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February 2, 2023

Consolidated Financial Results for the First Nine Months of Fiscal Year Ending March 31, 2023 (Under IFRS)

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 Listing: Tokyo Stock Exchange
 Securities code: 2130
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 Scheduled date to file quarterly securities report: February 8, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: No

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the first nine months of fiscal year ending March 31, 2023 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2022	12,610	19.1	607	(38.8)	558	(43.6)	379	(44.8)
December 31, 2021	10,592	25.5	992	75.8	989	77.7	687	68.3

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Nine months ended						
December 31, 2022	379	(44.8)	379	(44.8)	28.59	28.37
December 31, 2021	687	68.3	687	68.2	52.77	51.58

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of				
December 31, 2022	10,174	6,046	6,046	59.4
March 31, 2022	10,404	5,895	5,895	56.7

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	0.00	—	25.00	25.00
Fiscal year ending March 31, 2023	—	0.00	—		
Fiscal year ending March 31, 2023 (Forecast)				30.00	30.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecast for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	17,300	15.8	1,200	(36.0)	1,180	(37.8)	850	(39.5)

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Full year	850	(39.5)	65.20

(Note) Changes from the latest financial forecast: Yes

1. The above consolidated earnings forecast is based on IFRS.

2. "Basic earnings per share" was calculated based on the average number of shares in FY 3/2022 (13,037,276).

*** Notes**

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

Newly included: —

Excluded: —

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: Yes

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2022	13,362,900 shares
As of March 31, 2022	13,217,900 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2022	77,518 shares
As of March 31, 2022	90,124 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	13,262,025 shares
Nine months ended December 31, 2021	13,021,337 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notes regarding the description, etc. related to the future)

The descriptions about the future, such as the business forecast, in this document are based on the information the company has obtained so far and certain assumptions that are considered reasonable, and our company does not guarantee that the results will be as forecasted. There is a possibility that actual business performance, etc. will be considerably different from the forecast due to various factors. For the assumptions for the earnings forecast, notes for the use of the forecast, etc., please refer to “1, Qualitative Information Regarding the Financial Results for the Current Quarter, (3) Explanation Regarding the Future Forecast Information such as Consolidated Earnings Forecast” on page 5 of the Appendix.

(How to obtain the material for supplementary explanations on financial results and the contents of the session for briefing financial results)

The English material for supplementary explanations on financial results will be uploaded to the website of our company on Thursday, February 2, 2023.

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1. Qualitative Information Regarding the Financial Results for the Current Quarter

(1) Explanation Regarding Business Results

Management's Explanation and Analysis of Business Results

Due to the climate change caused by global warming, severe natural disasters have been occurring frequently all over the world.

In Japan, the Carbon-Neutral policy to virtually eliminate the emission of greenhouse gases such as carbon dioxide, which are a major cause of global warming, by 2050 was announced. We are expecting businesses, including their marketing activities, to transform into a model that facilitates decarbonization and resolution of societal issues by accelerating corporate transformations through the utilization of digital technologies for continuous value creation.

As the digital business becomes more active, each company is having difficulty to recruit and train creative personnel who are versed in the Internet and digital technology internally, and such personnel shortage is now a huge hurdle to digitalization. In Japan, the jobs-to-applicants ratio for IT engineers in December 2022 was 12.09, showing a significantly high demand compared to the overall average ratio of 2.54 (Persol Career Co., Ltd.: Jobs-to-Applicants Ratio Report, published on January 19, 2023). There is a conspicuous shortage of human resources.

Under such circumstances, we uphold to create a spiritually rich society through "MEMBERSHIP" as our mission, and aim to convert our client companies' management style, marketing activities, services, and products into "Sustainable Ones for the Earth and Society" through our support to clients' digital business operation.

Our corporate group focuses on the following two social issues: "environmental changes due to global warming and climate change" and "failure of the pension and medical systems due to population decline, the disappearance of local governments due to the local decline, and fiscal failure," and will work to realize a spiritually rich society in which people and companies not only pursue their self-interest, but also cooperate each other by sharing hopes for a better sustainable future and willingness to participate in society..

We are primarily developing two businesses (EMC business and PGT business) centered around the digital domain.

