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October 31, 2022

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

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 Scheduled date to file quarterly securities report: November 4, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 first six months of fiscal year ending March 31, 2023 (from April 1, 2022 to September 30, 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	%
Six months ended								
September 30, 2022	8,213	20.9	288	(21.2)	237	(34.9)	157	(39.5)
September 30, 2021	6,795	25.6	366	149.3	364	156.2	259	117.3

	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
Six months ended						
September 30, 2022	157	(39.5)	157	(39.5)	11.87	11.76
September 30, 2021	259	117.3	259	116.7	19.97	19.49

(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				
September 30, 2022	9,697	5,820	5,820	60.0
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	18,200	21.8	2,200	17.3	2,185	15.2	1,573	12.0

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Full year	1,573	12.0	120.65

(Note) Changes from the latest financial forecast: None

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 September 30, 2022	13,361,800 shares
As of March 31, 2022	13,217,900 shares

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

As of September 30, 2022	77,460 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)

Six months ended September 30, 2022	13,250,391 shares
Six months ended September 30, 2021	13,011,605 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 Monday, October 31, 2022.

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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. About 80% of Japanese enterprises recognize the qualitative and quantitative insufficiency of personnel who can take charge of innovation in business strategies. It has been reported that the ratio of enterprises that regard their initiatives for digitalization called "digital transformation (DX)" have been successful was less than 50% (Information-technology Promotion Agency: White Paper on DX 2021; issued on Oct. 11, 2021).

Under such circumstances, we uphold to create a spiritually rich society through "MEMBERSHIP" as its mission, and aims 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 financial bankruptcy," and will work to realize a spiritually rich society in which people and companies not only pursue their self-interest, but also have the hope for the future and the willingness to participate in society, and cooperate with each other for a better sustainable future.

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

<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 second quarter, the sales revenue was 5,392 million yen (IFRS*Reference Value: Up 12.9% from the same cumulative quarter of the previous fiscal year). The number of customers to whom we provide the EMC model was 54 (Same as the end of the previous fiscal year), value-added sales per client company reaching 41,942 thousand yen, and the number of digital creators belonging to the EMC business was 1,127 (up 227 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 product growth in the field of new technology."

The PGT business mainly provide services to Internet and start-up 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.

In this business, we will also focus on customer success in the fiscal year ending March 2023. Our team of digital creators dedicated to our clients will work together with client companies, mainly at digital service companies and large companies, and through the realization of in-house digital organizations and the support for the development of digital products (products and services), we will support not only the planning and initial construction/implementation of digitalization but also the organizations that enable long-term operation.

In addition, we keep actively launching in-house companies specializing in high-value-added engineering fields in order to create occupations in new technology domain and the field of growth support and to enhance profitability by achieving high unit prices and

high operation rates accordingly. Hence, we have established the following in-house companies.

- Members AI Reach Company (established in July 2022), a company where AI specialists support client companies in selecting and installing AI platforms, and identifying issues in AI utilization and operations.

- Members XR(*2) Booster Company (established in August 2022), a company where XR creators support client companies in business growth.

The PGT business continues to grow steadily due to the rapid expansion of support services mainly by Members Career Company and also in specialized fields such as the data fields and UX (*3) fields against the backdrop of the thriving DX market, driving the entire group's growth.

In this consolidated cumulative second quarter, due to acquiring projects through sales activity under a new operational structure as production and sales division separated, improved operation rates, the steady expansion of high-value-added support services in specialized areas, and high profitability by transforming into a team-based operation, the sales revenue of the entire PGT business was 3,245 million yen (IFRS * Reference Value: Up 38.3% from the same cumulative quarter of the previous fiscal year), the number of companies that provide the PGT models, in which three or more digital creators work as a team dedicated to client companies, was 46 (up 25 from the end of the previous fiscal year), value-added sales per client company were 17,736 thousand yen, and the number of digital creators belonging to the PGT business reached 936 (up 213 from the end of the previous fiscal year).

