

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, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under IFRS)

Company name: Members Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 2130
URL: <https://www.members.co.jp/>
Representative: Akihiko Takano, Representative Director and President
Inquiries: Shinya Yonezawa, Executive Officer and General Manager of Business Platform Department
Telephone: +81-3-5144-0660
Scheduled date of annual general meeting of shareholders: June 16, 2023
Scheduled date to commence dividend payments: June 19, 2023
Scheduled date to file annual securities report: June 19, 2023
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, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

Fiscal year ended	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	17,662	18.2	1,441	(23.2)	1,399	(26.2)	1,010	(28.0)
March 31, 2022	14,938	23.6	1,876	48.7	1,896	52.0	1,404	56.7

Fiscal year ended	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
March 31, 2023	1,010	(28.0)	996	(29.0)	76.29	75.90
March 31, 2022	1,404	56.7	1,404	56.4	107.73	105.42

Fiscal year ended	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	%	%	%
March 31, 2023	16.5	12.9	8.2
March 31, 2022	26.7	19.9	12.6

Reference: Share of profit (loss) of investments accounted for using equity method
For the fiscal year ended March 31, 2023: ¥ - million
For the fiscal year ended March 31, 2022: ¥ - million

(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, 2023	11,315	6,375	6,375	56.3	487.21
March 31, 2022	10,404	5,895	5,895	56.7	449.08

(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, 2023	1,398	(1,165)	(980)	4,479
March 31, 2022	1,653	(98)	(468)	5,226

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, 2022	-	0.00	-	25.00	25.00	328	23.2	6.2
Fiscal year ended March 31, 2023	-	0.00	-	30.00	30.00	392	39.3	6.4
Fiscal year ending March 31, 2024 (Forecast)	-	0.00	-	31.00	31.00		39.1	

3. Consolidated earnings forecast for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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)	9,940	21.0	(160)	-	(165)	-	(169)	-
Full year	21,500	21.7	1,500	4.0	1,480	5.8	1,051	4.0

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
First half(cumulative)	(200)	-	(15.10)
Full year	1,051	4.0	79.34

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 3/2023 (13,246,173).

*** 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 March 31, 2023	13,363,700 shares
As of March 31, 2022	13,217,900 shares

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

As of March 31, 2023	277,518 shares
As of March 31, 2022	90,124 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	13,246,173 shares
Fiscal year ended March 31, 2022	13,037,276 shares

* Financial results reports are exempt from the 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” on page 2 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 material for supplementary explanations on financial results will be uploaded to the website of our company on Wednesday, May 10, 2023.

○Table of contents of the appendix

1. Overview of Business Results.....	2
(1) Overview of Business Results for the Current Fiscal Year.....	2
(2) Overview of Financial Standing for the Current Fiscal Year.....	3
(3) Overview of Status of Cash Flows for the Current Fiscal Year.....	3
(4) Future Outlook.....	4
(5) Basic Policy for Profit Distribution, and Dividends in the Current Fiscal Year and the Following Fiscal Year.....	5
(6) Business Risks.....	5
2. Situation of Our Corporate Group.....	9
3. Basic Policy on Selection of Accounting Standards.....	10
4. Consolidated Financial Statements and Major Notes.....	11
(1) Consolidated Balance Sheets.....	11
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	13
(3) Consolidated Statements of Changes in Equity.....	15
(4) Consolidated Statements of Cash Flows.....	17
(5) Notes to Consolidated Financial Statements.....	18
(Notes of Going Concern Assumption).....	18
(Changes in Presentation Method)	18
(Revision to Accounting Estimates)	18
(Segment Information).....	18
(Per Share Information).....	18
(Significant Subsequent Events).....	19

1. Overview of Business Results

(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. 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 on the Internet and digital technology internally, and such personnel shortage is now a huge hurdle to digitalization. According to the DX (Digital Transformation) White Paper 2023, more than 80% of Japanese companies answered that they lack both the quality and quantity of human resources to promote DX (Incorporated Administrative Agency Information-technology Promotion Agency DX White Paper 2023, Issued March 16, 2023).