<Overview of Consolidated Financial Statements>

For the consolidated cumulative third quarter of the current term, revenue was 12,610 million yen (up 19.1% from the same cumulative quarter of the previous fiscal year), operating profit was 607 million yen (down 38.8% from the same cumulative quarter of the previous fiscal year), profit before income taxes was 558 million yen (down 43.6% from the same cumulative quarter of the previous fiscal year), and profit attributable to the owners of the parent was 379 million yen (down 44.8% from the same cumulative quarter of the previous fiscal year).

Sales revenue increased 19.1% from the same cumulative quarter of the previous fiscal year, recording the highest sales for the cumulative third quarter. Centered on specialized companies, revenue from the PGT business maintained a high growth rate of 35.9% year-on-year, and the sales ratio of non-website operations increased by 7.1 percentage points from the end of the previous fiscal year. On the other hand, operating profit decreased compared with the same period of the previous fiscal year due to delays in acquiring customers and a decline in the operation rate, as well as aggressive upfront investment such as recruitment aimed at achieving the target sales growth rate of 25%.

Against the backdrop of the expansion of the digital economy and the shortage of IT human resources, we have set a growth rate target of 25% in VISION2030. To meet this target, we have successfully secured a sufficient number of digital creators, mainly new graduates, as 2,020 (up 24.5% from the end of the previous fiscal year) on a consolidated basis. However, the operating rate of those creators declined because of the delay in customer development due to our sales tactics depending on existing customers and the fact that the non-web operation area of large customers in the EMC business, which was targeted as a growth area, is still under development. In addition, compared to the strong hiring of new graduates, the number of mid-career hires has fallen below the target since the fiscal year ending March 31, 2021. As a result, the ratio of new graduates to the total number of employees has increased significantly, and the operating rate and service capabilities have declined. Accordingly, the sales growth rate will not catch up with the growth rate of digital creators, and we expect a decrease in profit in the fiscal year ending March 31, 2023.

In the next fiscal year as well, we anticipate a decline in operating rates and profitability similar to this fiscal year by investing in new graduates and mid-career recruits and expanding human capital with a medium- to long-term perspective. However, we aim to establish a high-growth model by executing the following three policies; (1) Strengthen our sales capabilities by separating sales from production, (2) further expand specialized companies in non-website operation fields, and (3) improve the human resource portfolio by expanding investment in mid-career recruitment / drastically strengthening training. Then, we will aim to realize our target growth rate of 25% in value-added sales and a 10% operating profit margin from the fourth quarter of the fiscal year ending March 31, 2024 onwards.

1. Strengthen our sales capabilities by separating sales from production

From October 2022, we have established a new Sales & Marketing Division that integrates the sales and marketing departments of the entire group, develop a company-wide separation of production and sales, and promote and strengthen our sales strategy. During the third quarter of the fiscal year ending March 31, 2023, the amount of sales investment increased by about two times compared to the previous fiscal year, and the number of active digital creators and customers is on the rise. In the fourth quarter of the fiscal year ending March 31, 2024, we will build a sales system to increase the number of digital creators operating on a quarterly basis by 250 compared to the previous quarter. In addition, out of the number of our customers, the number of “performance-based team model companies” (the total number of companies providing the former EMC and PGT model) were 103 companies at the end of this quarter (an increase of 28 companies from the end of the previous fiscal year). “Performance-based team model companies” are the customers we provide services with three or more digital creators pursue results and provide services as a team dedicated to client companies. Aiming for 200 companies by the end of March 2024, we will accelerate the conversion of PGT business customers to a performance-based team model, increase unit prices, and acquire new customers.

2. Further expansion of specialized companies in non-website operation fields

Towards 2030, we will increase the sales ratio of the conventional website operation area to 20% and expand the sales ratio of the non-website operation area to 80%. We aim to develop value-added services that require specialized knowledge over the medium to long term. We are continuing to launch specialized companies focused on non-website operation areas, and the growth of these specialized companies has led to an upward trend in sales ratios other than website operation areas. Value-added sales per employee of specialized companies are higher than the company-wide average, contributing to the improvement of consolidated value-added sales per employee. In the current fiscal year, we established three new in-house companies specializing in XR (virtual reality, etc.), AI (artificial intelligence), and QA (quality assurance) to expand our specialized areas. In the fiscal year ending March 31, 2024, we will also establish four or more new in-house companies annually, aiming to reach 700 digital creators in this area with an annual growth rate of 65% or more.

