Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

May 10, 2024

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Under IFRS)

Company name: Members Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 2130
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Representative: Akihiko Takano, Representative Director and President
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Telephone: +81-3-5144-0660
Scheduled date of annual general meeting of shareholders: June 20, 2024
Scheduled date to commence dividend payments: June 21, 2024
Scheduled date to file annual securities report: June 21, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts and institutional investors)

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

1. Consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	20,467	15.9	41	(97.1)	136	(90.2)	126	(87.5)
March 31, 2023	17,662	18.2	1,441	(23.2)	1,399	(26.2)	1,009	(28.2)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Fiscal year ended	Millions of yen	%	Millions of yen	%	Yen	Yen
March 31, 2024	126	(87.5)	276	(72.3)	9.71	9.71
March 31, 2023	1,009	(28.2)	995	(29.1)	76.18	75.79

	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
Fiscal year ended	%	%	%
March 31, 2024	2.1	1.2	0.2
March 31, 2023	16.5	12.9	8.2

Reference: Share of profit (loss) of investments accounted for using equity method
For the fiscal year ended March 31, 2024: ¥ - million
For the fiscal year ended March 31, 2023: ¥ - million

Note: Due to the application of IAS 12 “Income Taxes” (amended in May 2021), results for the fiscal year ended March 31, 2023, have been retrospectively restated.

(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	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2024	11,527	5,934	5,934	51.5	464.84
March 31, 2023	11,305	6,366	6,366	56.3	486.49

Note: Due to the application of IAS 12 "Income Taxes" (amended in May 2021), figures as of March 31, 2023, have been retrospectively restated.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	584	(100)	(1,187)	3,776
March 31, 2023	1,398	(1,165)	(980)	4,479

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2023	—	0.00	—	30.00	30.00	392	39.4	6.4
Fiscal year ended March 31, 2024	—	0.00	—	31.00	31.00	395	319.3	6.5
Fiscal year ending March 31, 2025 (Forecast)	—	0.00	—	32.00	32.00		278.0	

3. Consolidated earnings forecast for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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	%
First half(cumulative)	10,950	13.9	(550)	—	(550)	—	(400)	—
Full year	23,230	13.5	200	379.4	180	31.7	150	18.6

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
First half(cumulative)	(400)	—	(30.70)
Full year	150	18.6	11.51

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 3/2024 (13,028,540).

*** 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: Yes

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

(iii) Changes in accounting estimates: Yes

Note: Please refer to "4. Consolidated Financial Statements and Major Notes (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies) and (Changes in accounting estimates) for details.

(3) Number of issued shares (ordinary shares)

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

As of March 31, 2024	13,421,700 shares
As of March 31, 2023	13,363,700 shares

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

As of March 31, 2024	654,512 shares
As of March 31, 2023	277,518 shares

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

Fiscal year ended March 31, 2024	13,028,540 shares
Fiscal year ended March 31, 2023	13,246,173 shares

* 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. Overview of Business Results, (1) Overview of Business Results for the Current Fiscal Year and (4) Future Outlook" 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 Friday, May 17, 2024.

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1. Overview of Business Results

From the Fiscal Year ended March 31, 2024, IAS 12 "Income Taxes" (amended in May 2021) has been applied and comparative analysis with the previous fiscal year has been made using retrospectively restated figures. The application of this standard did not have a material impact on this Summary of Consolidated Financial Statements. The details of the changes in accounting policies are stated in "(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)" in "4. Consolidated Financial Statements and Major Notes."

(1) Overview of Business Results for the Current Fiscal Year

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. The 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) was held in Dubai, United Arab Emirates (UAE) from November 2023. The adopted decision document clearly states that greenhouse gases such as carbon dioxide, which are the main cause of global warming, need to be reduced by 43% by 2030 and 60% by 2035 compared to 2019 levels, in order to achieve the goal of limiting global warming to 1.5 degrees Celsius. An increasing number of countries and regions are declaring carbon neutrality, meaning that emissions of greenhouse gases are virtually zero. As it is believed that the success or failure of efforts toward GX (*1) is directly linked to the competitiveness of companies and, by extension, the nation, the Japanese government enacted the GX Promotion Act. The act aims to concurrently achieve three things: decarbonation, stable energy supply, and economic growth through such initiatives as switching to carbon-free power sources and making GX investments of 150 trillion yen in the public and private sectors. Companies are expected to make the most of digital technologies in order to accelerate corporate transformations for continuous value creation and to facilitate decarbonization and resolution of societal issues.

The Japanese domestic DX (digital transformation) market is predicted to expand from 3,483.8 billion yen in 2022 (actual) to 8,035 billion yen in 2030, backed by booming corporate digital investment (Market Edition of 2024 Future Prospects of the Digital Transformation Market published by Fuji Chimera Research Institute, Inc. on March 7, 2024). On the other hand, each company is having difficulty to recruit and internally train creative personnel who are versed on the Internet and digital technology, and such personnel shortage is now a huge hurdle to digitalization. According to the DX White Paper 2023, more than 80% of Japanese companies answered that they lack both the quality and quantity of human resources to promote DX (DX White Paper 2023 issued by Information-technology Promotion Agency, Japan (IPA) on March 16, 2023).

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

<Business Overview>

From this consolidated cumulative period, we started offering the "DGT (Digital Growth Team)" service that were created by integrating the EMC and the PGT businesses offered up to the previous fiscal year. The DGT service is a hands-on service that promotes and supports the digitalization of companies by a customer-dedicated team that consists of 3 or more digital creators with various specialized skills, including data analysis, UX (*2), and engineering. Our digital creators directly pursue the improvement of digital business results of client companies, and continuously support their operation with hypothesis verification. In addition, we started to support improvement of carbon productivity (*3) of client companies through our digital business operation services and implement actions that lead to decarbonization in our daily operation work.

<Overview of Consolidated Financial Statements>

For this consolidated fiscal year ended in March 2024, revenue was 20,467 million yen (up 15.9% from the same term of the previous fiscal year), operating profit was 41 million yen (down 97.1% from the same term of the previous fiscal year), profit before income taxes was 136 million yen (down 90.2% from the same term of the previous fiscal year), and profit attributable to the owners of the parent was 126 million yen (down 87.5% from the same term of the previous fiscal year).

Although sales revenue achieved the consolidated performance forecast (announced on October 27, 2023), the added-value sales (*4) ratio declined due to many large-scale system development projects. Although the added-value sales generated by our specialized companies grew significantly by 43.5% year on year, it was not able to compensate for the slowdown in the growth rate of the mainstay web operations division, and we were unable to achieve full growth on added-value sales, which increased by 13.8% year on year to 19,208 million yen, compared to the growth rate of sales revenue. The number of digital creators increased by 23.4% from the previous fiscal year, and due to this large upfront investments in human capital, the operating rate decreased resulting in a 8.4% decrease in the gross profit margin to 21.0%. In addition, we continued to expand investment in service development such as generative AI, and marketing, then selling, general and administrative expenses increased 13.4% year on year. Although operating profit returned to the black for the full year, it was lower than the consolidated forecast.

