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PASONA

FASF MEMBERSHIP

January 12, 2024

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FY2023 (June 1, 2023 to May 31, 2024)
First Half Ended November 30, 2023

Listed company name:	Pasona Group Inc.
Listing stock exchange:	The Prime Market of the Tokyo Stock Exchange
Securities code number:	2168
URL:	https://www.pasonagroup.co.jp
Representative:	Yasuyuki Nambu, Group CEO and President
For further information contact:	Yuko Nakase, Senior Managing Executive Officer and CFO Tel. +81-3-6734-0200

Scheduled filing date of quarterly report: January 15, 2024
Supplemental materials prepared for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes

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

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results

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

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
		%		%		%		%
First Half ended November 30, 2023	179,316	(2.5)	3,980	(40.9)	3,987	(46.3)	145	(94.7)
First Half ended November 30, 2022	183,973	0.8	6,733	(43.9)	7,431	(38.8)	2,734	(43.0)

(Note) Comprehensive income H1 FY2023: ¥1,726 million ((59.8)%) H1 FY2022: ¥4,289 million ((45.8)%)

	Net Profit per Share	Diluted Net Profit per Share
	Yen	Yen
First Half ended November 30, 2023	3.72	3.28
First Half ended November 30, 2022	69.80	69.66

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
November 30, 2023	246,907	68,738	21.4
May 31, 2023	275,504	71,624	19.6

(Reference) Equity As of November 30, 2023: ¥ 52,776 million As of May 31, 2023: ¥ 53,998 million

(Note) In total assets as of May 31, 2023 and November 30, 2023, temporary "Deposits received" from customers related to contracted projects is recorded in liabilities, and "Cash and deposits" worth it is recorded in assets. For details, please refer to "1. Qualitative Information Concerning Quarterly Consolidated Business Results (2) Overview of Consolidated Financial Position".

2. DIVIDENDS PER SHARE

	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	—	0.00	—	35.00	35.00
FY2023	—	0.00			
FY2023 (Forecast)			—	35.00	35.00

(Note) Revision to dividend forecast in the current quarter: None

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2024

The consolidated earnings forecast for the fiscal year ending May 31, 2024 is not disclosed because there are many uncertain factors that may affect earnings at this time, and it is difficult to make a reasonable earnings forecast. The Company will announce its full-year consolidated earnings forecast for the fiscal year ending May 31, 2024, when it becomes reasonably possible to do so. For details, please refer to "1. Qualitative Information Concerning Quarterly Consolidated Business Results (3) Overview of Consolidated Financial Forecasts and Other Forward-Looking Statements"

(Note) Revision to forecast of results in the current quarter: Yes

4. NOTES

(1) Changes in important subsidiaries during the current period: None
(Changes in specified subsidiaries that caused changes in the scope of consolidation)

(2) Application of the special accounting practices in the preparation of quarterly consolidated financial statements: None

(3) Changes of accounting principles, changes in accounting estimates and retrospective restatement
1) Changes of accounting principles in line with revisions to accounting and other standards: None
2) Changes of accounting principles other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Number of shares issued and outstanding (Common shares)
1) The number of shares issued and outstanding as of the period-end (including treasury shares)
November 30, 2023: 41,690,300 shares May 31, 2023: 41,690,300 shares

2) The number of treasury shares as of the period-end
November 30, 2023: 2,513,520 shares May 31, 2023: 2,515,520 shares

3) Average number of shares for the period (Quarterly cumulative period)
First half ended November 30, 2023: 39,175,458 shares
First half ended November 30, 2022: 39,174,493 shares

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

The Quarterly Financial Report is not subject to a quarterly review conducted by CPA or audit firm.

Cautionary statement and other explanatory notes

The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results may differ materially from forecasts for a variety of reasons. Please refer to (Attachment) "Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements" for the assumptions used in forecasting earnings.

The Company plans to hold a financial results briefing for analysts and institutional investors on January 18, 2024. The presentation materials will be posted on the Company's website (https://www.pasonagroup.co.jp/ir/) immediately after the meeting.

Consolidated Financial Report

First Half Ended November 30, 2023

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1. Qualitative Information Concerning Quarterly Consolidated Business Results

(1) Overview of Consolidated Business Results

i) Business Results for the First Half ended November 30, 2023

During the first half of the current fiscal year, the Japanese economy experienced a moderate recovery due to a pickup in personal consumption and improved employment conditions. On the other hand, the economic outlook remained uncertain due to global monetary tightening and rising prices, etc.

