding "cash and deposits" is as described in the previous section "(2) Summary of Financial Position for the Current Period", and the equity ratio based on market value was 34.8% (33.9% at the end of the previous fiscal year).

(4) Future Outlook

As we will soon mark the 50th anniversary of our founding in 1976, we are discussing the formulation of a growth strategy for the next 50 years based on our unchanging corporate philosophy of "solving society's problems".

In the fiscal year ending May 31, 2025, although the economic outlook remains uncertain due to global monetary tightening and rising prices, demand for BPO services that support operational efficiency and rapid business startups is expected to remain strong in Japan against the backdrop of further advances in AI and other digital technologies and a labor shortage. And with the Osaka-Kansai Expo to be held in 2025, we expect the number of tourists, including inbound tourists, to continue to increase, especially in the Kansai region.

The key strategies for the fiscal year ending May 31, 2025 are to (1) evolve X-Tech BPO and expand business in the specialized BPO domain, (2) improve profitability of the Regional Revitalization Solutions business, and (3) create new businesses, thereby increasing productivity and profitability of existing businesses and creating new businesses that will serve as pillars of our business over the medium to long term.

In addition, the Company's business portfolio and earnings structure changed during the period ending May 31, 2025 due to the sale of shares of its consolidated subsidiary, Benefit One Inc. during the period under review. As a result, the Company has changed the names and composition of some of its segments from the fiscal year ending May 31, 2025.

Based on the above, the Company projects that its consolidated net sales for the fiscal year ending May 31, 2025 will be ¥330,000 million (down 7.5% from the current fiscal year). However, excluding the impact of the sale of shares of Benefit One Inc., the Company plans a 3.7% increase in net sales. In terms of profit, we expect operating profit of ¥5,000 million (down 26.4% year-on-year) and ordinary profit of ¥5,000 million (down 30.1% year-on-year), as the Osaka-Kansai Expo will open in April 2025 and some pavilion-related expenses and operating costs will be incurred in connection with the exhibition. Since extraordinary profit from the sale of shares in subsidiaries and associates were posted largely in the current period, net profit attributable to shareholders of the parent company is planned to be ¥1,300 million (down 98.6% year-on-year).

Consolidated Business Results Forecast

(Millions of yen)

	FY2023	FY2024 (Forecast)	YoY
Net sales	356,733	330,000	(7.5) %
Operating profit	6,794	5,000	(26.4) %
Ordinary profit	7,152	5,000	(30.1) %
Profit attributable to owners of parent	95,891	1,300	(98.6) %

(Reference) Comparison excluding the outsourcing segment (Benefit One Inc.)

	FY2023	FY2024 (Forecast)	YoY
Net sales	318,301	330,000	3.7%
Operating profit	(821)	5,000	—

Forecasts by Segment

Effective from the fiscal year ending May 31, 2025, the Company has partially changed the composition of its reportable segments, excluding the "Outsourcing" segment that existed in the fiscal year ended May 31, 2024. The figures for the fiscal year ended May 31, 2024 have been restated to reflect the new segment classifications.

Consolidated Net Sales by Segment

(Millions of yen)

	FY2023 (Reference)	FY2024 (Forecast)	YoY
HR Solutions	297,715	306,000	2.8 %
BPO Solutions (Contracting)	147,579	150,000	1.6 %
Expert Solutions (Temporary staffing)	137,082	141,500	3.2 %
Career Solutions (Placement / Recruiting, Outplacement)	13,054	14,500	11.1 %
Global Solutions	11,024	12,500	13.4 %
Life Solutions	7,792	8,400	7.8 %
Regional Revitalization and Tourism Solutions	6,610	7,700	16.5 %
Eliminations and Corporate	(4,841)	(4,600)	—
Total	318,301	330,000	3.7 %

Consolidated Operating Profit (Loss) by Segment

(Millions of yen)

	FY2023 (Reference)	FY2024 (Forecast)	YoY
HR Solutions	15,625	18,500	18.4 %
BPO Solutions (Contracting)	11,582	14,000	20.9 %
Expert Solutions (Temporary staffing)			
Career Solutions (Placement / Recruiting, Outplacement)	4,042	4,500	11.3 %
Global Solutions	270	800	195.7 %
Life Solutions	128	300	133.5 %
Regional Revitalization and Tourism Solutions	(2,671)	(500)	—
Eliminations and Corporate	(14,174)	(14,100)	—
Total	(821)	5,000	—

*The "HR Consulting, Education/Training, and Other" has been eliminated from the fiscal year ending May 31, 2025, and the subject businesses have been incorporated into the "BPO Solutions" and "Expert Solutions" segments. "Outsourcing" was discontinued due to the sale of shares of the subject subsidiary. In addition, The segment names have been changed from "BPO Services" to "BPO Solutions," "Expert Services" to "Expert Solutions," "Global Sourcing" to "Global Solutions," and "Regional Revitalization Solutions" to "Regional Revitalization and Tourism Solutions."

*Figures for the fiscal year ending May 31, 2024 have been restated to reflect the new segment classifications. The "Outsourcing" segment is excluded.