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

<Overview of Consolidated Financial Statements>

For this consolidated fiscal year ended March 2023, revenue was 17,662 million yen (up 18.2% from the same term of the previous fiscal year), operating profit was 1,441 million yen (down 23.2% from the same term of the previous fiscal year), profit before income taxes was 1,399 million yen (down 26.2% from the same term of the previous fiscal year), and profit attributable to the owners of the parent was 1,010 million yen (down 28.0% from the same term of the previous fiscal year). Sales revenue increased by 18.2% year-on-year, and value-added sales (an important indicator calculated by subtracting outsourcing and purchasing costs from sales revenue, meaning revenue generated by internal resources) increased steadily by 20.9% year-on-year, reaching a record high. On the other hand, the operating rate has dropped due to our proactively expanding upfront investment on recruiting (the number of digital creators reached 2,012, up by 24% from the end of the previous fiscal year) in order to attain our target growth rate of 25% in value-added sales. As a result, operating profit decreased year-on-year, but the operating profit margin remained above 8%. In addition, the improvement policy set on the third quarter of the fiscal year ended March 2023 is making steady progress. Since we strengthened our sales capabilities by separating production and sales, the number of client companies we offer our unique "result-oriented team" service (*1) increased by 41 from the end of the previous fiscal year. Centered on specialized in-house companies, revenue from the PGT business maintained a high growth rate of 33.7% year-on-year, and the sales ratio of non-website operations increased by 7.2 percentage points from the end of the previous fiscal year.

Until the current consolidated fiscal year, we were primarily developing two businesses (EMC business and PGT business) centered around the digital domain.

<EMC Business Outline>

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

In the current consolidated year, the sales revenue of EMC business was 11,212 million yen (IFRS*Reference Value: Up 6.6% year on year). The number of digital creators belonging to the EMC business was 1,079 (up 179 from the end of previous fiscal year).

<PGT Business Outline>

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

In the current consolidated year, the sales revenue of PGT business was 6,894 million yen (IFRS*Reference Value: Up 33.7% year on year). The number of digital creators belonging to the PGT business was 932 (up 209 from the end of previous fiscal year).

<Our Corporate Group's Policies and Initiatives>

Our company integrated the four internal companies: EMC Company, Members Career Company, Members Edge Company, and Business Platform Company and reorganized them into departments in April 2023, for the purpose of executing our strategies for personnel development, sales and services in a more integrated and group-wide manner. Through this integration, we will accelerate the development of services in non-web operation areas for clients of the former EMC business, and the provision of results-oriented team service to clients of the former PGT business. We will establish a Digital Growth Team (DGT) service, which is a hands-on continuous execution and growth support service by a dedicated team composed of digital creators with various digital skills, on a groupwide basis. At the same time, we will strive to improve the operating rate and unit price by fundamentally enhancing specialized skills of our employees through the establishment of a dedicated skill development department and separating sales and production functions.

Total sales revenue from all specialized in-house companies, which are not subject to this integration, increased by 63.2%, which is extremely high, and is driving the expansion of non-web operation areas. We will continue to accelerate growth in

non-web operation areas and improve profitability by actively launching specialized companies with high unit prices and relocating digital creators to those specialized companies.

The impacts of COVID-19 and energy and geopolitical issues on the Japanese economy are still uncertain, but 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. In such an environment, we will continue to strive to increase the number of high-skilled digital creators, who are the source of value creation for our customers, and improve employee engagement by actively recruiting new graduates and mid-career workers and by investing in education and training.

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

(*1) The number of companies we offer our unique “result-oriented team” service: The number of companies we offer our unique “result-oriented team” service is counted if the customer was provided services as a dedicated team of 3 or more digital creators.

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

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

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

The total assets at the end of the consolidated fiscal year ended March 2023 were 11,315 million yen (up 910 million yen from the end of the previous consolidated fiscal year). This was primarily due to a decrease of 746 million yen in cash and cash equivalents, an increase of 966 million yen in other financial assets, an increase of 311 million yen in trade receivables and other receivables, and an increase of 204 million yen in rights to use as assets.

Total liabilities stood at 4,939 million yen (up 430 million yen from the end of the previous consolidated fiscal year). This was primarily due to a decrease of 165 million yen in income taxes payable, along with an increase of 224 million yen in other current liabilities, an increase of 137 million yen in allowance, an increase of 133 million yen in trade payables and other payables.