<Overview of Consolidated Financial Statements>

For the consolidated cumulative second quarter of the current term, revenue was 8,213 million yen (up 20.9% from the same cumulative quarter of the previous fiscal year), operating profit was 288 million yen (down 21.2% from the same cumulative quarter of the previous fiscal year), profit before income taxes was 237 million yen (down 34.9% from the same cumulative quarter of the previous fiscal year), and profit attributable to the owners of the parent was 157 million yen (down 39.5% from the same cumulative quarter of the previous fiscal year).

Sales revenue increased 20.9% from the same cumulative quarter of the previous fiscal year, recording the highest sales for the cumulative second quarter. This was attributed to the progress of high-value-added support services and the results of sales activities due to separation of production and sales in specialized fields in the PGT business.

Consolidated operating profit declined year on year due to the following reasons: operating rate of our creators was lower than planned due to the delay in increase of new customers and projects mainly in the EMC business, some projects turned out to be unprofitable, proactive investment in sales, recruitment, and training, and the cost for expanding office space to accommodate an increased number of creators, etc.

However, we fully expect that the investment in active recruitment and training for new graduates and mid-career creators and sales activities will contribute to full-year performance and future revenues through the continuous growth of our corporate group. Accordingly, we will continue our active investment, as companies are increasing their investments in digitalization.

The pretax profit of 237 million yen includes financial costs of 51 million yen for fund investment, etc.

<Our Corporate Group's Policies and Initiatives>

Our corporate group engages in continuous recruitment as upfront investment, predicting a significant shortage of creators who are versed in digital technology and the Internet. We have been extensively recruiting graduates of art universities, technical colleges, four-year universities, and graduate schools. A total of 484 newly graduates joined us in April 2022 (including local bases), up 120 from the previous fiscal year. We assigned new employees' tasks in July. In response to the expansion of corporate investment in digitalization, we will continuously recruit and educate digital creators to meet our clients' needs sufficiently.

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 services, personnel development, and sales in an integrated and group-wide manner. In the term ending March 2023, we will proceed with the establishment of an integrated system for sales, recruitment, and personnel development. By consolidating the three companies, we will further enhance our unique model focusing on the recruitment and development of new graduates, establish a management model for achieving higher added value, operation rate, and mid/long-term growth, and realize the world's best support for digital business operation and high-level customers' success for completing our mission.

To do so, we newly established Sales & Marketing Dept. by integrating the sales and marketing divisions of each of the three internal companies on October 1, 2022, to promote and strengthen group-wide sales strategies. We will apply the successful initiative of separating production and sales divisions in the PGT business, which performed well in the cumulative second quarter of the term ending March 2023, to all other businesses in our corporate group, and accelerate the increase of number of new customers and the transactions with existing customers in order to achieve the full-year earnings plan. In addition, we will expand the domain of our services in both

businesses, brush up the skills of new graduates, assign them to actual tasks early to increase the ratio of creators in service, raise profitability by expanding the domain with high added value, and continuously enhance investment in mainly the recruitment and training of new graduates and mid-career creators.

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 corporate group will enhance our efforts to increase new customers and concentrate on the recruitment of mid-career workers, to increase the number of digital creators, who will become our profit sources. 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 (*4), the total amount of social engagement (*5) of 10 billion, 10,000 employees, and an operating profit of 10 billion yen in 2030.

(*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) XR: Extended reality that refers to VR (virtual reality), AR (augmented reality), and MR (mixed reality).

(*3) UX (User Experience): The experience one gains by using a product or service.

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

(*5) 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 second quarter of the current consolidated term were 9,697 million yen (down 707 million yen from the end of the previous consolidated fiscal year). This is primarily due to an increase of 930 million yen in other financial assets, an increase of 114 million yen in tangible fixed assets, along with a decrease of 1,304 million yen in cash and cash equivalents and a decrease of 442 million yen in trade receivables and other receivables.

Total liabilities stood at 3,876 million yen (down 632 million yen from the end of the previous consolidated fiscal year). This was primarily due to an increase of 79 million yen in allowance, along with a decrease of 360 million yen in trade payables and other payables, a decrease of 225 million yen in income taxes payable and a decrease of 108 million yen in lease liabilities.