(5) Policy on the Appropriation of Profits and Dividends for FY2023 and FY2024

In order to play a sufficient role as a company with sustainable development, we are striving to strengthen our management base and profitability while securing funds for growth, such as new business investment and capital investment, and to increase shareholder returns by enhancing corporate value. In line with our basic policy of returning profits to shareholders in line with business performance, we have been targeting a consolidated dividend payout ratio of 30%, but in order to further enhance returns to shareholders, we will strive to maintain continuous and stable dividends by raising the consolidated dividend payout ratio to 40% from the fiscal year ending May 31, 2025.

As announced in the "Resolution to Pay Special Dividend and Revision of Dividend Forecast for the Fiscal Year Ending May, 2024" dated April 12, 2024, the Company resolved to pay a special dividend of 60 yen per share for each of the five fiscal years from the fiscal year ending May 31, 2024 to the fiscal year ending May 31, 2028 as a measure to increase shareholder returns following the sale of shares of consolidated subsidiaries during the fiscal year ended May 31, 2024.

Therefore, the year-end dividend for the current fiscal year is 75 yen per share, consisting of an ordinary dividend of 15 yen and a special dividend of 60 yen per share.

With regard to dividends for the next fiscal year, we expect a significant decrease in profit due to the sale of shares of a consolidated subsidiary in the previous fiscal year. However, in accordance with our dividend policy, we plan to pay a regular dividend of 15 yen per share, the same amount as the current fiscal year, plus a special dividend of 60 yen per share, for a total dividend of 75 yen per share.

2. Basic Consideration on Selecting our Accounting Standard

The Group has adopted Japanese GAAP as our accounting standard, considering the period comparability of the consolidated financial statements and the comparability between companies. Regarding the application for IFRS (International Financial Reporting Standards), we will proceed with consideration based on domestic and international situations.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2023	As of May 31, 2024
ASSETS		
Current assets		
Cash and deposits	123,067	192,281
Notes receivable-trade	73	182
Accounts receivable-trade	40,973	33,594
Contract assets	11,577	9,678
Inventories	3,365	1,781
Income taxes refund receivable	2,693	1,231
Other	12,643	4,951
Allowance for doubtful accounts	(121)	(63)
Total current assets	194,275	243,637
Non-current assets		
Property, plant, and equipment		
Buildings	23,179	16,767
Accumulated depreciation	(7,798)	(7,924)
Buildings, net	15,381	8,843
Structures	4,894	2,214
Accumulated depreciation	(1,083)	(1,221)
Structures, net	3,810	993
Land	8,063	8,021
Lease assets	2,306	1,521
Accumulated depreciation	(1,171)	(634)
Lease assets, net	1,134	886
Construction in progress	3,353	15,331
Other	8,109	7,157
Accumulated depreciation	(6,127)	(5,766)
Other, net	1,981	1,391
Total property, plant, and equipment	33,725	35,467
Intangible assets		
Goodwill	7,353	842
Software	10,027	3,121
Leased assets	7	18
Customer assets	9,067	921
Other	126	107
Total intangible assets	26,582	5,011
Investments and other assets		
Investment securities	6,586	3,288
Long-term loans receivable	34	33
Retirement benefit asset	2,245	3,165
Deferred tax assets	2,909	1,640
Lease and guarantee deposits	7,773	7,328
Other	1,248	1,417
Allowance for doubtful accounts	(7)	(10)
Total investments and other assets	20,791	16,862
Total non-current assets	81,099	57,341
Deferred assets		
Bond issuance cost	130	111
Total deferred assets	130	111
Total assets	275,504	301,090

(Millions of yen)

	As of May 31, 2023	As of May 31, 2024
LIABILITIES		
Current liabilities		
Accounts payable-trade	7,427	3,423
Short-term borrowings	10,296	9,263
Lease obligations	383	342
Accounts payable-other	10,334	6,333
Accrued expenses	17,009	16,756
Income taxes payable	3,061	1,138
Accrued consumption taxes	4,482	3,033
Contract liabilities	7,488	2,111
Deposit received	78,690	56,374
Provision for bonuses	4,667	4,205
Provision for bonuses for directors (and other officers)	26	13
Asset retirement obligations	17	98
Other	897	793
Total current liabilities	144,783	103,889
Non-current liabilities		
Bonds payable	3,224	2,630
Long-term borrowings	43,505	29,427
Lease liabilities	924	678
Provision for share awards for directors (and other officers)	600	418
Allowance for stock benefit for employee	566	281
Retirement benefit liability	2,409	2,407
Deferred tax liabilities	2,366	1,320
Asset retirement obligations	2,554	2,326
Other	2,945	3,048
Total non-current liabilities	59,096	42,539
Total liabilities	203,880	146,428
NET ASSETS		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	17,094	17,495
Retained earnings	32,941	127,449
Treasury shares	(2,378)	(2,685)
Total shareholders' equity	52,658	147,260
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	853	121
Foreign currency translation adjustment	348	604
Remeasurements of defined benefit plans	138	501
Total accumulated other comprehensive income	1,340	1,228
Share acquisition rights	2	2
Non-controlling interests	17,622	6,171
Total net assets	71,624	154,661
Total liabilities and net assets	275,504	301,090