3. Improving the human resources portfolio by expanding investment in mid-career recruitment and drastically strengthening training

From the fiscal year ending March 2023, based on the strategy of the entire group, we have shifted to group-wide recruitment activities, which had been conducted by each in-house company until the fiscal year ended March 2022. We are beginning to see results, such as hiring more than 200 digital creators per year due to our active recruitment investment. In the fiscal year ending March 31, 2024, we plan to further accelerate this move and increase the number of mid-career hires more strategically. Although there will be no change to the existing “new graduate hiring and training model,” we will limit the number of new graduates hired from April 2024 onwards until the favorable balance between mid-career hires and new graduates hires is achieved, and we will increase the ratio of mid-career hires among all digital creators. This is a policy to create a foundation for improving service capabilities. Through this, we aim to improve the operating rate and unit price over the medium to long term and increase value-added sales per employee. In addition, regardless of whether they are mid-career or new graduates, we will continue to secure an investment amount of 2% or more of value-added sales for employee education and training. We have also launched such initiatives as establishing a skill development headquarters, introducing a specialized skills certification system, and transferring young employees to specialized companies. We will radically speed up the development of young employees.

<EMC Business Outline>

In the EMC business centered on EMC Company, we have organized the Engagement Marketing Center (EMC), which consists of teams dedicated to continuously improve business results and user engagement for the customers of large companies by using digital means. It offers a comprehensive support service from discovering issues and requirement definition from the point of view of client companies, to the development and operation of digital services and products.

In the fiscal year ending March 2023, we will focus on customer success and set a policy of supporting the in-house development of digital organizations of client companies. We will provide long-term operational support by a digital creator team dedicated to customers, mainly in the digital marketing area for the marketing departments of large companies and create CSV*¹ and decarbonization case examples.

In this consolidated cumulative third quarter, the sales revenue of EMC business was 8,046 million yen (IFRS*Reference Value: Up 8.3% from the same cumulative quarter of the previous fiscal year). The number of digital creators belonging to the EMC business was 1,088 (up 188 from the end of previous fiscal year).

<PGT Business Outline>

In the PGT (Product Growth Team) business, since this fiscal year ended March 31, 2022, we have shifted the focus of its services from “the conventional business that was offering creators with specialized skills,” to “supporting customer’s digital product growth.”

The PGT business mainly provide services to companies that have high growth potential and are also proactive in digital and IT technology investment, by sending autonomous teams of our digital creators supporting these clients’ product growth. Our team of digital creators dedicated to our clients will work together with client companies, and through the support for the development of digital products, we will support not only the planning and initial construction/implementation of digitalization but also the organizations that enable long-term operation.

In this consolidated cumulative third quarter, the sales revenue of PGT business was 5,000 million yen (IFRS*Reference Value: Up 35.9% from the same cumulative quarter of the previous fiscal year). The number of digital creators belonging to the PGT business was 931 (up 208 from the end of previous fiscal year).

<Our Corporate Group’s Policies and Initiatives>

Our company decided to integrate the three major internal companies: EMC Company, Members Career Company, and Members Edge Company in April 2023 (scheduled), for the purpose of executing our strategies for personnel development, sales and services in an integrated and group-wide manner. In the term ending March 2023, we proceed with the establishment of an integrated system for sales, recruitment, and personnel development. The other internal companies that are not subject to the integration this time specialize in their respective specialized fields, so we will expand our business with an eye to expanding non-web operation fields. Going forward, we will continue to launch multiple companies specializing in specialized fields. In order to fully back up the digitalization of our customers, we will establish the world's best digital business operation support from various technological fields and achieve a high level of customer success.

The impacts of COVID-19 and geopolitical issues on the Japanese economy are still uncertain, but we expect that enterprises will invest in digitalization at an accelerated pace. Under these circumstances, our company group will actively invest in human capital, especially mid-career recruitment, to increase the number of digital creators who are the source of value creation for customers. In addition, we will focus on cultivating new customers, expanding new projects for existing customers and further strengthening our sales structure. In parallel, we will further invest in education in specialized fields and transfer creators to other in-house companies with high unit prices, to improve added value sales per person.

As we continue to work on fulfilling our long-term vision, VISION 2030 (https://www.members.co.jp/ir/pdf/20200508_04.pdf), we will take initiatives with the aim of achieving the important KPIs of 100,000 social creators (*2), the total amount of social engagement (*3) of 10 billion, 10,000 employees, and an operating profit of 10 billion yen.