Amid this environment, the Group's key strategies for the current fiscal year (hereinafter referred to as the "current fiscal year") are "1) Evolving into X-Tech BPO" in the BPO domain, where demand is growing; "2) Expanding support for diverse work styles and career development" in the labor market, where work styles are diversifying; and "3) Expanding earnings from local development projects centered on Awaji Island" in the tourism domain, where post-COVID-19 revitalization is underway. We are working to solve various social issues through our business activities.

During the first half ended November 30, 2023, revenue decreased from the previous fiscal year (hereinafter referred to as the "previous fiscal year") in Expert Services and Outsourcing due to a decrease in demand related to countermeasures for the COVID-19 infection up to the previous fiscal year, while revenue increased in BPO Services due to an increase in new project contracts. On the other hand, in the Regional Revitalizations Solution, although the number of tourists, including inbound tourists, increased due to the lifting of restrictions on activities, revenue decreased from the same period of the previous fiscal year due to the summer heat wave and poor weekend weather, as well as the effect of the change in fiscal year-end of some subsidiaries made in the previous fiscal year.

As a result, consolidated net sales for the first half of the current fiscal year totaled ¥179,316 million (down 2.5% year-on-year), with gross profit of ¥42,485 million (down 5.3% year-on-year). SG&A expenses were ¥38,505 million (up 1.0% year-on-year) due mainly to an increase in personnel expenses in line with business growth in BPO services, despite the absence of double rent associated with the office relocation to "PASONA SQUARE" in Minami Aoyama, Tokyo, which took place in the same period last year. Operating profit was ¥3,980 million (down 40.9% year-on-year), and ordinary profit was ¥3,987 million (down 46.3% year-on-year). Profit attributable to owners of the parent amounted to ¥145 million (down 94.7% year-on-year), a significant decrease from the previous fiscal year, when extraordinary gains such as gains on sales of investment securities were recorded.

H1 FY2023 Consolidated Financial Report
(June 1, 2023 – November 30, 2023)

(Millions of yen)

	H1 FY2022	H1 FY2023	YoY
Net sales	183,973	179,316	(2.5)%
Operating profit	6,733	3,980	(40.9)%
Ordinary profit	7,431	3,987	(46.3)%
Profit attributable to owners of parent	2,734	145	(94.7)%

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

HR Solutions
Expert Services (Temporary staffing), BPO Services (Contracting and outsourcing), etc.

Net sales ¥150,122 million Operating profit ¥6,050 million

[Expert Services] Net sales: ¥68,685 million

In this segment, the Group provides expert services (temporary staffing) for a wide range of job types and generations, from office work to highly specialized skilled personnel, engineers, sales and marketing personnel, and from young people to senior citizens.

In the first half of the current fiscal year, net sales declined to ¥68,685 million (down 8.7% from the same period of the previous fiscal year), as the work related to the nationwide response in Japan to the COVID-19 infection, which had expanded in the previous fiscal period, was largely completed. In the current fiscal year, the Company focused on expanding orders for high-level clerical work, which requires specialized knowledge and experience, and on supporting the skill development of temporary staff.

[BPO Services] Net sales: ¥71,784 million

In this segment, the Group provides BPO services by contracting reception, sales administration, order receipt and placement, human resources, labor, and payroll, as well as general affairs that consolidate and streamline complicated clerical work for customers and accounting and finance services that handle expense reimbursement according to busy schedules. Bewith, Inc., a consolidated subsidiary, provides contact center and BPO services utilizing self-developed digital technology.

Although there was a decrease in the number of projects that had been in special demand until the previous year, new demand was captured by both private companies and the public sector, resulting in sales growth over the same period last year. In the private sector, demand expanded for BPO services to help employees focus on their core work and improve productivity in the areas of human resources and accounting, as well as for services related to employee health promotion support. Bewith, Inc., which provides contact center and BPO services, achieved growth in other areas such as the lifeline industry and public sector projects, in addition to the acquisition of new projects in the financial industry and expansion of existing business.

As a result, net sales amounted to ¥71,784 million (up 5.1% year-on-year).

[HR Consulting, Education/Training, Others] Net sales: ¥4,418 million

In this segment, we provide consulting and management support by professional human resources such as freelancers and former executives of listed companies, as well as education and training services commissioned by companies and the public sector, and HR tech implementation support services such as talent management. The company also provides education and training services commissioned by companies and the public sector, as well as HR tech implementation support services such as talent management.

In the advisory consulting business, there was an increase in needs for introductions of outside directors and outside corporate auditors, as well as for strengthening personnel systems revision and recruitment. In the recruiting business, needs for engineering positions, especially from the manufacturing industry, remained strong. In the education and training business, demand for inbound customer service training and leadership training increased.