(2) Consolidated Statements of Income & Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	FY2022	FY2023
Net sales	372,579	356,733
Cost of sales	281,053	271,907
Gross profit	91,525	84,825
Selling, general and administrative expenses	77,148	78,030
Operating profit	14,377	6,794
Non-operating income		
Interest income	41	43
Share of profit of entities accounted for using equity method	153	131
Sponsorship money income	100	83
Subsidy income	968	523
Other	525	363
Total non-operating income	1,788	1,145
Non-operating expenses		
Interest expenses	393	439
Commitment fee	60	64
Other	344	283
Total non-operating expenses	798	787
Ordinary profit	15,366	7,152
Extraordinary profit		
Gain on sales of non-current assets	33	2
Gain on sales of investment securities	1,267	0
Gain on sale of shares of subsidiaries and associates	17	112,040
Gain on change in equity	213	17
Total extraordinary profit	1,530	112,060
Extraordinary loss		
Loss on sales and retirement of non-current assets	131	299
Impairment loss	—	10,811
Loss on valuation of investment securities	—	685
Costs related on sales of subsidiaries and associates	—	1,164
Total extraordinary loss	131	12,961
Profit before income taxes	16,766	106,251
Income taxes-current	7,508	4,926
Income taxes-deferred	(1,450)	1,886
Income taxes	6,058	6,813
Profit	10,707	99,438
Profit attributable to non-controlling interests	4,608	3,547
Profit attributable to owners of parent	6,099	95,891

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2022	FY2023
Profit	10,707	99,438
Other comprehensive income		
Valuation difference on available-for-sale securities	(534)	(725)
Foreign currency translation adjustment	162	274
Remeasurements of defined benefit plans, net of tax	132	364
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	(239)	(86)
Comprehensive income	10,468	99,351
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,099	95,779
Comprehensive income attributable to non-controlling interests	4,368	3,572

(3) Consolidated Statements of Changes in Shareholders' Equity

FY2022 (For the fiscal year ended May 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained Earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	17,786	28,238	(2,378)	48,646
Changes during period					
Dividends of surplus			(1,396)		(1,396)
Profit attributable to owners of parent			6,099		6,099
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares by stock payment trust				0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(688)			(688)
Capital increase of consolidated subsidiaries		(3)			(3)
Net changes in items other than shareholders' equity					—
Total changes during period	—	(692)	4,703	0	4,011
Balance at end of period	5,000	17,094	32,941	(2,378)	52,658

	Total accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,131	197	10	1,339	4	17,155	67,146
Changes during the period							
Dividends of surplus				—			(1,396)
Profit attributable to owners of parent				—			6,099
Purchase of treasury shares				—			(0)
Disposal of treasury shares by stock payment trust				—			0
Change in ownership interest of parent due to transactions with non-controlling interests				—			(688)
Capital increase of consolidated subsidiaries				—			(3)
Net changes in items other than shareholders' equity	(278)	150	127	0	(1)	467	465
Total changes during period	(278)	150	127	0	(1)	467	4,477
Balance at end of period	853	348	138	1,340	2	17,622	71,624

FY2023 (For the fiscal year ended May 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained Earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	17,094	32,941	(2,378)	52,658
Changes during period					
Dividends of surplus			(1,396)		(1,396)
Profit attributable to owners of parent			95,891		95,891
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		318		279	597
Treasury shares possession of stock ownership plan trust				(597)	(597)
Disposal of treasury shares by stock payment trust				11	11
Change in scope of consolidation			12		12
Change in ownership interest of parent due to transactions with non-controlling shareholders		82			82
Capital increase of consolidated subsidiaries		(0)			(0)
Net changes in items other than shareholders' equity					—
Total changes during period	—	401	94,507	(306)	94,601
Balance at end of period	5,000	17,495	127,449	(2,685)	147,260

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	853	348	138	1,340	2	17,622	71,624
Changes during the period							
Dividends of surplus				—			(1,396)
Profit attributable to owners of parent				—			95,891
Purchase of treasury shares				—			(0)
Disposal of treasury shares				—			597
Treasury stock possession of treasury shares by stock benefit trust				—			(597)
Disposal of treasury shares by stock benefit trust				—			11
Change in scope of consolidation				—			12
Change in treasury shares of parent arising from transactions with non-controlling shareholders				—			82
Capital increase of consolidated subsidiaries				—			(0)
Net changes in items other than shareholders' equity	(731)	255	363	(112)	(0)	(11,451)	(11,564)
Total changes during period	(731)	255	363	(112)	(0)	(11,451)	83,037
Balance at end of period	121	604	501	1,228	2	6,171	154,661