Total equity was 6,375 million yen (up 480 million yen from the end of the previous consolidated fiscal year). This was primarily due to a decrease of 292 million yen in purchase of treasury shares, and an increase of 678 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 4,479 million yen, down 746 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 1,398 million yen (1,653 million yen in the same period of the previous year). The income was mainly from 1,399 million yen of profit before income taxes, and 493 million yen of depreciation and amortization, the expenditure was mainly from 581 million yen as income taxes paid, and an increase in trade and other receivables of 275 million yen.

(Cash Flows from Investing Activities)

The funds used during this consolidated fiscal year as a result of investing activities amounted to 1,165 million yen (98 million yen in the same period of the previous year). The expenditure was mainly from 1,007 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 980 million yen (468 million yen in the same period of the previous year). The expenditure was mainly from 456 million yen in repayment of lease liabilities, 326 million yen as dividends paid, and 293 million yen in payments for purchase of treasury shares.

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

	FY 3/2019	FY 3/2020	FY 3/2021	FY 3/2022	FY 3/2023
Ratio of equity attributable to the owners of the parent company [%]	56.1	55.6	53.4	56.7	56.3
Ratio of market value-based equity attributable to the owners of the parent company [%]	364.7	234.4	371.9	404.4	151.8
Ratio of interest-bearing liabilities / cash flow [years]	0.2	0.48	0.21	0.36	0.47
Interest coverage ratio	316.9	250.2	465.7	352.8	173.2

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

- 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 corporate group considers that digital investments have progressed rapidly and an organizational reform for establishing services provided by human resources with advanced skills to use digital technologies and business models is sought from enterprises in step with the digitalization of the society and enterprises and the expansion of digital business. In addition, we believe that it is necessary for all kinds of enterprises to switch to CSV(*) management, which yields profit and resolves societal issues at the same time as part of the global trend of aiming to solve issues concerning climate change, and as VISION 2030, we aim to “lead the reform toward a sustainable society by helping solve societal issues, mainly climate change and the decreasing population, with the abilities of creators all over Japan.”

Three years have passed since we set VISION 2030 and the number of digital creators and sales of value added are steadily growing, up about 77% from the term ended March 2020. On the other hand, the growth of operating profit is comparatively slow, up about 16%, but this is due to upfront investments for expansion. We shall continue to increase the number of digital creators, focus on the elevation of sales of value added and aim to achieve an operating profit of 10 billion yen in 2030.

In the term ending March 2024, we will abolish the classification into the EMC business and PGT business and our whole corporate group will newly aim for “the world’s best support for digital business operation with our DGT (Digital Growth Team).” We shall support digital business operation including domains other than website operation with our results-oriented team model, which offers higher added value, making use of respective strengths of the former businesses. Our concrete management policies are as follows.

1. Expansion of the results-oriented team model, strengthening of the sales system by separating production and sales: Through the sales system with production and sales divisions separated, on which the whole group has been working since October 2022, we will build a system for increasing the number of companies to which we provide the results-oriented team model by 200 by the end of the term ending March 2024 and increasing the number of active digital creators on a quarterly basis by 250 by the fourth quarter, and link it to future growth.
2. Further expansion of specialized companies, fundamental reinforcement of the development of human resources with specialized skills: While expanding in-house companies specialized in the latest technology domains with high value added, etc. in addition to the original website operation domain by establishing more than four companies per year, we will increase the number of digital creators in specialized companies in domains with high average spending per client to 700 and boost the growth of specialized companies by developing the specialized skills of digital creators and reshuffling them. We will keep securing over 2% of sales of value added as funds for investment in education.
3. Optimization of the HR portfolio, expansion of human capital: In order to optimize the HR portfolio of the whole group, we will strategically expand mid-career recruitment and aim to recruit 248 people per year in the term ending March 2024. While we will continue proceeding with the model of recruiting and training new graduates, we will keep down the recruitment of new graduates from 2024 until it is evenly balanced with mid-career recruitment, and create the foundation for the elevation of service-offering capabilities. The expansion of human capital drives our company’s growth, and as it concretely means increasing the number and operation rate of digital creators, we will accomplish it by expanding mid-career recruitment.
4. Upgrade of “management involving all staff members”: This means that our employees who relate to our mission proactively and voluntarily think about what they can do, take action and get involved in management, and we will elevate our capability as an autonomous decentralized cooperative organization, while using the new code of conduct, whose formulation was announced in April 2023. In order to embody this kind of management, we also recommend that our employees hold our company’s shares. Moreover, we are promoting a project for steadily raising the employees’ compensation as a result of continuous improvement of the added value of our services, operation rate and average spending per client based on the thorough elevation of the skills of digital creators and accomplishment of highly productive workstyles and company’s operation.
5. Promotion of CSV management: In the times when digital transformation and green transformation are sought, in order to significantly contribute enterprises and the society, we shall go on to engage in CSV management more broadly, through decarbonization DX which supports the elevation of carbon productivity of our client companies, which is the ratio of sales to carbon emissions, and support for start-up enterprises established for resolving societal issues.