However, although the issue of low operating rate due to large upfront investments mainly in hiring new graduates continues, operating profit for the fourth quarter consolidated accounting period (January to March) was 611 million yen and operating profit margin was 10.4%. We believe that the basic profitability of our business is maintained, and we will strive to restore profitability by limiting new graduate and mid-career recruitment and focusing on improving the operating rate of existing employees.

In addition, added-value sales of in-house specialized companies specializing in high-value-added cutting-edge technology areas other than the web operation area increased by 52.9% year on year in the fourth quarter, and the sales ratio of non-web-operation area increased to 37.7% (35.8% in the same period last year). In addition, the total number of our client companies was 441 (+91 companies compared to the end of the previous fiscal year), of which 150 companies we provide DGT models (+34 companies compared to the end of the previous fiscal year), expanding our customer base and maintaining a high level of customer satisfaction. We believe that the quality of our services and our capability of cultivating deep and long-term relationships with our client companies remain strong.

Net profit was almost in line with the forecast, mainly due to financial income and the application of the tax system to encourage wage increases, which lowered the burden of corporate taxes and other expenses than expected.

<Our Corporate Group’s Policies and Initiatives>

Effective April 1, 2024, our company has reorganized its headquarters and specialized companies into four business areas: "Production/UIUX," "Digital Marketing," "Digital Service Development," and "Data" in line with the DX needs of our client companies.

For the time being, with the aim of restoring profitability and establishing a highly profitable business, we will strive to improve our human resources portfolio by limiting the hiring of new graduates, while at the same time focusing on increasing the operating rate of existing employees, excluding first and second year graduates. We will prioritize strengthening profitability. Based on this, we will aim to increase the growth rate of added-value sales to 25% by improving service quality, increasing added value in each business area, and establishing a business structure with high profits and high growth. For specific strategies, please refer to (4) Future Outlook as described below.

We believe that digital investment by companies will accelerate further, and at the same time, the shortage of IT/digital human resources will further expand, against the backdrop of further evolution of digital technology, the global effort toward decarbonization, and decline in population in Japan. Under such environment, we will continue to work on expanding our human capital by heightening skills and work engagement of our digital creators, who are the source of value creation for customers. We aim to lead social change together with our clients through DX support for client companies.

(*1) GX (Green Transformation): This refers to the transformation for utilizing clean energy while avoiding the use of fossil fuels as much as possible and activities aimed at achieving this goal. The Ministry of Economy, Trade and Industry believes that efforts to achieve carbon neutrality by 2050 and the national greenhouse gas emission reduction target by 2030 are opportunities for economic growth and defines GX as the transformation of entire economic and social system toward the goal of reducing emissions and improving industrial competitiveness.
(*2) UX (User Experience): The experience one gains by using a product or service.
(*3) Carbon Productivity: Gross domestic product (GDP) per unit of greenhouse gas emissions. We design for customers our support to formulate and operate their business model with calculating profits per carbon emitted during manufacturing, sales, and collection of customers’ products and services as the carbon productivity. Our company, we measure a company's carbon productivity by measuring profits per carbon emitted during the manufacturing, sales, and collection of products and services, and formulate business model construction and operational support.
(*4) Added-value sales = Sales revenue – Outsourcing expenses = Sales from internal resources.

(2) Overview of Financial Standing for the Current Fiscal Year

The total assets at the end of the consolidated fiscal year ended March 2024 were 11,527 million yen (up 221 million yen from the end of the previous consolidated fiscal year). This was primarily due to a decrease of 702 million yen in cash and cash equivalents, an increase of 459 million yen in trade receivables and other receivables, an increase of 399 million yen in other financial assets, and an increase of 65 million yen in other current assets.

Total liabilities stood at 5,592 million yen (up 652 million yen from the end of the previous consolidated fiscal year). This was primarily due to a decrease of 107 million yen in income taxes payable and 81 million yen in trade payables and other payables, along with an increase of 875 million yen in other current liabilities.

Total equity was 5,934 million yen (down 431 million yen from the end of the previous consolidated fiscal year). This was primarily due to an increase of 130 million yen in other components of equity, 50 million yen of capital surplus, and 40 million yen in capital stock, and a decrease of 399 million yen in purchase of treasury shares and 254 million yen in retained earnings.

(3) Overview of Status of Cash Flows for the Current Fiscal Year

The cash and cash equivalent (hereinafter referred to as “funds”) at the end of this consolidated term was 3,776 million yen, down 702 million yen from the end of the previous consolidated fiscal year. The status of each cash flow for this consolidated fiscal year and the factors behind them are as follows.

(Cash Flows from Operating Activities)

The funds acquired during this consolidated fiscal year as a result of operating activities amounted to 584 million yen (1,398 million yen in the same period of the previous year). The income was mainly from 945 million yen in others, and 522 million yen of depreciation and amortization, the expenditure was mainly from an increase in trade and other receivables of 521 million yen and 350 million yen as income tax paid.

(Cash Flows from Investing Activities)

The funds used during this consolidated fiscal year as a result of investing activities amounted to 100 million yen (1,165 million yen in the same period of the previous year). The income was mainly from 26 million yen in income from the sale of investments, the expenditure was mainly from 87 million yen in expense due to security deposit, 23 million yen in purchase of property, plant and equipment, and 22 million yen in acquisition of investments.

(Cash Flows from Financing Activities)

The funds used during this consolidated fiscal year as a result of financing activities amounted to 1,187 million yen (980 million yen in the same period of the previous year). The income was mainly from 72 million yen in Proceeds from exercise of share acquisition right, the expenditure was mainly from 467 million yen in repayment of lease liabilities, 401 million yen in payments for purchase of treasury shares, and 391 million yen as dividends paid.

The variations in cash flow-related indicators of our corporate group are as tabulated below.

	FY 3/2020	FY 3/2021	FY 3/2022	FY 3/2023	FY 3/2024
Ratio of equity attributable to the owners of the parent company [%]	55.6	53.4	56.7	56.3	51.5
Ratio of market value-based equity attributable to the owners of the parent company [%]	234.4	371.9	404.4	152.0	99.7
Ratio of interest-bearing liabilities / cash flow [years]	0.48	0.21	0.36	0.47	1.22
Interest coverage ratio	250.2	465.7	352.8	173.2	57.8

Ratio of equity attributable to the owners of the parent company: Equity attributable to the owners of the parent company / total assets

Ratio of market value-based equity attributable to the owners of the parent company: Market capitalization / total assets

Ratio of interest-bearing liabilities / cash flow: Interest-bearing liabilities / cash flow

Interest coverage ratio: Cash flow / interest paid

Notes

1. Each indicator was calculated from the figures in the consolidated financial statements.
2. Market capitalization was obtained by multiplying the closing price at the end of the term by the number of outstanding shares as of the end of the term (after deduction of treasury shares).
3. Interest-bearing liabilities mean all of the liabilities posted in the consolidated financial statements for which interest is paid.
4. Cash flow and interest paid were taken from “Cash flow from operating activities” and “Interest paid” posted in the consolidated cash flow statement.