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2022	FY2023
Cash flows from operating activities		
Profit before income taxes	16,766	106,251
Depreciation	5,126	5,569
Impairment loss	—	10,811
Amortization of goodwill	721	750
Increase (decrease) in allowance for doubtful accounts	62	53
Increase (decrease) in provision for bonuses	(96)	(479)
Increase (decrease) in retirement benefit liability	(0)	(4)
Decrease (increase) in retirement benefit asset	(120)	(369)
Increase (decrease) in provision for share awards for directors (and other officers)	2	—
Increase (decrease) in provision for employees stock ownership plan trust	(5)	(25)
Interest and dividends income	(82)	(85)
Interest expenses	393	439
Subsidy income	(968)	(523)
Sponsorship income	(100)	(83)
Share of loss (profit) of entities accounted for using equity method	(153)	(131)
Costs related on sales of shares of subsidiaries and associates	—	1,164
Loss (gain) on sales and retirement of non-current assets	97	297
Loss (gain) on sales of investment securities	(1,267)	(0)
Loss (gain) on valuation of investment securities	—	685
Loss(gain) on sales of shares of subsidiaries and associates	(17)	(112,040)
Decrease (increase) in accounts receivable-trade, and contract assets	(1,188)	4,177
Decrease (increase) in inventories	199	(567)
Decrease (increase) in other assets	(3,023)	(1,267)
Increase (decrease) in trade payable	(901)	(932)
Increase (decrease) in accrued consumption taxes	39	(960)
Increase (decrease) in deposits received	1,061	(1,281)
Increase (decrease) in other liabilities	1,717	21
Other, net	(161)	(2)
Subtotal	18,102	11,468
Interest and dividends received	98	103
Interest paid	(374)	(445)
Subsidy received	968	723
Support money received	100	83
Income taxes paid	(12,932)	(4,535)
Net cash provided by (used in) operating activities	5,961	7,397

(Millions of yen)

	FY2022	FY2023
Cash flows from investment activities		
Decrease (increase) in time deposits	(21)	60
Purchase of property, plant, and equipment	(9,029)	(15,244)
Proceeds from sales of property, plant, and equipment	99	5
Purchase of intangible assets	(4,591)	(4,905)
Purchase of investment securities	(595)	(417)
Proceeds from sales of investment securities	1,790	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,268)	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	115,228
Loans advances	(10)	(6)
Proceeds from collection of loans receivable	20	8
Payments of leasehold and guarantee deposits	(638)	(815)
Proceeds from refund of leasehold and guarantee deposits	1,962	642
Payments for asset retirement obligation	(79)	(49)
Payments for acquisition of business	—	(207)
Other, net	(140)	(47)
Net cash provided by (used in) used in investment activities	(12,502)	94,252
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(14)	153
Proceeds from long-term borrowings	15,727	2,500
Repayments of long-term borrowings	(10,339)	(10,325)
Repayments of finance lease liabilities	(448)	(446)
Redemption of bonds	(586)	(586)
Proceeds from share issuance to non-controlling shareholders	201	559
Purchase of treasury shares	(0)	(597)
Proceeds from disposal of treasury shares	—	597
Purchase of treasury shares of subsidiaries	(1,506)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(162)	(164)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	5	—
Dividends paid	(1,392)	(1,392)
Dividends paid to non-controlling interests	(3,776)	(3,176)
Net cash provided by (used in) financing activities	(2,292)	(12,879)
Effect of exchange rate change on cash and cash equivalents	174	298
Net increase (decrease) in cash and cash equivalents	(8,658)	89,068
Cash and cash equivalents at beginning of period	56,578	47,919
Increase in cash and cash equivalents resulting from inclusion of subsidiaries from consolidation	—	59

Cash and cash equivalents at end of period
--

47,919

137,047

(5) Note to Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Important Items Considered Fundamental to the Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

1) Consolidated subsidiaries

- a. No. of consolidated subsidiaries: 59 companies
- b. Major consolidated subsidiaries: Pasona Inc.
Bewith, Inc.
Pasona Nihon Somubu Co., Ltd. *1
Nijigennomori Inc.
- c. New consolidated subsidiaries: 3 companies
Establishment Japanese Kosyukura Inc.
TECHNORESEARCH CO., LTD.
Change from non-consolidated subsidiary Pasona Force Inc.*2
- d. Exclusion from the scope of consolidation: 13 companies
CAPLAN Corporation *3
Pasona Japan Creative University Inc. *4
Benefit One Deutchland Gmbh *5
Benefit One Inc. and its subsidiaries *6

*1 The trade name was changed from Pasona Panasonic Business Service Co., Ltd.

*2 Transferred from a non-consolidated subsidiary due to increase in materiality.

*3 Merged with Pasona HR Solution Inc., a consolidated subsidiary of the Company, and was dissolved

*4. Merged with Pasona HR HUB Inc., a consolidated subsidiary of the Company, and was dissolved

*5.Excluded from the scope of consolidation due to completion of liquidation

*6 Benefit One Inc. and its nine subsidiaries were excluded from the scope of consolidation due to the sale of all shares of Benefit One Inc.

2) Non-consolidated subsidiary

- a. No. of non-consolidated subsidiaries: 4 companies
- b. Major non-consolidated subsidiaries: Tangokura Inc.
- c. Reasons for exclusion from the scope of consolidation:

The assets, sales, net profit & loss (the amount equivalent to equity shareholdings), and retained earnings (the amount equivalent to equity shareholdings) are considered insignificant and deemed to have immaterial impact on the consolidated financial statements. As a result, these non-consolidated subsidiaries have been excluded from the scope of consolidation.