As a result, net sales amounted to ¥4,418 million (up 3.8% year-on-year).

[Global Sourcing] Net sales ¥5,234 million Operating profit ¥134 million

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

In the U.S., recruitment continued to increase, particularly in the non-manufacturing sector, and temporary staffing services posted higher revenues compared to the same period last year. In Asia, demand for human resources from Japanese-affiliated companies remained firm in Taiwan, where the semiconductor industry was robust, and in Southeast Asia, where economic recovery continued, sales increased in each country. In addition, SG&A expenses increased due to progress in recruiting and improving compensation, as well as an increase in training and business trips.

As a result, net sales amounted to ¥5,234 million (up 6.3% year-on-year), and operating profit amounted to ¥134 million (down 61.6% year-on-year), partly due to the foreign exchange effects of the weaker yen. In the current fiscal year, we will continue to focus on expansion of BPO services and cross-border transactions of IT human resources, especially in Southeast Asia, which continues to experience economic growth.

Net sales for the segment consisting of the above businesses amounted to ¥150,122 million (down 1.7% year-on-year). In terms of profit, the gross profit margin also declined due to an increase in social insurance premiums, mainly in Expert Services, as well as due to a contraction in the dispatch of medical specialists as COVID-19 infections subsided. In addition, the acquisition of KANDEN JOINUS CO., LTD. (currently Pasona Joinus Inc.) as a subsidiary in January 2023 and the increase in SG&A expenses from the same period of the previous year, mainly due to an increase in personnel expenses in line with business growth in BPO services, resulted in operating profit of ¥6,050 million (down 21.5% year-on-year).

Career Solutions (Placement / Outplacement)

Net sales ¥6,810 million Operating profit ¥2,126 million

In this segment, The Group provides the Placement / Recruiting business, which supports companies' mid-career recruiting activities and matches job seekers with job seekers, and the Outplacement business, which supports job transfers based on companies' human resource strategies.

In the Placement / Recruiting business, although some companies are changing their hiring policies due to changes in the business climate, stable demand continues in the high-career field, which is a strategic focus for the Group, and large companies that had previously focused on hiring new graduates have begun to actively pursue mid-career hiring, resulting in business expansion. In addition, the Group has been able to expand its business by aggressively recruiting mid-career workers. In addition, as more companies work to ensure diversity and promote diversity, there is a growing need to hire female managers, and by leveraging the Group's track record and brand, business in this field continues to expand.

In the outplacement business, demand continued to decline as the number of companies recruiting early and voluntary retirees was the smallest over the past decade or so. On the other hand, the Safe Placement Total Service, which supports employees' autonomous career development, expanded steadily as an increasing number of companies are offering career counseling and reskilling to their employees in response to growing awareness of human capital management.

However, the expansion of the Placement / Recruiting business failed to offset the decline in the Outplacement business, resulting in net sales of ¥6,810 million (down 1.4% year-on-year), while operating profit increased 6.7% year-on-year to ¥2,126 million as a result of efforts to curb SG&A expenses by also transferring personnel to businesses in high demand

Outsourcing **Net sales ¥18,727 million Operating profit ¥3,540 million**

In this segment, our consolidated subsidiary Benefit One Inc. provides mainly outsourced employee benefit services to corporations, government agencies, and municipalities.

In the employee benefits business, while membership fee revenue, which accounts for the majority of sales, increased year-on-year, transactions specific to the former JTB Benefit Inc. declined. In addition, the unit price of membership fees was lower than expected due to the fact that newly acquired members were mainly from major client groups, as well as the impact of reductions in both revenues and expenses due to the revision of some contracts, resulting in a decrease in revenues compared to the plan. On the expense side, expenses increased year-on-year due to investments in human resources and systems for medium- and long-term growth, but the operating margin in the employee benefit, personal and CRM businesses improved, partly due to the effect of duplicate cost reductions from the integration of services of the former JTB Benefit Inc.

In the healthcare business, sales in the Corona vaccination support business decreased year-on-year. In the health checkup and health guidance business, although there were delays in acquiring new orders, the implementation of projects for which orders had already been received progressed, resulting in a year-on-year increase in sales during the period under review.

As a result, net sales amounted to ¥18,727 million (down 7.4% year-on-year) and operating profit was ¥3,540 million (down 26.6% year-on-year).