Based on the above-mentioned policy, for the term ending March 2024, we are forecasting a consolidated sales revenue of 21,500 million yen (up 21.7% year on year), an operating profit of 1,500 million yen (up 4.0% year on year), a profit before income tax of 1,480 million yen (up 5.8% year on year) and a net profit of 1,051 million yen (up 4.0% year on year). Due to the expansion of human capital through upfront investment in new graduates and mid-career recruitment with an eye to the medium to long term, operating rate will decline as in the current fiscal year, and we expect an operating loss in the cumulative second quarter of the fiscal year ending March 31, 2024. At the same time, we will focus on shifting to a high-growth model during the fiscal year ending March 31, 2024 by strongly promoting the above policies, aiming for a value-added sales growth rate of over 25% and an operating margin of 10% in the fiscal year ending March 31, 2025.

(*) 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.”

(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 2023, we plan to pay a year-end dividend of 30.00 yen/share (up 5.0 yen/share year on year from the previous term).

Furthermore, we plan to raise the year-end dividend to 31.00 yen in the term ending March 2024, 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 digital business 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) 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 digital business 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.

3) 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 1 st , 2021 to March 31 st , 2022)	
	Cumulative second quarter	Full fiscal year
Revenue (thousand yen) (Composition ratio)	6,795,096 (45.5%)	14,938,719 (100%)
Operating profit (thousand yen) (Composition ratio)	366,387 (19.5%)	1,876,325 (100%)
Net profit (thousand yen) (Composition ratio)	259,835 (18.5%)	1,404,546 (100%)

	Current fiscal year (April 1 st , 2022 to March 31 st , 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)	157,228 (15.6%)	1,010,579 (100%)

4) 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.

5) 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.

6) 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.

7) 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.

8) 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.

9) 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.

10) 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.

11) 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.

12) 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 digital business 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 digital business 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 digital business area.

Our corporate group reinforced its policy to recruit and educate college graduates, on top of any other measures such as recruitment of excellent mid-career talents and reduction of the turnover rate of existing employees; and additionally, we have been strengthening our recruitment efforts in regional centers including Sendai and the 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.

13) 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.

14) 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.

15) 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.

16) 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.

17) 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 14 departments, 15 in-house companies, and 1 consolidated subsidiary (as of May 10, 2023), is the support for Internet business. Our company integrated the four internal companies: EMC Company, Members Career Company, Members Edge Company, and Business Platform Company and introduce the department system in April 2023. Thus, we consolidated former EMC company, Members Career Company, and Members Edge Company to Account Service Departments (Reference: Organization chart below). We will accelerate the growth of our corporate group by Sales & Marketing Department pursuing the sales strategy and Service & Skill Development Department pursuing the strategies of service development and human resource development for the whole group.

<Internet business support business>

In the digital business developed by companies, we provide services that create results and support the growth of companies' digital businesses by supporting operations in teams in the digital marketing area as well as in the digital product development area. In particular, in the area of digital product development and growth support, we have established a specialized company and are developing services centered on non-website operation areas such as data analysis and platform introduction support.

Until the current consolidated fiscal year, we disclosed separately the EMC business and the PGT business. However, specialized skills demanded by our clients diversified and services combining two businesses increased. As a result, it has become difficult to disclose information separately for each business. In the future, regardless of the digital domain we provide, three or more digital creators will pursue business results for client companies as a team selected by client companies to provide world's best operational support for digital business.