(4) Future Outlook

Our group expects that digital investment is expanding at an accelerating pace as society and companies progress in digitalization and DX, and companies are required to transform their organizations to establish services and business models using human resources with highly specialized digital skills. In addition, in response to the global trend toward solving climate change issues, we believe that all companies need to shift to CSV (*1) management that simultaneously generates profits and solves social issues.

・Review of the past three terms and recognition of issues

Until now, we have been promoting the "transformation of our services to the world's best digital business operations" and " establishment of 10,000-person organization with the focus on new graduate recruitment" as advocated in VISION 2030, and are proactively moving ahead with the goal of achieving 25% added-value sales growth each fiscal year. As a result, the number of digital creators increased significantly by 1,176 people over the three years from March 2022 to March 2024 (90.0% increase compared to the end of March 2021). On the other hand, the operating rate of digital creators across the group has been decreased, and profitability deteriorated significantly due to the above-mentioned impact of a slower-than-expected growth rate in the web operations field, which has traditionally been our mainstay, and management that prioritizes sales growth by hiring new graduates and mid-career employees.. However, customer satisfaction continues to be at a high level, and in addition, employee engagement scores remain at a high level due to our hiring stance that empathizes our unique mission, vision, and core values, and the penetration of CSV management. We believe that our strengths, such as deep medium- to long-term relationships with client companies and high human capital value, remain strong.

The issues that our group recognizes until the fiscal year ending March 2024 are overconfidence in the conventional business positioning of "operation" and the successful experience of the new graduate recruitment model, and inappropriate expansion strategy with inflexible adherence to the numerical targets of VISION 2030 lacking focus on customers’ perspective. From the fiscal year ending March 2025, we will prioritize restoring profitability over the numerical targets of VISION 2030, and will shift from upfront investment-based management to profit-oriented management. In addition, by reorganizing our business and organizational structure, we will improve service quality and increase added value in all business areas, and we will shift our position from the conventional web operations and digital business operations to DX on-site support. We aim to establish a business structure that achieves both highly profitable businesses and high growth rates. Specifically, we will rebuild our business foundation based on the "strategy for medium-term growth" described below.

1. Recovery of profitability and establishment of highly profitable business

In April 2024, 411 new graduates joined the company, but from 2025 onwards, the number of new graduates hired will be kept within the growth rate of value-added sales.

By improving the ratio of new graduates in our human resources portfolio and thoroughly implementing profit-oriented management across the group, we will focus on improving the operating rate of existing employees, excluding those in their first and second years as new graduates, eliminating underutilized human resources, and increasing gross profit. By improving this ratio, we aim to restore profitability and secure value-added sales growth rate of 15%.

KPI	・Operating rate of existing creators excluding first and second years new graduates ・Gross profit margin (Consolidated)

2. Establishment of high growth business

In parallel with the above measures, we will aim to raise the growth rate of added value sales to 25% by strongly promoting the following two points.

1) Drastically strengthen service strategy

Based on the DX initiatives of our client companies, we reorganized our business domains into four business areas: "Production/UIUX," "Digital Marketing," "Digital Service Development," and "Data". In the past, 19 specialized companies have been operating their businesses individually. From now on, we will pursue business expansion by clarifying the services that will build up our strengths as a group, and at the same time, evolving our services to our main customers through cross-selling among the business areas.

We will also strengthen account management across business areas for our major customers and strongly promote the maximization of sales revenue for each existing customer company. Through this initiative, we will increase the number of large-scale clients with an annual transaction amount of 100 million yen or more.

KPI	・Added-value sales per DGT client ・Annual sales revenue per client

2) Acquisition of a position to support customer's DX in-house production

As our client companies' efforts to in-house DX are making great progress, we have been providing services focusing on the "execution and operation" phase. From now on, by leveraging the strengths we have cultivated in the phase, we will focus more on services in the "execution planning and promotion" phase, and create a system in which digital creators will accompany and support customers at each stage. By doing so, we change our positioning and contribute to maximizing the effects of our customers' DX investments.

In order to achieve the above, we will build a learning platform and strengthen the development of specialized skills, including for PMO personnel (*2), who will be responsible for overall project management such as project progress, quality and budget management, and project team personnel coordination. In addition, we will strengthen the development of not only specialized technical skills but also business skills and competencies, with the aim of producing a large number of digital human resources who are the best in the industry and can accompany the improvement of customer companies' DX sites.

KPI	・Sales price per digital creator ・Number of PMO personnel

3) Investment for future

In order to achieve further growth and realize our mission and vision, we are working to establish a decarbonized DX (*3) business and develop decarbonized DX human resources who can support the establishment of the foundation for sustainable management of client companies.

Based on the above-mentioned policy, for the term ending March 2025, we are forecasting a consolidated sales revenue of 23,230 million yen (up 13.5% year on year), an operating profit of 200 million yen (up 379.4% year on year), a profit before income tax of 180 million yen (up 31.7% year on year) and a net profit of 150 million yen (up 18.6% year on year).

The fiscal year ending March 2025 is positioned as the first year for solidifying the foundation for achieving high profits and a high growth rate structure in the fiscal year ending March 2027. Continuing from the fiscal year ending March 2024, the operating profit margin is expected to be low due to the high proportion of first- and second-year new graduates. However, by promoting the above strategy, we hope to quickly recover profitability and add value. We will continue to build a foundation that will enable us to increase our sales growth rate.

By steadily implementing the above policies, we aim to achieve a value-added sales growth rate of 25% and an operating profit margin of 10% in the fiscal year ending March 2027.

(*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) PMO (Project Management Office): Refers to a department or system that supervises project management across departmental boundaries in order to smoothly advance projects in companies and organizations. The PM (Project Manager) is in a position to oversee the project and make various decisions, and the PMO supports the PM in project management by collecting information and coordinating with related parties so that the PM can make decisions smoothly.
(*3) Decarbonization DX: Refers to the use of the power of digital technology to realize a "decoupling model" that continues economic growth while reducing GHG (Greenhouse Gas = greenhouse gases such as carbon dioxide and methane) emissions.

(5) Basic Policy for Profit Distribution, and Dividends in the Current Fiscal Year and the Following Fiscal Year

As our corporate group's basic policy, we maintain internal reserves for new business investments and business expansions for long-term growth of profitability, from our standpoint to adequately return profits to our shareholders and to strive to further improve our corporate value, and we properly distribute profits commensurate with the growth of operating results and continuously increase the dividend amount. Our mid-term goal is to achieve a ratio of Consolidated Dividend to Equity Attributable to Owners of the Parent (DOE) of around 5%. In the term ended March 2024, we plan to pay a year-end dividend of 31.00 yen/share (up 1.0 yen/share year on year from the previous term).