2. Application of the Equity Method

1) Affiliated companies that are accounted for by the equity method

- a. No. of affiliated companies that are accounted for by the equity method 5 companies
- b. Major affiliated companies that are accounted for by the equity method
e-staffing Co., Ltd.
National Examination Center Inc.
circlace Inc.
- c. New affiliated companies that are accounted for by the equity method 1 company
Share acquisition Shadow Consulting Inc. *1

d. Exclusion from affiliated companies that are accounted for by the equity method 1 company
Trust Co., Ltd. *2

*1. The Company's subsidiary, Bewith, Inc. acquired new shares.

*2. As a result of the sale of all shares of Benefit One Inc., its affiliated company Trust Co., Ltd. were excluded from the scope of application of the equity method.

2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

a. No. of non-consolidated subsidiaries and affiliated companies not accounted for by the equity method:
5 companies

b. Major non-consolidated subsidiaries and affiliated companies not accounted for by the equity method
Tangokura Inc.

c. Reasons for exclusion from the scope of the equity method

Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method were excluded from the scope of consolidation, as their net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) had an immaterial impact on the Group and as their overall importance to the Group's performance was limited.

(Change in Presentation Method)

[Notes to Consolidated Statements of Income]

"Real estate rent" and "Rent expense on real estate," which were separately presented in the consolidated statements of income in the previous fiscal year, are included in "Other" under "Non-operating income" and "Other" under "Non-operating expenses," respectively, in the current fiscal year, because the amounts are insignificant.

In addition, "sponsorship money income," which was included in "other" under "non-operating income" in the previous fiscal year, is presented as a separate line item in the current fiscal year due to its increased importance in terms of amount.

The consolidated financial statements for the previous fiscal year have been reclassified to reflect these methods of presentation.

As a result of the above, "Real estate rent" of ¥185 million and "Other" of ¥440 million in "Non-operating income" in the consolidated statement of income for the previous fiscal year have been reclassified as "Sponsorship money income" of ¥100 million and "Other" of ¥525 million, and "Rent expense on real estate" of ¥141 million and "Other" of ¥203 million in "Non-operating expenses" have been reclassified as "Other" of ¥344 million.

[Consolidated cash flows]

"Gain (loss) on sale of shares of subsidiaries and associates," which was included in "Other" under "Net cash provided by (used in) operating activities" in the previous fiscal year, is presented as a separate line item in the current fiscal year because it has become significant in terms of amount.

In addition, "sponsorship income" and "support money received," which were included in "net cash provided by (used in) operating activities" in the consolidated statements of cash flows in the previous fiscal year, are separately presented in the current fiscal year due to their increased monetary importance.

The consolidated statements of cash flows for the previous fiscal year have been reclassified to reflect these presentation methods.

As a result of the above, in the consolidated statements of cash flows for the previous fiscal year, "Other" of ¥(178) million in "Net cash provided by (used in) operating activities" was reclassified as "Loss on sales of shares of subsidiaries and associates" of ¥(17) million and "Other" of ¥(161) million, and "Sponsorship income" of ¥(100) million and "Support money received" of ¥(100) million were presented.

(Business Combinations, etc.)

Business Divestitures

[Sale of shares of a subsidiary]

On February 8, 2024, the Board of Directors of the Company resolved to enter into an agreement with Dai-ichi Life Holdings Company, Inc. (the "Tender Offeror") that the Company will not tender all of its shares in the Benefit One Inc.(the "Target Company", which is a consolidated subsidiary of the Company and belongs to the outsourcing segment), in the tender offer (the "Tender Offer") to be conducted by the Offeror for the common shares of the Target Company. After the consummation of the Tender Offer, the Target Company will conduct a reverse stock split in which the Tender Offeror and the Company will be the only shareholders and then conduct a share repurchase (the "Share Repurchase"), whereby the Company will sell all of the shares of the Target Company it holds at that time, etc. Since the share transfer was completed on May 23, 2024, the execution date of this share buyback, the Target and its subsidiaries and others were excluded from the Company's scope of consolidation as of the end of the current fiscal year.

(1) Outline of Business Divestiture

1. Name of the company to be divested

Dai-ichi Life Holdings Company, Inc.

2. Name and Business of the Separated Subsidiary

Name of subsidiary: Benefit One Inc.

Description of business: Employee benefit business, personal business, CRM (Customer Relationship Management) business, Incentive Business, Health Care Business, Purchasing, Reimbursement Agency Business, Payment Business

3. Main Reasons for Business Divestiture

The Target Company belongs to the outsourcing segment of the Company and generates synergies in sales activities with the temporary staffing, placement and BPO services provided by the Group, and the Company has held shares of the Target Company for the purpose of enhancing the medium- to long-term corporate value of the Company and the Target Company. On the other hand, in the course for the Target Company, including the transfer of shares to a new partner, with a view to further increasing its corporate value. The Company received a proposal from the Offeror that it plans to commence the Tender Offer. After careful examination of the proposal received and the content of the public announcement, the Company concluded that the Offeror's proposal was economically rational and would contribute to improving the Company's corporate value, and decided to transfer the shares.