Life Solutions **Net sales ¥3,797 million Operating profit ¥23 million**

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

In the life support business, including housekeeping services, demand for sterilization and disinfection services, which had been offered at hospitals and lodging facilities in the same period of the previous fiscal year, declined significantly. On the other hand, the company made progress in acquiring new contracts from new municipalities for housework services for families raising children, which are contracted by local governments. In terms of expenses, SG&A expenses, especially personnel expenses, increased due to an expansion of user support services as a result of an increase in the number of projects contracted by new municipalities.

In the childcare business, the number of children received increased from the same period of the previous fiscal year due to the opening of new licensed nursery schools and school-age clubs. On the other hand, gross profit decreased due to the postponement of the receipt of subsidies for facility operation related to the improvement of compensation for childcare workers, as well as an increase in cost of sales, including personnel expenses and operating expenses, associated with the opening of new childcare facilities.

As a result, net sales amounted to ¥3,797 million (down 5.0% year-on-year) and operating profit amounted to ¥23 million (down 86.4% year-on-year).

Regional Revitalization Solutions **Net sales ¥3,099 million Operating profit ¥(1,216) million**

In this segment, the Company is engaged in regional development projects to create new industries and employment in rural areas in cooperation and collaboration with local residents, local companies, and local governments.

Each of the facilities operated on Awaji Island, Hyogo Prefecture, saw an increase in the number of visitors, including inbound tourists, as restrictions on activities associated with the COVID-19 infection were lifted. The "Haru-sansan," a restaurant in a field that serves locally produced, locally consumed cuisine using regional ingredients, saw an increase in reservations from families during the fall holiday season, recording the highest monthly number of visitors since its establishment. In addition, at the "Nijigen-no-mori" Animation Park in Awaji Island Park, Hyogo Prefecture, inbound visitors increased at the "NARUTO & BORUTO Shinobinosato" and "Godzilla Interception Operation Awaji - National Awaji-Island Institute of Godzilla Disaster" attractions, which were particularly popular in Europe and the U.S.

On the other hand, sales and operating income fell short of the initial plan due to the record-breaking heat wave during the summer season and unfavorable weekend weather during the period under review. In addition, the impact of the change in the fiscal year end of some subsidiaries in the previous fiscal year, combined with the impact of the timing of limited-time-only attractions, resulted in a decrease in sales from the same period of the previous fiscal year.

As a result, net sales were ¥3,099 million (down 9.5% year-on-year), and operating profit was ¥(1,216) million (¥(1,117) million in the same period of the previous year), despite efforts to control TV commercials and other SG&A expenses.

Eliminations **Net sales ¥(3,240) million Operating profit ¥(6,543) million**

It includes intergroup transaction elimination and costs to maximize group synergies, incubation costs for new businesses, and administrative costs as a holding company.

During the first half ended November 30, 2023, personnel expenses and IT-related expenses to promote DX increased, but there was no double rent associated with the office relocation to "PASONA SQUARE" in Minami Aoyama, Tokyo, which took place in the same period of the previous year, and this resulted in net sales after eliminating intergroup transactions of ¥(3,240) million (¥(3,310) million in the same period of the previous fiscal year) and operating income of ¥(6,543) million (¥(6,852) million in the same period of the previous fiscal year).

<u>Segment Information</u> (Figures include intersegment sales)

Consolidated Net Sales by Segment

(Millions of yen)

	H1 FY2022	H1 FY2023	YoY
HR Solutions	179,861	175,660	(2.3)%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	152,717	150,122	(1.7)%
Expert Services (Temporary staffing)	75,213	68,685	(8.7)%
BPO Services (Contracting)	68,325	71,784	+5.1%
HR Consulting, Education & Training, Others	4,256	4,418	+3.8%
Global Sourcing (Overseas)	4,921	5,234	+6.3%
Career Solutions (Placement / Recruiting, Outplacement)	6,909	6,810	(1.4)%
Outsourcing	20,234	18,727	(7.4)%
Life Solutions	3,998	3,797	(5.0)%
Regional Revitalization Solutions	3,423	3,099	(9.5)%
Eliminations and Corporate	(3,310)	(3,240)	—
Total	183,973	179,316	(2.5)%

Consolidated Operating Profit by Segment

(Millions of yen)

	H1 FY2022	H1 FY2023	YoY
HR Solutions	14,530	11,716	(19.4)%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	7,711	6,050	(21.5)%
Expert Services (Temporary staffing) BPO Services (Contracting) HR Consulting, Education & Training, Others	7,361	5,916	(19.6)%
Global Sourcing (Overseas)	350	134	(61.6)%
Career Solutions (Placement/Recruiting, Outplacement)	1,993	2,126	+6.7%
Outsourcing	4,825	3,540	(26.6)%
Life Solutions	173	23	(86.4)%
Regional Revitalization Solutions	(1,117)	(1,216)	—
Eliminations and Corporate	(6,852)	(6,543)	—
Total	6,733	3,980	(40.9)%

(2) Overview of Consolidated Financial Position

i) Status of Assets, Liabilities and Net Assets

As of November 30, 2023, the amount of ¥57,357 million (¥74,869 million at the end of the previous fiscal year) of temporary “Deposits received” from customers by the Group related to contracted projects was recorded in liabilities, and “Cash and deposits” worth it was recorded in assets, whose use is restricted.