Furthermore, we plan to raise the year-end dividend to 32.00 yen in the term ending March 2025, as a result of the comprehensive consideration of DOE and payout ratio.

(6) Business Risks

Out of matters concerning the business situation, accounting situation, etc. of our corporate group, mainly the following matters may possibly have a significant impact on the judgement of investors. In addition, unless otherwise specified, matters related to future in this section are based on the judgement by our corporate group at the date of the announcement of the financial report and may differ from actual results as they are subject to uncertainties.

1) Environment surrounding the business of our corporate group

The forte of our corporate group is to provide services with high added value, such as the consulting, planning and project management of website operation and digital business, and services related to Internet advertising. However, as the barriers for entry into the DX field and Internet-related industry are low and the speed of the technology evolution is high, the forte of our corporate group may disappear due to the emergence of new entrants, technologies and services, and there is a possibility that the core service of our corporate group will be downsized, price competition will grow fierce, and so on.

Furthermore, the advertising market tends to be easily influenced by economic trends. While Internet advertising is a growing market compared to other advertising, the growth rate may slow down due to economic trends. Therefore, the fluctuations in Japan's economic climate may influence the business results of our corporate group.

2) Regarding the expansion of AI (artificial intelligence), etc.

The use of AI (artificial intelligence) technology, including generative AI, in business is attracting attention and continues to expand, and the introduction of new services that utilize new technology is progressing throughout society. In the future, it is possible that the automation of simple tasks will progress mainly in the business field through the use of AI (artificial intelligence) technology, but it is important to not only introduce AI (artificial intelligence) technology but also utilize that technology in the operational field. We believe that the demand for digital creators who create results will continue to grow.

In order to respond to these technological innovations, our group is striving to improve skills such as monitoring technological trends, gathering information, educating digital creators, and acquiring new technologies. However, if technological innovation related to AI (artificial intelligence) advances rapidly beyond our expectations, such as the appearance of innovative new technologies or alternative technologies, the strengths of our group's services may disappear and our business results may be affected.

3) Variation in performance due to new businesses, etc.

Our corporate group has proactively operated new businesses, etc., but not all new businesses have achieved results as planned. Our corporate group plans to proactively keep operating new businesses centered on services in the DX field in order to avoid our business contents becoming obsolete, but the new business may not meet the demand of society after they are launched in some cases. It may be difficult to recoup the investment costs in such cases, impacting the business results and financial standing of our corporate group.

4) Seasonality of revenue and profit

As the proportion of commissioned tasks for website creation, advertising, etc. is comparatively high in our corporate group, the deliveries thereof tend to concentrate in September and March, i.e. the end of the second quarter and the end of the accounting period, leading to larger sales revenues. In addition, as we systematically recruit and train a considerable number of new graduates with the objective of securing excellent digital creators, SGA (selling, general and administrative) expenses tend to increase at the beginning of the term. Since the amount of orders grows toward the end of the term in addition to the increase in the operation rate of new employees fresh out of college owing to the improvement of their skills and productivity, profit tends to increase toward the end of each accounting period.

The variation in performance in the previous fiscal year and the current fiscal year is as follows.

	Previous fiscal year (April 1st, 2022 to March 31st, 2023)	
	Cumulative second quarter	Full fiscal year
Revenue (thousand yen) (Composition ratio)	8,213,871 (46.5%)	17,662,288 (100%)
Operating profit (thousand yen) (Composition ratio)	288,534 (20.0%)	1,441,771 (100%)
Net profit (thousand yen) (Composition ratio)	157,614 (15.6%)	1,009,045 (100%)

(Note) Due to the application of IAS 12 "Corporate Income Tax" (revised in May 2021), figures after retrospective application are listed for the fiscal year ended March 2023.

	Current fiscal year (April 1st, 2023 to March 31st, 2024)	
	Cumulative second quarter	Full fiscal year
Revenue (thousand yen) (Composition ratio)	9,616,516 (47.0%)	20,467,084 (100%)
Operating profit (thousand yen) (Composition ratio)	(551,106) (—)	41,722 (100%)
Net profit (thousand yen) (Composition ratio)	(398,640) (—)	126,515 (100%)

5) Business practices in the advertising industry

As a business practice in the advertising industry, an advertising company engages in transactions with media companies, etc. under its own name and responsibility, which is no different in the Internet advertising industry. Therefore, even in case when an advertiser becomes incapable of paying the advertising fee due to bankruptcy, etc., our corporate group undertakes the duty to pay the advertising fee to the media company, etc., and bears the credit risk of the advertiser. In order to keep such credit risk as low as possible, our corporate group usually engages in transactions with quality companies which have a certain level of credibility, but such risks remain.

In addition, as a business practice of the advertising industry, it can be said that contracts and other written documents are rarely exchanged in regard to contracts pertaining to advertising transactions including Internet advertising. This is because of the high necessity to swiftly and flexibly conclude and change the contract based on the trust relationship between transaction parties, while there is a risk that discrepancies in the agreements between the transaction parties occur and develop into trouble. Our corporate group is making efforts to leave the contract contents in writing such as requesting the submission of an order form from our customers when an advertising transaction arises in order to avoid such risk as much as possible, but there are cases where the customer does not comply with the submission request. Therefore, trouble may occur in regard to the conclusion or contents of contracts pertaining to advertising transactions which have not been put into writing and impact the business results of our corporate group.

6) Utilization of outsourcing

Our corporate group selects specific partner companies in each specialized field and provides services to customers in cooperation with the partner companies. In such case, if an unexpected situation occurs to the partner company or the cost of ordering from the partner company rises due to the stringency of the market, it may influence the business and business results of our corporate group.

In addition, our corporate group takes care in selecting partner companies by taking into account their performance, reputation in the industry, previous trade relations with our corporate group, etc., and on top of that strictly monitors the business operations of each partner company, inspects the deliverables and evaluates the quality level thereof even after the selection of partner companies. However, it cannot be said that there is no possibility of a concealed defect existing in the deliverables provided by a partner company, and in case damage is inflicted on a customer of our corporate group due to such defect, the business results of our corporate group may be impacted by claims for damages and other liability claims made against our corporate group or the fall of our corporate group's social credibility.

7) System trouble

Our corporate group's business is dependent on computer systems, and as we conduct some business transactions with customer companies through Internet connections, we set up almost all of our servers in the data centers and take measures focusing on system protection and system security when we select office properties. However, when our computer systems shut down or Internet connections become unavailable due to unexpected system failure, natural disasters, cyberattacks, or terrorism, there is a risk that our corporate group's business will be interrupted. If such risk is materialized, our corporate group's business performance may be impacted by opportunity loss, refunds, payment of damages, loss of social credibility, etc.