4. Date of Business Separation

May 23, 2024

5. Other matters related to the outline of the transaction, including legal form

Share transfer for which the consideration to be received is cash or other assets only

(2) Summary of accounting procedures performed

i. Amount of profit (loss) on transfer

Gain on sales of shares of subsidiaries and associates ¥112,040 million

ii. Appropriate book value of assets and liabilities related to the transferred business and their major breakdown

Current assets	¥24,142	million
Fixed assets	¥26,444	million
Total assets	¥50,587	million
Current liabilities	¥16,870	million
Long-term liabilities	¥9,385	million
Total liabilities	¥26,256	million

iii. Accounting treatment

The difference between the consolidated book value of the transferred shares and the sale price is recorded as "Gain on sales of shares of subsidiaries and associates" in extraordinary profit.

(3) Reportable segments in which the divested business was included

Outsourcing

(4) Estimated amount of profit/loss related to the separated business recorded in the consolidated statement of income for the current fiscal year

Net sales	¥38,962	million
Operating profit	¥7,615	million

(Segment Information, etc.)

[Segment Information]

1. Overview of reportable segments

(1) Method of determining reportable segments

The business segments reported by the Group are the business units for which the Group is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine the distribution of management resources and evaluate their business results.

The Group's principal business activities are comprehensive human resource-related support services. Accordingly, the Group has designated "Expert Services (Temporary staffing), BPO Services (Contracting), Others," "Career Solutions (Placement/Recruiting, Outplacement)," "Outsourcing," "Life Solutions," and "Regional Revitalization Solutions" as reporting segments. The Group as a holding company, pursues the formulation of strategies for the Group management and supports operation execution, governance of management, and the proper allocation of management resources, as well as developing new businesses related to job creation.

Benefit one Inc. and its subsidiaries were excluded from the scope of consolidation as of the end of the current fiscal year due to the sale of the Company's shares in Benefit One Inc., which was in charge of "Outsourcing".

(2) Matters related to changes in reportable segments, etc.

Following the reorganization of subsidiaries in the third quarter of the fiscal year, the Company reviewed and made changes to the information applicable to "BPO services" and "HR consulting, education and training, and others" in the revenue decomposition information, in light of the organizational structure and business activities after the reorganization. In addition, the decomposition information of revenue for the previous fiscal year is also presented in the amount after the change.

2. Method of computing net sales, profit (loss), assets, liabilities, and other items by reporting segment

The accounting treatment method for the Group's reporting segments is generally same as the consolidated financial statements.

Also, segment profit is based on operating profit.

The prices of intersegment transactions and transfers are determined by price negotiations based on the Group's submission of preferred prices after taking market conditions into account.

3. Information regarding net sales, profit (loss), assets, liabilities, and other items by reporting segment
FY2022 (For the fiscal year ended May 31, 2023)

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 1)	Figures in consolidated statements of income
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing					
Net Sales								
Expert Services	146,655	—	—	—	—	146,655	—	146,655
BPO Services	139,669	—	—	—	—	139,669	—	139,669
HR Consulting, Education & Training, Other	7,185	—	—	—	—	7,185	—	7,185
Global Sourcing	9,654	—	—	—	—	9,654	—	9,654
Career Solutions	—	13,893	—	—	—	13,893	—	13,893
Outsourcing	—	—	41,779	—	—	41,779	—	41,779
Life Solutions	—	—	—	7,686	—	7,686	—	7,686
Regional Revitalization Solutions	—	—	—	—	6,055	6,055	—	6,055
Revenue from contracts with customers	303,164	13,893	41,779	7,686	6,055	372,579	—	372,579
Other revenue	—	—	—	—	—	—	—	—
Net sales to outside customers	303,164	13,893	41,779	7,686	6,055	372,579	—	372,579
Intersegment sales and transfers	4,522	29	597	514	875	6,539	(6,539)	—
Total	307,687	13,923	42,376	8,200	6,931	379,119	(6,539)	372,579
Segment profit (loss)	15,132	4,089	10,487	364	(2,877)	27,196	(12,819)	14,377
Segment assets	157,934	21,680	53,940	2,564	17,803	253,922	21,582	275,504
Other items								
Depreciation and Amortization	1,166	140	1,674	51	1,160	4,194	932	5,126
Amortization of Goodwill	426	—	294	—	—	721	—	721
Impairment losses	—	—	—	—	—	—	—	—
Increase in tangible and intangible fixed assets	3,746	230	3,767	144	2,534	10,422	5,918	16,341

Notes:

1. The following are included in the adjustment item.

- (1) Adjustment of segment loss totaling ¥(12,819) million includes Group management costs relating to the Company and incubation cost of our new business totaling ¥(13,074) million, as well as intersegment sales and transfers totaling ¥255 million.
- (2) Adjustment of segment assets totaling ¥21,582 million includes the Company's cash and deposits and assets relating to Group management totaling ¥54,816 million, as well as intersegment sales and transfers totaling ¥(33,234) million.
- (3) Adjustment of depreciation and amortization totaling ¥932 million is mainly comprised of depreciation and amortization of assets relating to Group management totaling ¥982 million, as well as intersegment sales and transfers totaling ¥(50) million.
- (4) Adjustment of increase in tangible and intangible fixed assets totaling ¥5,918 million is mainly comprised of an increase of assets relating to Group management and headquarters functions totaling ¥6,037 million, as well as intersegment sales and transfers totaling ¥(119) million.