Total equity was 5,820 million yen (down 75 million yen from the end of the previous consolidated fiscal year). This was primarily due to an increase of 52 million yen in capital stock and an increase of 53 million yen in capital surplus, along with a decrease of 170 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 second quarter of the current consolidated term was 3,922 million yen, down 1,304 million yen from the end of the previous consolidated fiscal year. The status of each cash flow for the cumulative second quarter and the factors behind them are as follows.

(Cash Flows from Operating Activities)

The funds acquired during the cumulative second quarter as a result of operating activities amounted to 272 million yen (293 million yen acquired during the same cumulative quarter of the previous year). The income was mainly from a decrease of 423 million yen in trade and other receivables, 242 million yen in depreciation and amortization, and 237 million yen of profit before income taxes while the expenditure was mainly from a decrease of 354 million yen in trade and other payables and 288 million yen paid as income taxes paid.

(Cash Flows from Investing Activities)

The funds used during the cumulative second quarter as a result of investing activities amounted to 1,126 million yen (8 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 133 million yen in purchase of property, plant and equipment.

(Cash Flows from Financing Activities)

The funds used during the cumulative second quarter as a result of financing activities amounted to 450 million yen (332 million yen used in the same cumulative quarter of the previous year). The income was mainly from 93 million yen in proceeds

from exercise of share acquisition rights and the expenditure was mainly from 326 million yen as dividends paid and 217 million yen in expenditure for the repayment of lease liabilities.

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

There are no changes in the consolidated earnings forecast for the entire fiscal year, announced on May 10, 2022.

(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.

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)	2 nd quarter of the current consolidated accounting year (Sep. 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	5,226,706	3,922,129
Trade receivables and other receivables	3,075,859	2,633,368
Inventory assets	48,632	51,514
Other current assets	224,303	238,112
Total current assets	8,575,502	6,845,124
Non-current assets		
Tangible fixed assets	237,803	351,916
Rights to use as assets	713,578	687,766
Goodwill	116,115	116,115
Intangible assets	12,425	11,214
Other financial assets	373,657	1,304,293
Deferred tax assets	375,346	380,870
Total non-current assets	1,828,927	2,852,177
Total assets	10,404,429	9,697,302

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2022)	2 nd quarter of the current consolidated accounting year (Sep. 30, 2022)
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Lease liabilities	400,434	334,628
Trade payables and other payables	1,068,471	707,877
Income taxes payable	370,219	145,156
Contract liabilities	30,200	10,754
Other current liabilities	2,326,547	2,328,543
Total current liabilities	4,195,872	3,526,960
Non-current liabilities		
Lease liabilities	197,817	155,569
Allowance	115,362	194,455
Total non-current liabilities	313,180	350,024
Total liabilities	4,509,052	3,876,985
Shareholders' equity		
Capital stock	963,358	1,016,065
Capital surplus	281,704	335,567
Treasury shares	(8,477)	(7,628)
Other components of equity	52,190	40,656
Retained earnings	4,606,602	4,435,656
Total equity attributable to owners of the parent	5,895,377	5,820,316
Total shareholders' equity	5,895,377	5,820,316
Total liabilities and equity	10,404,429	9,697,302

(2) Summary of Quarterly Consolidated Statements of Income

[unit: thousand yen]

	1H FY2022 (Apr. 1, 2021 to Sep. 30, 2021)	1H FY2023 (Apr. 1, 2022 to Sep. 30, 2022)
Revenue	6,795,096	8,213,871
Cost of sales	4,905,053	5,947,917
Gross profit	1,890,043	2,265,953
Selling, general and administrative expenses	1,539,726	1,981,753
Other income	18,518	11,275
Other expenses	2,447	6,941
Operating profit	366,387	288,534
Finance income	445	22
Finance costs	2,756	51,470
Profit before income taxes	364,076	237,086
Income taxes	104,240	79,858
Profit for the period	259,835	157,228
Profit attributable to		
Owners of parent	259,835	157,228
Net profit	259,835	157,228
Earnings per share		
Basic earnings per share (yen)	19.97	11.87
Diluted earnings per share (yen)	19.49	11.76