8) Data security and personal data protection

Our corporate group considers that appropriately protecting our customers' confidential information and personal data by preventing risks of system failure, information outflow, leakage, and falsification arising from system defects, computer viruses, unauthorized access, etc., as well as ensuring data security, form the foundation on which our customers build their confidence in us, and that it is our top management priority. As such, our corporate group obtained Privacy Mark and Information Security Management System "ISO/IEC27001 (JISQ27001)" qualified and granted by the Japan Information Economy and Society Promotion Association, and establishes and operates our data security system by consistently conducting proper data management based on these management methods. Nevertheless, even though we have been taking such measures, no data security system can ever be perfect, and if these issues arise due to some sort of cause, there may be room for outflow, falsification, and unauthorized usage of our customers' confidential information and personal data to occur. In such cases, there is a risk that our corporate group's business performance will be impacted by damage claims and liabilities against us, or loss of social credibility of our corporate group, etc.

9) Statutory regulations

i. Regulations pertaining to internet advertising

At present, there are no statutory regulations or voluntary regulations in the Internet advertising industry that can be a direct detriment to our corporate group's business. However, while Internet transactions have become prevalent, there is a possibility that regulations pertaining to Internet advertising business or voluntary regulations in the Internet advertising industry will be tightened if the social situation changes drastically, due to frequent occurrence of crimes exploiting Internet advertising. At this point, it is difficult to predict the details of regulations that may be tightened, however, depending on the contents, it could significantly affect our corporate group's business operation.

Further, there are some laws that regulate advertisers, such as the Act against Unjustifiable Premiums and Misleading Representations and the Act on Specified Commercial Transactions. Even though advertisers' violation of such laws will not make advertising transactions by an advertising agency unlawful instantly, behavior of our corporate group as an advertising agency can be subject to damage claims for facilitating unlawful behavior, or there is a risk that it will diminish our corporate group's social credibility. As our basic policy, our corporate group makes advertising transactions only with advertisers with a certain degree of credibility and we shall not make advertising transactions pertaining to adult entertainment business, and we take preventive measures not to get involved in posting illegal advertisements, however, it does not completely eliminate room for the above-mentioned risk to rise up to the surface.

Moreover, as mentioned above, our corporate group co-operates with outside vendors for providing services, but in the case where we select small business owners as our subcontractors, if we abuse its dominant bargaining position and delay payments or the like, there is a risk that the Fair Trade Commission will deem our action as a violation of the Act against Delay in Payment of Subcontract Proceeds, etc., and recommend us to rectify or demand restitution from us. Our corporate group has never allowed such risk to materialize, and we have been managing contracts to prevent any risks from materializing, however, it cannot be stated that absolutely no such risk exists.

ii. Regulations pertaining to worker dispatching services

The worker dispatching service our corporate group provides in PGT business has been licensed by the Minister of Health Labor as General Worker Dispatching Business based on "Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (Worker Dispatch Law)" to provide such service.

To ensure a proper operation of worker dispatching business, the Worker Dispatch Law stipulates that the Minister of Health Labor may revoke a business license or order the suspension of business operations, if a corporate group is disqualified as a general worker dispatching business owner (Worker Dispatch Law Article 6) and becomes subject to the Revocation of License (Article 14).

As far as we are currently aware, there is no fact on our end that is subject to such disqualification or revocation as specified by these laws. However, in the future, if revocation of our license, etc. occurs for some reason, our corporate group's service operation may be interrupted in a great deal, and our performance and financial conditions may get impacted significantly.

10) Intellectual property

Our corporate group runs business such as system development and website production so that we do not infringe third party's intellectual property such as copyright and patents, however, it is impossible to conduct rigorous research on all of such developments and productions to identify if there is any copyright infringement, and there is no guarantee that such developments and productions are not infringing on the intellectual property rights. By any chance, if our corporate group infringe third party's intellectual property rights, our corporate group's business performance may be impacted by injunction claims against the use of such developments and productions, damage compensation claims, and claims for payment of license charges, etc.

11) New accounting systems and changes in the taxation system

Our corporate group calculates its taxes in accordance with the accounting system and the taxation system of our country, and files our taxes appropriately.

Nonetheless, there is a possibility that our business performance and financial conditions will be impacted by unexpected additions and changes to the accounting standards and the taxation system. Moreover, our corporate group may incur more tax burden than anticipated as a consequence of changes made to the taxation system or a divergence in opinions with Tax Authority on the tax return.

12) Risk of goodwill impairment losses

Our corporate group also carries out M&A for acceleration of business growth if necessary. As a result, we hold goodwill.

Regarding goodwill, we perform impairment tests at least once a year or more frequently whenever a sign of impairment is recognized. In the event this impairment test determines that these assets no longer generate enough cash flow, a need to recognize an impairment emerges. When a large amount of impairment loss is recognized, our financial conditions as well as our business performance may be impacted in a great deal.

13) Securing, training and labor management for human resources

In order for our corporate group to continue to provide high value-added services and keep expanding in the DX area as well as in the Internet industry where the barrier of entry is low and technology advances rapidly, securing human resources with advanced specialized knowledge and abilities and developing them are the highest priority. However, because the DX area and the Internet industry are relatively new and fast-growing, the variety of human resources is limited, and recruiting talented personnel has been challenging due to increasing demand for engineers, mainly in the DX area.

Our corporate group recruits and trains new graduates, hires mid-career talented personnel, and reduces employee turnover. We also conduct recruitment at local bases and global recruitment. On the other hand, when we face challenges in securing human resources due to Japan's dwindling population and further acceleration in the declining birthrate and aging population, as well as delays in securing mid-career recruitment and training of college graduates to become the substantial part of workforce compared to the speed of business expansion, or when the turnover rate of recruited and trained employees is high, our corporate group's business performance may be affected.

Also, our corporate group has established our internal control system and training system appropriately through the setting and application of regulations, etc. We develop and operate our internal control system thoroughly according to the business circumstances, and are committed to preventing unlawful actions and adhering to compliance, by establishing a Risk Management and Compliance Committee, etc. However, regardless of defects of our corporate group, its executives and employees, unexpected trouble may arise among executives and employees, which may affect our corporate group's business performance.

14) Dividend policy

As our corporate group's basic policy, we maintain internal reserves for new business investments and business expansions for long-term growth of profitability, from our standpoint to adequately return profits to our shareholders and to strive to further improve our corporate value, and we properly distribute profits commensurate with the growth of operating results and continuously increase the dividend amount. Our mid-term goal is to achieve a ratio of Consolidated Dividend to Equity Attributable to Owners of the Parent (DOE) of around 5%. However, depending on our business performance and financial conditions in the future, we may face challenges in returning profits to our shareholders by dividends, etc.