(*1) CSV (Creating Shared Value): It is a concept proposed by Professor Michael Porter of Harvard University, who is known as a world leader in corporate competitive strategies, in a paper he submitted to the Harvard Business Review January/February 2011 issue (the Japanese version is Diamond’s “DIAMOND Harvard Business Review” June 2011 issue). CSV stands for “initiatives to create value for both society and companies by solving social issues and improving corporate profits and competitiveness at the same time.”

(*2) Social Creator: A motivated creator (artisan) with design thinking, who tries to resolve societal issues through the promotion of business, systemic design, and output.

(*3) Social Engagement: The number of contacts with the contents, products, and services worked on by Members Group as its policy to resolve societal issues.

(2) Explanation Regarding the Financial Standing

i) Status of Assets, Liabilities, and Shareholders’ Equity

The total assets at the cumulative third quarter of the current consolidated term were 10,174 million yen (down 230 million yen from the end of the previous consolidated fiscal year). This is primarily due to an increase of 935 million yen in other financial assets, an increase of 217 million yen in other current assets, along with a decrease of 1,343 million yen in cash and cash equivalents.

Total liabilities stood at 4,127 million yen (down 381 million yen from the end of the previous consolidated fiscal year). This was primarily due to an increase of 79 million yen in allowance and an increase of 60 million yen in other current liabilities, along with a decrease of 366 million yen in income taxes payable and a decrease of 186 million yen in lease liabilities.

Total equity was 6,046 million yen (up 151 million yen from the end of the previous consolidated fiscal year). This was primarily due to an increase of 57 million yen in capital surplus, an increase of 53 million yen in capital stock and an increase of 50 million yen in retained earnings.

ii) Status of Cash Flows

The cash and cash equivalent (hereinafter referred to as “funds”) at the end of the cumulative third quarter of the current consolidated term was 3,882 million yen, down 1,343 million yen from the end of the previous consolidated fiscal year. The status of each cash flow for the cumulative third quarter and the factors behind them are as follows.

(Cash Flows from Operating Activities)

The funds acquired during the cumulative third quarter as a result of operating activities amounted to 350 million yen (581 million yen acquired during the same cumulative quarter of the previous year). The income was mainly from 558 million yen of profit before income taxes and 364 million yen in depreciation and amortization while the expenditure was mainly from 334 million yen paid as income taxes paid and 212 million yen in other.

(Cash Flows from Investing Activities)

The funds used during the cumulative third quarter as a result of investing activities amounted to 1,129 million yen (10 million yen used in the same cumulative quarter of the previous year). The expenditure was mainly from 992 million yen in purchase of investments and 137 million yen in purchase of property, plant and equipment.

(Cash Flows from Financing Activities)

The funds used during the cumulative third quarter as a result of financing activities amounted to 563 million yen (411 million yen used in the same cumulative quarter of the previous year). The income was mainly from 95 million yen in proceeds from exercise of share acquisition rights and the expenditure was mainly from 332 million yen in expenditure for the repayment of lease liabilities and 326 million yen as dividends paid.

(3) Explanation Regarding the Future Forecast Information such as Consolidated Earnings Forecast

We have revised the full-year consolidated earnings forecast for the term ending March 2023, which was announced on May 10, 2022, while considering the results for the cumulative third quarter of the current consolidated term and the current outlook.

Revision to the full-year consolidated earnings forecast for the term ending March 2023 (Apr. 1, 2022 to Mar. 31, 2023)

	Sales revenue	Operating profit	Profit before tax	Profit	Profit attributable to owners of parent	Basic earnings per share
Forecast announced previously (A)	millions of yen 18,200	millions of yen 2,200	millions of yen 2,185	millions of yen 1,573	millions of yen 1,573	yen 120.65
Forecast announced this time (B)	17,300	1,200	1,180	850	850	65.20
Change (B-A)	(900)	(1,000)	(1,005)	(723)	(723)	
Change rate (%)	(4.9)	(45.5)	(46.0)	(46.0)	(46.0)	

(Regarding the Dividend Forecast)

From the point of enhancing the return of profits to all of our shareholders and further increasing enterprise value, we will retain earnings in preparation for new business investment for long-term profit growth and the expansion in business activities, as well as set a fundamental policy of the distribution of profits according to the improvement of business results and a continuous increase in the dividend amount. Our medium-term target of an equity dividend ratio attributable to owners of the consolidated parent company is about 5%.