(3) Summary of Quarterly Consolidated Statements of Comprehensive Income

[unit: thousand yen]

	1H FY2022 (Apr. 1, 2021 to Sep. 30, 2021)	1H FY2023 (Apr. 1, 2022 to Sep. 30, 2022)
Profit for the period	259,835	157,228
Comprehensive income	259,835	157,228
Comprehensive income attributable to		
Owners of parent	259,835	157,228
Comprehensive income	259,835	157,228

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

Consolidated cumulative second quarter of the prior fiscal year ended March 2022 (Apr. 1, 2021 to Sep. 30, 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	—	—	—	—	259,835	259,835	259,835
Total comprehensive income	—	—	—	—	259,835	259,835	259,835
Exercise of share acquisition rights	25,428	25,428	—	(6,668)	—	44,188	44,188
Issuance of share acquisition rights	—	—	—	9,516	—	9,516	9,516
Purchase of treasury shares	—	—	(129)	—	—	(129)	(129)
Dividends	—	—	—	—	(225,579)	(225,579)	(225,579)
Total transactions with owners	25,428	25,428	(129)	2,847	(225,579)	(172,005)	(172,005)
Balance on September 30, 2021	935,834	254,181	(8,370)	58,469	3,461,891	4,702,005	4,702,005

Consolidated cumulative second of the current fiscal year ending March 2023 (Apr. 1, 2022 to Sep. 30, 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	—	—	—	—	157,228	157,228	157,228
Total comprehensive income	—	—	—	—	157,228	157,228	157,228
Exercise of share acquisition rights	52,707	52,707	—	(11,514)	—	93,899	93,899
Purchase of treasury shares	—	—	(353)	—	—	(353)	(353)
Disposition of treasury shares	—	1,156	1,203	—	—	2,359	2,359
Expiration of share acquisition rights	—	—	—	(19)	19	—	—
Dividends	—	—	—	—	(328,194)	(328,194)	(328,194)
Total transactions with owners	52,707	53,863	849	(11,534)	(328,174)	(232,289)	(232,289)
Balance on September 30, 2022	1,016,065	335,567	(7,628)	40,656	4,435,656	5,820,316	5,820,316

(5) Summary of Quarterly Consolidated Statements of Cash Flows

[unit: thousand yen]

	1H FY2022 (Apr. 1, 2021 to Sep. 30, 2021)	1H FY2023 (Apr. 1, 2022 to Sep. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	364,076	237,086
Depreciation and amortization	174,730	242,288
Finance income	(20)	(22)
Finance costs	2,018	50,494
(Increase) decrease in inventories	(17,315)	(2,881)
(Increase) decrease in trade and other receivables	382,508	423,104
Increase (decrease) in trade and other payables	(324,074)	(354,783)
Other	(6,847)	(37,160)
Subtotal	575,075	558,125
Interest and dividends received	20	22
Proceeds from subsidy income	1,508	1,383
Proceeds from insurance income	6,000	6,000
Interest paid	(1,908)	(4,240)
Income taxes paid	(348,187)	(288,562)
Income taxes refund	61,170	4
Cash flows from operating activities	293,679	272,732
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,439)	(133,730)
Purchase of intangible assets	(2,356)	(2,904)
Purchase of investments	—	(992,459)
Other	(1,304)	2,588
Cash flows from investing activities	(8,100)	(1,126,506)
Cash flows from financing activities		
Repayments of lease liabilities	(160,838)	(217,748)
Proceeds from issuance of share acquisition rights	9,516	—
Proceeds from exercise of share acquisition rights	44,188	93,899
Payments for purchase of treasury shares	(129)	(353)
Dividends paid	(225,545)	(326,600)
Cash flows from financing activities	(332,809)	(450,803)
Net increase (decrease) in cash and cash equivalents	(47,230)	(1,304,577)
Cash and cash equivalents at beginning of period	4,140,847	5,226,706
Cash and cash equivalents at end of period	4,093,617	3,922,129

(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 second 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 second quarter is minor.

(Significant Subsequent Events)

There is no related information.