15) Share acquisition rights

Our corporate group issues share acquisition rights to motivate our executives and employees to improve our long-term corporate value. Upon exercise of currently issued share acquisition rights or share acquisition rights to be issued in the future, the total number of outstanding shares will increase, which may dilute the share value per share, and such dilution of share value may impact share price.

16) Natural disaster, etc.

As mentioned above, our corporate group implements measures against disasters and accidents when installing our servers in a data center and selecting an office. We have improved our systems for telework and working from home and formulated a business continuity plan (BCP), in order to minimize the impacts of the pandemics of contagious and infectious diseases, large-scale disasters, such as earthquakes and floods, crimes, such as terrorism, the malfunction of information systems, etc., which would hinder our business operations.

However, if an unexpected natural disaster or the like happens, it may cause a huge loss to our office, equipment, and personnel, leading to the temporary or mid/long-term suspension of all or part of our business, affecting the business results of our corporate group.

In addition, if electric power supply becomes insufficient due to a power outage, power restriction, a planned power outage, or the like in the wake of disaster, our corporate group's business activities and services may be suspended, significantly affecting the business results, etc. of our corporate group.

Even in the case where our corporate group is not directly affected by a natural disaster or the like, it may lead to the slowdown of the global economy, affect our customers or affiliates, decrease consumer spending, and enterprises' voluntary restraint of advertisement, resulting in the curtailment of costs for advertisement, sales promotion, etc. and then affecting the business results of our corporate group.

17) Risks related to climate change

Our corporate group has declared that we would focus on "environmental changes due to global warming and climate change," which are social issues induced by conventional marketing activities, and tackle these social issues. In addition, our corporate group agreed with the final recommendation of "Task Force on Climate-related Financial Disclosures (TCFD)" and joined the TCFD consortium in April 2021. Following the recommendation of TCFD, we analyze scenarios for identifying business risks and opportunities attributable to climate change, and strive to grasp, analyze, and manage risks further and disclose appropriate information on them.

As a result of qualitative evaluation based on scenario analysis, we identified the following risks that could degrade our corporate group’s business execution, financial status, and performance moderately or seriously.

<Risk of new regulations> Augmentation of costs for dealing with them by strengthening energy-saving measures, etc.
<Market risk> (1) Uncertainty of procurement of electric power, (2) Skyrocketing prices of environmental value certificates for electric power; Augmentation of costs for procuring electric power and certificates
<Physical risk of emergency> Increase of business operations and costs due to the rise in the seriousness and frequency of abnormal weather, such as typhoons and floods
<Chronic physical risk> Impact of the augmentation of costs for air-conditioning, etc. due to the increase of scorching hot days and the tight power supply, and the rise in sea level
<Other risks> Impact of economic recession caused by competition for water, food, and energy resources, geopolitical conflicts, etc.

Our corporate group grasps and grades risks as mentioned above, discloses more information, and takes measures against risks, but if national policies, laws, and regulations regarding climate change, etc. are tightened further than expected or climate change progresses further than assumed, it may further affect the financial standing and business performance of our corporate group.
* Regarding information disclosure based on TCFD, details are provided separately on the following website.
<https://www.members.co.jp/sustainability/tcfd/>

18) Risks related to large-scale projects

Our corporate group sometimes undertakes a project for large-scale system development or the like through transactions with customers, so we recognize that it is indispensable to acquire and improve project management skills for dealing with large-scale projects. However, the number of project managers engaging in large-scale projects is insufficient in the entire market, actual costs may deviate from the initial estimates due to the differences in recognition of man-hours and specifications, increasing additional costs, unexpected trouble may occur, and specifications may be changed. Such various factors may lead to the change of delivery time, affect sales and profit more seriously than small/medium-scale projects, require manpower and induce the loss of opportunities. As a result, they may affect the financial standing and business performance of our corporate group.

To cope with these kinds of risks, our corporate group has multiple audit systems for the stage of estimating prices before receiving orders, checks man-hours, etc. at a specialized audit division, shift to agile development, refrain from receiving orders for projects that have a long delivery schedule and choose projects with a short delivery schedule, to enhance the check system.

In addition, when undertaking a project of a certain scale that would probably affect our business performance and financial standing, our group management council monitors it, to reduce risk.

2. Situation of Our Corporate Group

The core business of our corporate group, which is composed of 12 departments, 21 in-house companies, and 1 consolidated subsidiary (as of May 10, 2024), is the support for Internet business.

Effective April 1, 2024, our company has reorganized its headquarters and specialized companies into four business areas: "Production/UIUX," "Digital Marketing," "Digital Service Development," and "Data" in line with the DX needs of our client companies. We aim to improve service quality and add value in each business area, and establish a business structure with high profits and high growth.

・Internet business support business

At our company, we provide DX support for companies, focusing on four businesses, mainly consisting of three or more digital creators as a dedicated team for client companies, and providing services that pursue business results for client companies. Through DX support for client companies, we aim to lead social change together with our clients.