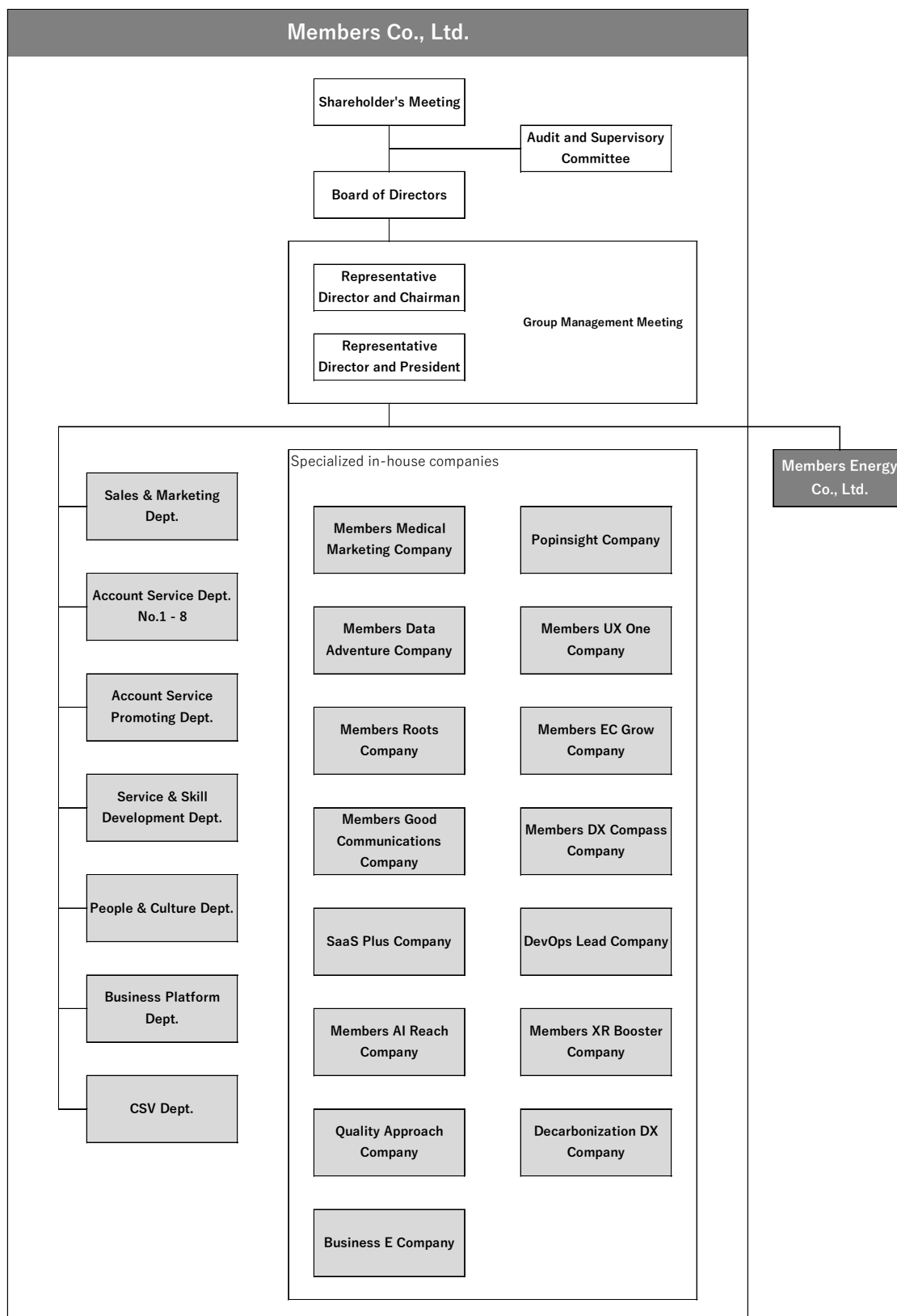
• Other business

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, 2023)