After comprehensively taking into account of the DOE and dividend payout ratio, the term-end dividend for FY 3/2023 is planned to be 30.00 yen.

Although we have revised our full-year earnings forecast as described above, we have not changed our dividend forecast in light of our financial situation and future growth prospects. In the fiscal year ending March 31, 2023, we will see a temporary decrease in profit, but we will continue to pursue improvement policies, continue to invest in future growth, and continue to aim to realize VISION2030.

2. Summary of Consolidated Financial Statements and Major Notes

(1) Summary of Quarterly Consolidated Balance Sheets

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2022)	3 rd quarter of the current consolidated accounting year (Dec. 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	5,226,706	3,882,944
Trade receivables and other receivables	3,075,859	3,155,597
Inventory assets	48,632	96,014
Other current assets	224,303	441,690
Total current assets	8,575,502	7,576,247
Non-current assets		
Tangible fixed assets	237,803	344,070
Rights to use as assets	713,578	608,557
Goodwill	116,115	116,115
Intangible assets	12,425	10,488
Other financial assets	373,657	1,309,153
Deferred tax assets	375,346	209,566
Total non-current assets	1,828,927	2,597,951
Total assets	10,404,429	10,174,198

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2022)	3 rd quarter of the current consolidated accounting year (Dec. 31, 2022)
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Lease liabilities	400,434	284,083
Trade payables and other payables	1,068,471	1,117,498
Income taxes payable	370,219	3,810
Contract liabilities	30,200	12,650
Other current liabilities	2,326,547	2,387,223
Total current liabilities	4,195,872	3,805,266
Non-current liabilities		
Lease liabilities	197,817	127,566
Allowance	115,362	194,924
Total non-current liabilities	313,180	322,491
Total liabilities	4,509,052	4,127,757
Shareholders' equity		
Capital stock	963,358	1,016,922
Capital surplus	281,704	339,256
Treasury shares	(8,477)	(7,750)
Other components of equity	52,190	40,477
Retained earnings	4,606,602	4,657,535
Total equity attributable to owners of the parent	5,895,377	6,046,440
Total shareholders' equity	5,895,377	6,046,440
Total liabilities and equity	10,404,429	10,174,198

(2) Summary of Quarterly Consolidated Statements of Income

[unit: thousand yen]

	Cumulative 3Q FY2022 (Apr. 1, 2021 to Dec. 31, 2021)	Cumulative 3Q FY2023 (Apr. 1, 2022 to Dec. 31, 2022)
Revenue	10,592,147	12,610,779
Cost of sales	7,413,801	9,131,476
Gross profit	3,178,346	3,479,302
Selling, general and administrative expenses	2,202,995	2,876,023
Other income	21,621	12,695
Other expenses	4,294	8,575
Operating profit	992,677	607,399
Finance income	1,535	22
Finance costs	4,567	49,194
Profit before income taxes	989,645	558,228
Income taxes	302,560	179,121
Profit for the period	687,085	379,107
Profit attributable to		
Owners of parent	687,085	379,107
Net profit	687,085	379,107
Earnings per share		
Basic earnings per share (yen)	52.77	28.59
Diluted earnings per share (yen)	51.58	28.37

(3) Summary of Quarterly Consolidated Statements of Comprehensive Income

[unit: thousand yen]

	Cumulative 3Q FY2022 (Apr. 1, 2021 to Dec. 31, 2021)	Cumulative 3Q FY2023 (Apr. 1, 2022 to Dec. 31, 2022)
Profit for the period	687,085	379,107
Comprehensive income	687,085	379,107
Comprehensive income attributable to		
Owners of parent	687,085	379,107
Comprehensive income	687,085	379,107

(4) Summary of Quarterly Consolidated Statements of Changes in Equity

Consolidated third quarter of the prior fiscal year ended March 2022 (Apr. 1, 2021 to Dec. 31, 2021)

[unit: thousand yen]