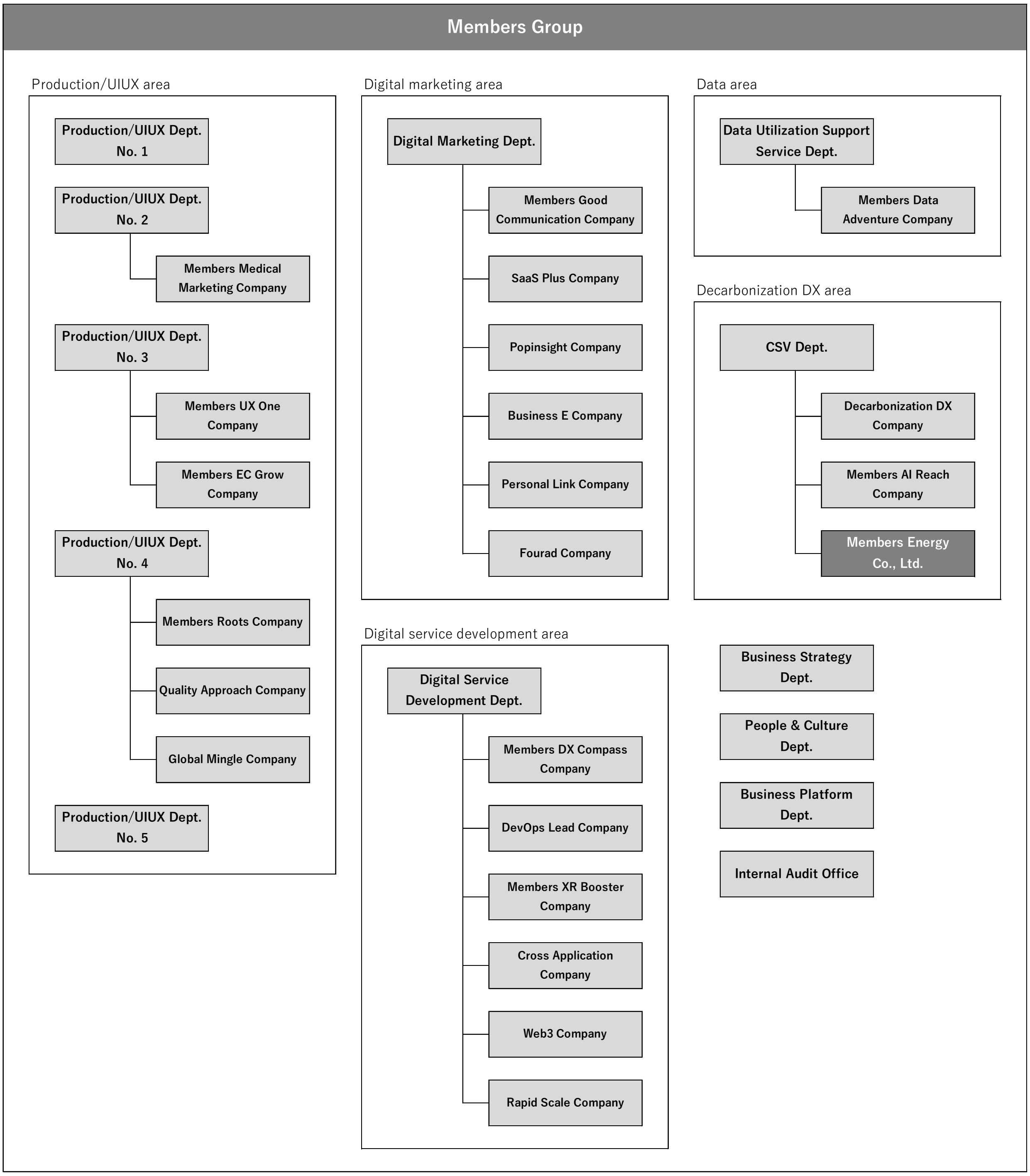
・Other business

We operate the business of generating power from renewable energy.

(Note)

The number of business segments of our corporate group is only one, that is, the Internet business support business. Accordingly, we do not omit the section for performance in each business segment.

The positioning related to business of our corporate group is as follows.



(as of May 10, 2024)

3. Basic Policy on Selection of Accounting Standards

Our company has been using IFRS since the term ended March 2018, for the purpose of improving international comparability of our financial information in the capital market.

4. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2023)	Current consolidated accounting year (Mar. 31, 2024)
Assets		
Current assets		
Cash and cash equivalents	4,479,967	3,776,990
Trade receivables and other receivables	3,387,822	3,847,649
Inventory assets	68,547	38,897
Other financial assets	―	2,496
Other current assets	234,311	299,828
Total current assets	8,170,648	7,965,861
Non-current assets		
Tangible fixed assets	349,032	325,710
Rights to use as assets	918,446	950,275
Goodwill	116,115	116,115
Intangible assets	9,897	7,681
Other financial assets	1,340,550	1,739,644
Deferred tax assets	401,188	419,105
Other non-current assets	-	2,692
Total non-current assets	3,135,231	3,561,225
Total assets	11,305,879	11,527,087

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2023)	Current consolidated accounting year (Mar. 31, 2024)
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Lease liabilities	360,860	439,620
Trade payables and other payables	1,201,535	1,119,772
Income taxes payable	204,338	96,825
Contract liabilities	66,737	4,816
Other current liabilities	2,551,526	3,427,062
Total current liabilities	4,384,998	5,088,097
Non-current liabilities		
Lease liabilities	301,917	276,211
Allowance	252,658	228,069
Total non-current liabilities	554,576	504,280
Total liabilities	4,939,574	5,592,377
Shareholders' equity		
Capital stock	1,017,504	1,057,867
Capital surplus	342,670	393,069
Treasury shares	(300,140)	(698,155)
Other components of equity	30,845	160,985
Retained earnings	5,275,424	5,020,941
Total equity attributable to owners of the parent	6,366,305	5,934,709
Total shareholders' equity	6,366,305	5,934,709
Total liabilities and equity	11,305,879	11,527,087

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

[unit: thousand yen]

	FY2023 (Apr. 1, 2022 to Mar. 31, 2023)	FY2024 (Apr. 1, 2023 to Mar. 31, 2024)
Revenue	17,662,288	20,467,084
Cost of sales	12,461,182	16,175,012
Gross profit	5,201,106	4,292,071
Selling, general and administrative expenses	3,758,851	4,263,688
Other income	13,633	29,137
Other expenses	14,117	15,798
Operating profit (loss)	1,441,771	41,722
Finance income	217	109,539
Finance costs	42,536	14,620
Profit (loss) before income taxes	1,399,452	136,641
Income taxes	390,406	10,125
Profit (loss) for the period	1,009,045	126,515
Profit (loss) attributable to		
Owners of parent	1,009,045	126,515
Net profit (loss)	1,009,045	126,515
Earnings per share		
Basic earnings (loss) per share (yen)	76.18	9.71
Diluted earnings (loss) per share (yen)	75.79	9.71

(Consolidated Statements of Comprehensive Income)

[unit: thousand yen]

	FY2023 (Apr. 1, 2022 to Mar. 31, 2023)	FY2024 (Apr. 1, 2023 to Mar. 31, 2024)
Profit (loss) for the period	1,009,045	126,515
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(13,700)	149,671
Total items that will not be reclassified to profit or loss	(13,700)	149,671
Other comprehensive income after tax	(13,700)	149,671
Comprehensive income total	995,344	276,186
Comprehensive income attributable to		
Owners of parent	995,344	276,186
Comprehensive income	995,344	276,186

(3) Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (Apr. 1, 2022 to Mar. 31, 2023)

[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
Cumulative effect of accounting change	–	–	–	–	(7,857)	(7,857)	(7,857)
Restated balance	963,358	281,704	(8,477)	52,190	4,598,744	5,887,519	5,887,519
Profit for the period	–	–	–	–	1,009,045	1,009,045	1,009,045
Other comprehensive income	–	–	–	(13,700)	–	(13,700)	(13,700)
Total comprehensive income	–	–	–	(13,700)	1,009,045	995,344	995,344
Exercise of share acquisition rights	54,146	54,146	–	(11,815)	–	96,478	96,478
Forfeiture of share acquisition rights	–	–	–	(9,529)	9,529	–	–
Purchase of treasury shares	–	–	(292,865)	–	–	(292,865)	(292,865)
Disposal of treasury shares	–	6,818	1,203	–	–	8,022	8,022
Dividends	–	–	–	–	(328,194)	(328,194)	(328,194)
Transfer to retained earnings	–	–	–	13,700	(13,700)	–	–
Total transactions with owners	54,146	60,965	(291,662)	(7,643)	(332,365)	(516,559)	(516,559)
Balance on March 31, 2023	1,017,504	342,670	(300,140)	30,845	5,275,424	6,366,305	6,366,305