2. Segment profit is adjusted with operating profit under consolidated statements of income.

FY2023 (For the fiscal year ended May 31, 2024)

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 1)	Figures in consolidated statements of income
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing					
Net Sales								
Expert Services	133,964	—	—	—	—	133,964	—	133,964
BPO Services	140,144	—	—	—	—	140,144	—	140,144
HR Consulting, Education & Training, Other	7,476	—	—	—	—	7,476	—	7,476
Global Sourcing	10,791	—	—	—	—	10,791	—	10,791
Career Solutions	—	13,031	—	—	—	13,031	—	13,031
Outsourcing	—	—	38,431	—	—	38,431	—	38,431
Life Solutions	—	—	—	7,229	—	7,229	—	7,229
Regional Revitalization Solutions	—	—	—	—	5,663	5,663	—	5,663
Revenue from contracts with customers	292,376	13,031	38,431	7,229	5,663	356,733	—	356,733
Other revenue	—	—	—	—	—	—	—	—
Net sales to outside customers	292,376	13,031	38,431	7,229	5,663	356,733	—	356,733
Intersegment sales and transfers	4,709	22	530	563	559	6,385	(6,385)	—
Total	297,085	13,054	38,962	7,792	6,223	363,118	(6,385)	356,733
Segment profit (loss)	11,770	4,042	7,615	128	(2,588)	20,968	(14,174)	6,794
Segment assets	139,606	22,030	—	2,208	13,648	177,492	123,597	301,090
Other items								
Depreciation and Amortization	1,182	106	2,249	59	1,171	4,768	801	5,569
Amortization of Goodwill	455	—	294	—	0	750	—	750
Impairment losses	834	—	—	—	9,977	10,811	—	10,811
Increase in tangible and intangible fixed assets	2,138	127	3,019	15	6,948	12,249	8,231	20,480

Notes:

- The following are included in the adjustment item.
 - Adjustment of segment profit totaling ¥(14,174) million includes Group management costs relating to the Company and incubation cost of our new business totaling ¥(14,228) million, as well as intersegment sales and transfers totaling ¥53 million.
 - Adjustment of segment assets totaling ¥123,597 million includes the Company's cash and deposits and assets relating to Group management totaling ¥159,144 million, as well as intersegment sales and transfers totaling ¥(35,546) million.
 - Adjustment of depreciation and amortization totaling ¥801 million is mainly comprised of depreciation and amortization of assets relating to Group management.
 - Adjustment of increase in tangible and intangible fixed assets totaling ¥8,231 million is mainly comprised of an increase of assets relating to Group management and headquarters functions totaling ¥8,240 million, as well as intersegment sales and transfers totaling ¥(8) million.
- Segment profit is adjusted with operating profit under consolidated statements of income.
- Benefit One Inc. and its subsidiaries, a consolidated subsidiary of the Company that was responsible for outsourcing during the current consolidated fiscal year, were excluded from the scope of consolidation. As a result, no segment assets were recorded at the end of the current consolidated fiscal year.

(additional information)

Change in segment classification from the following fiscal year

In the current fiscal year, the Group's reportable segments were divided into "Expert Services, BPO Services, etc.," "Career Solutions," "Outsourcing," "Life Solutions," and "Regional Revitalization Solutions," but some of these segments were reclassified in the following fiscal year. The Group's reportable segments were "BPO Solutions, Expert Solutions," "Career Solutions," "Global Solutions," "Life Solutions," and "Regional Revitalization and Tourism Solutions".

Benefit One Inc., a consolidated subsidiary of the Company, which was responsible for outsourcing in the current consolidated fiscal year, and its subsidiaries, etc., were excluded from the scope of consolidation; therefore, there is no outsourcing from the following consolidated fiscal year.

Information on sales and profit or loss by reportable segment for the current fiscal year based on the segment classification after the change is as follows.

FY2023 (For the fiscal year ended May 31, 2024)

(Millions of yen)

	Reporting segments						Total	Adjustment (Note 1)	Figures in consolidated statements of income
	HR Solutions		Global Solutions	Life Solutions	Regional Revitalizati on and Tourism Solutions	Outsourcing			
	BPO Solutions, Expert Solutions	Career Solutions							
Net Sales									
BPO Solutions	145,059	—	—	—	—	—	145,059	—	145,059
Expert Solutions	136,501	—	—	—	—	—	136,501	—	136,501
Career Solutions	—	13,031	—	—	—	—	13,031	—	13,031
Global Solutions	—	—	10,791	—	—	—	10,791	—	10,791
Life Solutions	—	—	—	7,229	—	—	7,229	—	7,229
Regional Revitalization and Tourism Solutions	—	—	—	—	5,688	—	5,688	—	5,688
Outsourcing	—	—	—	—	—	38,431	38,431	—	38,431
Revenue from contracts with customers	281,560	13,031	10,791	7,229	5,688	38,431	356,733	—	356,733
Other revenue	—	—	—	—	—	—	—	—	—
Net sales to outside customers	281,560	13,031	10,791	7,229	5,688	38,431	356,733	—	356,733
Intersegment sales and transfers	3,101	22	233	563	922	530	5,372	(5,372)	—
Total	284,661	13,054	11,024	7,792	6,610	38,962	362,106	(5,372)	356,733
Segment profit (loss)	11,582	4,042	270	128	(2,671)	7,615	20,968	(14,174)	6,794