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, 2022)	Current consolidated accounting year (Mar. 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	5,226,706	4,479,967
Trade receivables and other receivables	3,075,859	3,387,822
Inventory assets	48,632	68,547
Other current assets	224,303	234,311
Total currents assets	8,575,502	8,170,648
Non-current assets		
Tangible fixed assets	237,803	349,032
Rights to use as assets	713,578	918,446
Goodwill	116,115	116,115
Intangible assets	12,425	9,897
Other financial assets	373,657	1,340,550
Deferred tax assets	375,346	410,580
Total non-current assets	1,828,927	3,144,623
Total assets	10,404,429	11,315,271

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2022)	Current consolidated accounting year (Mar. 31, 2023)
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Lease liabilities	400,434	360,860
Trade payables and other payables	1,068,471	1,201,535
Income taxes payable	370,219	204,338
Contract liabilities	30,200	66,737
Other current liabilities	2,326,547	2,551,526
Total current liabilities	4,195,872	4,384,998
Non-current liabilities		
Lease liabilities	197,817	301,917
Allowance	115,362	252,658
Total non-current liabilities	313,180	554,576
Total liabilities	4,509,052	4,939,574
Shareholders' equity		
Capital stock	963,358	1,017,504
Capital surplus	281,704	342,670
Treasury shares	(8,477)	(300,140)
Other components of equity	52,190	30,845
Retained earnings	4,606,602	5,284,816
Total equity attributable to owners of the parent	5,895,377	6,375,696
Total shareholders' equity	5,895,377	6,375,696
Total liabilities and equity	10,404,429	11,315,271

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

[unit: thousand yen]

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	FY2023 (Apr. 1, 2022 to Mar. 31, 2023)
Revenue	14,938,719	17,662,288
Cost of sales	10,182,290	12,461,182
Gross profit	4,756,429	5,201,106
Selling, general and administrative expenses	2,901,342	3,758,851
Other income	27,063	13,633
Other expenses	5,825	14,117
Operating profit (loss)	1,876,325	1,441,771
Finance income	26,943	217
Finance costs	6,539	42,536
Profit (loss) before income taxes	1,896,729	1,399,452
Income taxes	492,182	388,872
Profit (loss) for the period	1,404,546	1,010,579
Profit (loss) attributable to		
Owners of parent	1,404,546	1,010,579
Net profit (loss)	1,404,546	1,010,579
Earnings per share		
Basic earnings (loss) per share (yen)	107.73	76.29
Diluted earnings (loss) per share (yen)	105.42	75.90

(Consolidated Statements of Comprehensive Income)

[unit: thousand yen]

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	FY2023 (Apr. 1, 2022 to Mar. 31, 2023)
Profit (loss) for the period	1,404,546	1,010,579
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)
Total of items that will not be reclassified to profit or loss	—	(13,700)
Total comprehensive income	—	(13,700)
Comprehensive income	1,404,546	996,879
Comprehensive income attributable to		
Owners of parent	1,404,546	996,879
Comprehensive income	1,404,546	996,879

(3) Consolidated Statements of Changes in Equity
 Previous consolidated fiscal year (Apr. 1, 2021 to Mar. 31, 2022)

	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	—	—	—	—	1,404,546	1,404,546	1,404,546
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	1,404,546	1,404,546	1,404,546
Exercise of share acquisition rights	52,952	52,952	—	(12,948)	—	92,956	92,956
Issuance of share acquisition rights	—	—	—	9,516	—	9,516	9,516
Purchase of treasury shares	—	—	(236)	—	—	(236)	(236)
Dividends	—	—	—	—	(225,579)	(225,579)	(225,579)
Total transactions with owners	52,952	52,952	(236)	(3,432)	(225,579)	(123,344)	(123,344)
Balance on March 31, 2022	963,358	281,704	(8,477)	52,190	4,606,602	5,895,377	5,895,377

Current 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
Profit for the period	—	—	—	—	1,010,579	1,010,579	1,010,579
Other comprehensive income	—	—	—	(13,700)	—	(13,700)	(13,700)
Total comprehensive income	—	—	—	(13,700)	1,010,579	996,879	996,879
Exercise of share acquisition rights	54,146	54,146	—	(11,815)	—	96,478	96,478
Purchase of treasury shares	—	—	(292,865)	—	—	(292,865)	(292,865)
Disposal of treasury shares	—	6,818	1,203	—	—	8,022	8,022
Expiration of share acquisition rights	—	—	—	(9,529)	9,529	—	—
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	5,284,816	6,375,696	6,375,696