Current consolidated fiscal year (Apr. 1, 2023 to Mar. 31, 2024)

[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, 2023	1,017,504	342,670	(300,140)	30,845	5,275,424	6,366,305	6,366,305
Profit (loss) for the period	–	–	–	–	126,515	126,515	126,515
Other comprehensive income	–	–	–	149,671	–	149,671	149,671
Total comprehensive income	–	–	–	149,671	126,515	276,186	276,186
Exercise of share acquisition rights	40,363	40,363	–	(8,140)	–	72,586	72,586
Share-based compensation transactions	–	9,119	–	–	–	9,119	9,119
Issuance of share acquisition rights	–	–	–	195	–	195	195
Forfeiture of share acquisition rights	–	–	–	(11,587)	11,587	–	–
Purchase of treasury shares	–	–	(399,985)	–	–	(399,985)	(399,985)
Disposal of treasury shares	–	917	1,970	–	–	2,887	2,887
Dividends	–	–	–	–	(392,585)	(392,585)	(392,585)
Total transactions with owners	40,363	50,399	(398,014)	(19,531)	(380,998)	(707,781)	(707,781)
Balance on March 31, 2024	1,057,867	393,069	(698,155)	160,985	5,020,941	5,934,709	5,934,709

(4) Consolidated Statements of Cash Flows

[unit: thousand yen]

	FY2023 (Apr. 1, 2022 to Mar. 31, 2023)	FY2024 (Apr. 1, 2023 to Mar. 31, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	1,399,452	136,641
Depreciation and amortization	493,556	522,982
Impairment loss	-	5,228
Finance income	(217)	(109,539)
Finance costs	40,845	14,620
(Increase) decrease in inventories	(19,915)	29,650
(Increase) decrease in trade and other receivables	(275,429)	(521,855)
Increase (decrease) in trade and other payables	126,686	(81,285)
Other	201,687	945,533
Subtotal	1,966,665	941,975
Interest and dividends received	13,961	37
Proceeds from subsidy income	1,383	-
Proceeds from insurance income	6,000	3,091
Interest paid	(8,073)	(10,113)
Income taxes paid	(581,197)	(350,054)
Income taxes refund	4	36
Cash flows from operating activities	1,398,742	584,972
Cash flows from investing activities		
Purchase of property, plant and equipment	(137,151)	(23,668)
Purchase of intangible assets	(2,904)	-
Purchase of investments	(1,007,630)	(22,514)
Income from the sale of investments	18,964	26,271
Expense due to security deposit	(50,010)	(87,119)
Income from collection of security deposit	13,540	7,000
Cash flows from investing activities	(1,165,191)	(100,030)
Cash flows from financing activities		
Repayments of lease liabilities	(456,247)	(467,015)
Proceeds from issuance of share acquisition rights	—	195
Proceeds from exercise of share acquisition rights	96,478	72,585
Payments for purchase of treasury shares	(293,779)	(401,826)
Dividends paid	(326,741)	(391,858)
Cash flows from financing activities	(980,289)	(1,187,918)
Net increase (decrease) in cash and cash equivalents	(746,739)	(702,976)
Cash and cash equivalents at beginning of period	5,226,706	4,479,967
Cash and cash equivalents at end of period	4,479,967	3,776,990

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no related information.

(Changes in Presentation Method)

There is no related information.

(Changes in Accounting Policies)

This corporate group applied IAS 12 "Income Taxes" (amended in May 2021) from the fiscal year ended March 31, 2024.

Statement	Criteria name	Compulsory application period (Start year after)	FY applicable to the corporate group	Description of new standard, interpretations and amendments
IAS 12	Income taxes	January 1, 2023	Period ended March 31, 2024	Clarification of accounting treatment for deferred taxes related to assets and liabilities arising from a single transaction

The application of this standard clarifies the accounting treatments on initial recognition for transaction that give rise to equal taxable and deductible temporary differences at the time of the transaction, and results in the recognition of taxable and deductible temporary differences as deferred tax liabilities and assets, respectively, in the Condensed Interim Consolidated Statements of Financial Position.

As a result of the application of the standard, the previous fiscal year's consolidated financial statements have been retrospectively restated. The effect of the application decreased deferred tax assets by 9,391 thousand yen and retained earnings by 9,391 thousand yen. In addition, the effect increased income tax expenses by 1,534 thousand yen and decreased profit for the period by the same amount in the Consolidated Statements of Income for the fiscal year ended March 31, 2023.

Due to the cumulative effect of application of this standard, the beginning balance of retained earnings for the previous fiscal year decreased by 7,857 thousand yen in the Consolidated Statements of Changes in Equity.

(Changes in Accounting Estimates)

During the third quarter of the consolidated cumulative term, we made a decision to terminate leases for certain offices. As a result, we have remeasured lease liabilities due to changes in lease terms and adjusted the carrying amount of rights to use as assets. This change has resulted in a decrease of 24,858 thousand yen in rights to use as assets and 24,858 thousand yen in lease liabilities at the end of the fiscal year ended March 31, 2024 compared to before the change.

In addition, regarding asset retirement obligations that had been recorded as restoration costs associated with real estate lease contracts, we reconsidered the future use of the office in general and obtained new information as a result of the cancellation of some offices. We have changed our estimate.

The decrease amount of 13,245 thousand yen due to the change in estimate has been subtracted from the allowance balance before the change.

In addition, in conjunction with this change, the timing of the fulfillment of restoration obligations, the useful life of tangible fixed assets that will become unusable upon departure, and the restoration costs will be changed in the future, so operating income and profit before tax for the current fiscal year have increased by4,901 thousand yen and 4,990 thousand yen, respectively.

(Segment Information)

The number of business segments of our corporate group is only one, that is, the Internet business support business. Accordingly, we omit the section for performance in each business segment.

(Per Share Information)

Basic earnings per share, diluted earnings per share, and items for calculating them are as follows.

	Consolidated fiscal year 2023 (From Apr. 1, 2022 to Mar. 31, 2023)	Consolidated fiscal year 2024 (From Apr. 1, 2023 to Mar. 31, 2024)
Net income attributable to the owners of the parent company [thousand yen]	1,009,045	126,515
Profit adjustment [thousand yen]	—	—
Net income used for calculating diluted earnings per share [thousand yen]	1,009,045	126,515
Weighted average number of outstanding common shares	13,246,173	13,028,540
Increase of common shares		
Increase from the exercise of share acquisition rights	67,786	1,569
Weighted average number of diluted common shares	13,313,959	13,030,109
Basic earnings per share [yen]	76.18	9.71
Diluted earnings per share [yen]	75.79	9.71
Issuable shares not included in the calculation because they do not have the dilutive effect	The 18th share acquisition right (146,400 shares)	The 16th share acquisition right (57,300 shares) The 17th share acquisition right (59,200 shares) The 19th share acquisition right (195,950 shares)

(Significant Subsequent Events)

There is no related information.