Notes:

1. Adjustment of segment profit totaling ¥(14,174) million includes Group management costs relating to the Company and incubation cost of our new business totaling ¥(14,228) million, as well as intersegment sales and transfers totaling ¥53 million
2. Segment profit is adjusted with operating profit under consolidated statements of income

[Related information]

FY2022 (For the fiscal year ended May 31, 2023)

1. Information by product and service

Nothing is stated herein as similar information is disclosed in segment information.

2. Information on geographic areas

(1) Net sales

Since the percentage of net sales in Japan exceeds 90%, information on geographic areas is omitted in this report.

(2) Property, plants, and equipment

Because the percentage of total property, plants, and equipment located in Japan exceeds 90%, information on geographic areas is omitted in this report.

3. Information by major customer

No major customer is stated because no customer accounted for more than 10% of net sales.

FY2023 (For the fiscal year ended May 31, 2024)

1. Information by product and service

Nothing is stated herein, as similar information is disclosed in segment information.

2. Information on geographic areas

(1) Net sales

Because the percentage of net sales in Japan exceeds 90%, information on geographic areas is omitted in this report.

(2) Property, plants, and equipment

Because the percentage of total property, plants, and equipment located in Japan exceeds 90%, information on geographic areas is omitted in this report.

3. Information by major customer

No major customer is stated because no customer accounted for more than 10% of net sales.

[Information regarding Impairment Loss on fixed assets by reporting segment]

FY2022 (For the fiscal year ended May 31, 2023)

None

FY2023 (For the fiscal year ended May 31, 2024.)

Because an impairment loss on fixed assets has been already disclosed in the segment information, it is omitted in this report.

[Information regarding Unamortized Balance of Goodwill by reporting segment]

FY2022 (For the fiscal year ended May 31, 2023)

(Millions of yen)

	Reporting segments					Adjustment	Total
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing	Life Solutions	Regional Revitalization Solutions		
Balance at the end of the period	1,823	—	5,529	—	—	—	7,353

FY2023 (For the fiscal year ended May 31, 2024)

(Millions of yen)

	Reporting segments					Adjustment	Total
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing	Life Solutions	Regional Revitalization Solutions		
Balance at the end of the period	842	—	—	—	—	—	842

(Note) Benefit One Inc. and its subsidiaries, a consolidated subsidiary of the Company that was responsible for outsourcing during the current consolidated fiscal year, were excluded from the scope of consolidation. As a result, there is no unamortized balance of goodwill as of the end of the current fiscal year.

[Information regarding Gain on Bargain Purchase by reporting segment]

FY2022 (For the fiscal year ended May 31, 2023)

None

FY2023 (For the fiscal year ended May 31, 2024)

None

(Per Share Information)

(Yen)

	FY2022	FY2023
Net assets per share	1,378.40	3,789.42
Net profit per share	155.70	2,447.56
Diluted net profit per share	155.22	2,446.76

(Notes)

1. The Company's shares in BBT and J-ESOP, which are reported as treasury shares under Shareholders' equity, are not counted toward the number of treasury shares as of the period-end and the average number of shares outstanding for the period, for the purpose of computing earnings and net assets per share.

The number of treasury shares deducted for calculation of net assets per share was 424,862 in FY2022 and 601,862 in FY2023, in terms of BBT, and was 297,514 in FY2022 and 464,274 in FY2023 in terms of J-ESOP (year-end basis). The number of treasury shares deducted for calculation of net profit per share was 424,862 in FY2022 and 572,362 in FY2023, in terms of BBT, and was 297,664 in FY2022 and 441,470 in FY2023 in terms of J-ESOP (year-average basis).

2. The following shows the basis for calculating net profit per share and diluted net profit per share.

(Millions of yen)

Items	FY2022	FY2023
Profit attributable to owners of the parent	6,099	95,891
Amount not applicable to shareholders of common stock	—	—
Profit attributable to owners of the parent applicable to common stock	6,099	95,891
Average number of shares for the period (shares)	39,174,636	39,178,295
Diluted net profit per share		
Adjustment to net profit attributable to owners of the parent	(18)	(31)
(Adjustment due to latent shares of consolidated subsidiaries)	((18))	((31))
Overview of diluted shares excluded from the calculation of net profit per share after adjusting for diluted share because of lack of diluting effect	—	—

3. The following shows the basis of calculating net assets per share.

(Millions of yen)

Items	As of May 31, 2023	As of May 31, 2024
Total net assets	71,624	154,661
Amount deducted from total net assets	17,625	6,173
Net assets applicable to common stock as of the fiscal period-end	53,998	148,488
Number of common stock shares used to calculate net assets per share (shares)	39,174,780	39,184,940

(Important Subsequent Events)

None