(4) Consolidated Statements of Cash Flows

[unit: thousand yen]

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	FY2023 (Apr. 1, 2022 to Mar. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,896,729	1,399,452
Depreciation and amortization	366,653	493,556
Finance income	(26,943)	(217)
Finance costs	5,771	40,845
(Increase) decrease in inventories	(16,829)	(19,915)
(Increase) decrease in trade and other receivables	(437,538)	(275,429)
Increase (decrease) in trade and other payables	87,302	126,686
Other	283,167	201,687
Subtotal	2,158,312	1,966,665
Interest and dividends received	5,425	13,961
Proceeds from subsidy income	1,508	1,383
Proceeds from insurance income	6,000	6,000
Interest paid	(4,687)	(8,073)
Income taxes paid	(578,884)	(581,197)
Income taxes refund	65,940	4
Cash flows from operating activities	1,653,616	1,398,742
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,302)	(137,151)
Purchase of intangible assets	(5,277)	(2,904)
Expenditure on acquisition of investments	—	(1,007,630)
Proceeds from sales of investments	—	18,964
Payments for leasehold deposits and guarantee deposits	(87,466)	(50,010)
Proceeds from collection of leasehold deposits and guarantee deposits	2,236	13,540
Cash flows from investing activities	(98,810)	(1,165,191)
Cash flows from financing activities		
Repayments of lease liabilities	(345,470)	(456,247)
Proceeds from issuance of share acquisition rights	9,516	—
Proceeds from exercise of share acquisition rights	92,956	96,478
Payments for purchase of treasury shares	(236)	(293,779)
Dividends paid	(225,711)	(326,741)
Cash flows from financing activities	(468,947)	(980,289)
Net increase (decrease) in cash and cash equivalents	1,085,858	(746,739)
Cash and cash equivalents at beginning of period	4,140,847	5,226,706
Cash and cash equivalents at end of period	5,226,706	4,479,967

(5) Notes to Consolidated Financial Statements

(Notes of Going Concern Assumption)

There is no related information.

(Changes in Presentation Method)

There is no related information.

(Revision to Accounting Estimates)

In this consolidated fiscal year, 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 current year is minor.

(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 2022 (From Apr. 1, 2021 to Mar. 31, 2022)	Consolidated fiscal year 2023 (From Apr. 1, 2022 to Mar. 31, 2023)
Net income attributable to the owners of the parent company [thousand yen]	1,404,546	1,010,579
Profit adjustment [thousand yen]	—	
Net income used for calculating diluted earnings per share [thousand yen]	1,404,546	1,010,579
Weighted average number of outstanding common shares	13,037,276	13,246,173
Increase of common shares		
Increase from the exercise of share acquisition rights	285,752	67,786
Weighted average number of diluted common shares	13,323,028	13,313,959
Basic earnings per share [yen]	107.73	76.29
Diluted earnings per share [yen]	105.42	75.90
Issuable shares not included in the calculation because they do not have the dilutive effect	The 18 th share acquisition right (146,400 shares)	The 18 th share acquisition right (146,400 shares)

(Significant Subsequent Events)

(Issuance of performance-linked share acquisition rights)

At a meeting of the Board of Directors held on March 23, 2023, we resolved to issue share acquisition rights ("Share Acquisition Rights") to our directors (excluding outside directors), executive officers and employees pursuant to Articles 236, 238 and 240 of the Companies Act.

In consideration of the impact on share dilution, treasury shares will be allocated for the Share Acquisition Rights. However, if there is a shortage of treasury shares to be allocated to the share acquisition rights, our company may acquire treasury shares or issue new shares, according to the situation.

I. Purpose and Reason for Offering Share Acquisition Rights

Our company intends to issue share acquisition rights to our directors (excluding outside directors), executive officers, and employees for a fee in order to raise their motivation and morale and to further increase their commitment to the expansion of our company's business performance as we aim to further increase our corporate value over the medium to long term. These rights set a performance determination level that allows the holder to exercise 100% of the rights if the audited consolidated income statement of the company for any of the business years ending in March 2024, 2025, 2026, 2027, or 2028 achieves an operating profit of 4,000 million yen.