	Equity attributable to owners of parent						Total equity
	Capital stock	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	
Balance on April 1, 2021	910,405	228,752	(8,240)	55,622	3,427,635	4,614,175	4,614,175
Profit for the period	—	—	—	—	687,085	687,085	687,085
Total comprehensive income	—	—	—	—	687,085	687,085	687,085
Exercise of share acquisition rights	26,078	26,078	—	(6,799)	—	45,358	45,358
Issuance of share acquisition rights	—	—	—	9,516	—	9,516	9,516
Purchase of treasury shares	—	—	(236)	—	—	(236)	(236)
Dividends	—	—	—	—	(225,579)	(225,579)	(225,579)
Total transactions with owners	26,078	26,078	(236)	2,716	(225,579)	(170,942)	(170,942)
Balance on December 31, 2021	936,484	254,831	(8,477)	58,338	3,889,141	5,130,318	5,130,318

Consolidated third quarter of the current fiscal year ending March 2023 (Apr. 1, 2022 to Dec. 31, 2022)

[unit: thousand yen]

	Equity attributable to owners of parent						Total Equity
	Capital stock	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	
Balance on April 1, 2022	963,358	281,704	(8,477)	52,190	4,606,602	5,895,377	5,895,377
Profit for the period	—	—	—	—	379,107	379,107	379,107
Total comprehensive income	—	—	—	—	379,107	379,107	379,107
Exercise of share acquisition rights	53,564	53,564	—	(11,693)	—	95,435	95,435
Purchase of treasury shares	—	—	(476)	—	—	(476)	(476)
Disposition of treasury shares	—	3,987	1,203	—	—	5,190	5,190
Expiration of share acquisition rights	—	—	—	(19)	19	—	—
Dividends	—	—	—	—	(328,194)	(328,194)	(328,194)
Total transactions with owners	53,564	57,551	726	(11,713)	(328,174)	(228,044)	(228,044)
Balance on December 31, 2022	1,016,922	339,256	(7,750)	40,477	4,657,535	6,046,440	6,046,440

(5) Summary of Quarterly Consolidated Statements of Cash Flows

[unit: thousand yen]

	Cumulative 3Q FY2022 (Apr. 1, 2021 to Dec. 31, 2021)	Cumulative 3Q FY2023 (Apr. 1, 2022 to Dec. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	989,645	558,228
Depreciation and amortization	262,387	364,293
Finance income	(1,535)	(22)
Finance costs	3,967	48,001
(Increase) decrease in inventories	(56,141)	(47,382)
(Increase) decrease in trade and other receivables	(164,644)	(97,261)
Increase (decrease) in trade and other payables	89,409	55,351
Other	(39,845)	(212,018)
Subtotal	1,083,243	669,189
Interest and dividends received	5,404	13,942
Proceeds from subsidy income	1,508	1,383
Proceeds from insurance income	6,000	6,000
Interest paid	(3,163)	(6,138)
Income taxes paid	(577,420)	(334,345)
Income taxes refund	65,578	4
Cash flows from operating activities	581,150	350,034
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,448)	(137,151)
Purchase of intangible assets	(3,960)	(2,904)
Purchase of investments	—	(992,459)
Other	(1,554)	2,588
Cash flows from investing activities	(10,963)	(1,129,926)
Cash flows from financing activities		
Repayments of lease liabilities	(240,599)	(332,110)
Proceeds from issuance of share acquisition rights	9,516	—
Proceeds from exercise of share acquisition rights	45,358	95,435
Payments for purchase of treasury shares	(236)	(476)
Dividends paid	(225,589)	(326,719)
Cash flows from financing activities	(411,551)	(563,870)
Net increase (decrease) in cash and cash equivalents	158,635	(1,343,762)
Cash and cash equivalents at beginning of period	4,140,847	5,226,706
Cash and cash equivalents at end of period	4,299,482	3,882,944

(6) Notes to Summary of Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no related information.

(Revision to Accounting Estimates)

In this consolidated cumulative third quarter, regarding the asset retirement obligation, recorded as the restoration cost associated with the real estate lease contracts, we have changed the restoration cost estimate because of new information due to the expansion of the head office and Sendai Office. 6,196 thousand yen was added to the balance of asset retirement obligations due to the change in the restoration cost estimate, and it was recorded as an allowance.

The effect of this change on the financial statements for this consolidated cumulative third quarter is minor.

(Significant Subsequent Events)

Acquisition of treasury stock

At the meeting of the board of directors held on February 2, 2023, we made a resolution about the acquisition of treasury shares in accordance with Article 156 of the Companies Act, which will be applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the Companies Act. For details, please refer to “Notification on the decision about the acquisition of treasury shares” released on the same date.