II. Terms and Conditions of Issuance of Share Acquisition Rights

1. Number of share acquisition rights

19,595

2. The issue price per share acquisition right shall be 10 yen (1 yen per share).

3. Details of the Share Acquisition Rights

(1) Class and number of shares to be issued upon exercise of the share acquisition rights

Common share: 195,950 shares

The number of shares to be issued upon exercise of one (1) share acquisition right (hereinafter referred to as the "Number of Granted Shares") shall be ten (10) shares of common share of our company.

(2) Value or calculation method of assets to be contributed upon exercise of share acquisition rights

The value of the assets to be contributed upon exercise of the Share Acquisition Rights shall be the amount to be paid in per share that can be delivered upon exercise of the Share Acquisition Rights (the "Exercise Price") multiplied by the number of shares granted.

The Exercise Price shall be 1,310 yen, which is the closing price of our company's share on the Tokyo Stock Exchange on the day before the Board of Directors' resolution regarding the issuance of these equity warrants.

(3) Period during which share acquisition rights may be exercised

The period during which the share acquisition rights may be exercised (the "Exercise Period") shall be from July 1, 2024 to June 30, 2029 (or, if June 30, 2029 is not a business day for banks, the business day immediately preceding it shall be the last day of the exercise period).

(4) Matters concerning the increase in capital and capital reserve

(i) The amount of capital to be increased in the event of the issuance of shares upon exercise of the SARs shall be half of the maximum amount of increase in capital, etc., as calculated in accordance with Article 17, Paragraph 1 of the Corporate Calculation Regulations. In case the calculation results in a fraction of less than 1 yen, it shall be rounded up.

(ii) The amount of capital reserve to be increased in the event of the issuance of shares upon the exercise of the share acquisition rights shall be the amount obtained by subtracting the amount of capital to be increased as set forth in (i) above from the maximum amount of increase in capital, etc. as set forth in (i) above.

(5) Restrictions on the acquisition of new share acquisition rights through transfer

The acquisition of new share acquisition rights through transfer shall require approval by resolution of the board of directors.

(6) Conditions for the exercise of share acquisition rights

(i) Each holder of the new share acquisition rights may exercise the rights during the exercise period (from the first day of the month following the date of submission of the annual securities report for the achievement period to the last day of exercise period) up to the number of new share acquisition rights allocated to him/her, subject to the limit of the number of new shares set for each right and the percentage of the rights specified in advance, provided that the audited consolidated income statement (or income statement, if consolidated financial statements are not prepared) of our company included in the annual securities report submitted by our company for the fiscal year ending in March 2024, 2025, 2026, 2027, or 2028 shows an operating profit of 4,000 million yen or more. In case the number of new share acquisition rights that can be exercised results in a fraction of less than one unit, it shall be rounded down.

(ii) The exercise of the Share Acquisition Rights by the heirs of the holders of the Share Acquisition Rights shall not be permitted.

(iii) The exercise of the new share acquisition rights shall not be permitted if it would result in the total number of issued shares of our company exceeding the authorized number of shares at the time of exercise.

(iv) Exercise of less than one new share acquisition right shall not be permitted.

4. Date of allocation of new share acquisition rights:

April 28, 2023.

5. Matters Concerning Acquisition of Share Acquisition Rights

(i) In the event that a merger agreement in which our company becomes a dissolving company, a company split agreement or plan in which our company becomes a splitting company, or a share exchange agreement or share transfer plan in which our company becomes a wholly owned subsidiary are approved at a general meeting of shareholders (or resolved by the Board of Directors if approval at a general meeting of shareholders is not required), our company may acquire all of the Share Acquisition Rights free

of charge on a date separately determined by our company's Board of Directors.

(ii) If a new share acquisition right becomes un-exercisable in accordance with the provisions of 3. (6) above before the new share acquisition rights holder exercises the right, our company may acquire the new share acquisition right free of charge.

6. Rounding down of fractions resulting from the exercise of new share acquisition rights:

If there is a fraction of less than one share in the number of shares to be allocated to the holder of new share acquisition rights, it shall be rounded down.

7. Number of persons and number of new share acquisition rights allocated:

Two Directors, 23 Executive Officers, and 1,410 employees of our company,

Total: 1,435 people 19,595 share acquisition rights (195,950 shares)