Assets

Total assets as of November 30, 2023 stood at ¥246,907 million, a decrease of ¥28,597 million or 10.4%, compared with May 31, 2023. This was mainly attributable to a decrease of ¥38,083 million in cash and deposits due to the above decrease in "deposits received" and payment of dividends and income taxes, while notes receivable, accounts receivable and contract assets increased by ¥5,609 million due to an increase in contract projects, and property, plant and equipment increased by ¥4,135 million due to the Regional Revitalization Solutions projects, etc.

Liabilities

Total liabilities as of November 30, 2023 stood at ¥178,168 million, a decrease of ¥25,711 million or 12.6%, compared with May 31, 2023. This was mainly attributable to a decrease of ¥18,797 million in deposits received due to the above-mentioned commissioned projects, etc., a decrease of ¥2,529 million in account payable due to advanced payments, and a decrease of ¥4,721 million in long-term loans payable due to repayment of loans.

Net Assets

Net assets as of November 30, 2023 stood at ¥68,738 million, a decrease of ¥2,885 million or 4.0%, compared with May 31, 2023. This was mainly attributable to a decrease of ¥1,237 million in retained earnings due to dividend payments of ¥1,396 million, and a decrease of ¥1,663 million in non-controlling interests mainly due to dividends paid by a subsidiary, while net income attributable to owners of the parent company in the first half of the current fiscal year was ¥145 million.

As a result, equity ratio as of November 30, 2023 was 21.4% (19.6% at the end of the previous fiscal year). Total assets after deducting “Cash and deposits” with “Deposits received” related to contracted projects stood at ¥189,549 million (¥200,634 million at the end of the previous fiscal year), and equity ratio 27.8% (26.9% at the end of the previous fiscal year).

ⅱ)Status of Cash Flows

Cash and cash equivalents (hereafter “net cash”) as of November 30, 2023 decreased by ¥20,604 million, compared with May 31, 2023, to ¥27,314 million. Net cash does not include "cash and deposits" commensurate with temporary "deposits" from customers related to contracted projects.

(Cash Flows from Operating Activities)

Net cash used in operating activities totaled ¥3,870 million (¥6,401million decrease in the same period of the previous consolidated fiscal year).

The increase in net cash was mainly due to income before income taxes and minority interests of ¥3,820 million (¥8,223 million in the same period of the previous fiscal year),etc.

The decrease in net cash was mainly due to an increase of ¥5,496 million (¥8,081 million increase in the same period of previous fiscal year) in notes and accounts receivable-trade and contract assets, a decrease of ¥2,892 million (a decrease of ¥2,146 million in the same period of the previous fiscal year) in account payable, etc.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥8,506 million (¥4,515 million decrease in the same period of the previous fiscal year).

The decrease in net cash was mainly due to payments for purchase of property, plant and equipment of ¥5,511 million (¥4,308 million in the same period of the previous fiscal year) associated with the purchases of tangible assets in the Regional Revitalization business, and ¥2,399 million (¥2,105 million in the same period of the previous fiscal year) for the purchase of intangible assets related to system investments, etc.

(Cash Flows from Financing Activities)

Net cash used in financing activities totaled ¥8,548 million (¥10,642 million decrease in the same period of the previous fiscal year).

The increase in net cash was mainly due to proceeds from short-term loans payable of ¥2,015 million (¥18 million decrease in the same period of the previous fiscal year),etc.

The decrease in net cash was mainly due to repayment of long-term loans payable of ¥5,395 million (¥5,016 million in the same period of the previous year), cash dividends paid of ¥4,566 million (¥4,559 million in the same period of the previous year),etc.

(3) Overview of Consolidated Financial Forecasts and Other Forward-Looking Statements

On November 14, 2023, the Company entered into an agreement with M3, Inc. (the "Offeror") to tender all of its shares of common stock of Benefit One Inc. (the "Target Company"), a consolidated subsidiary of the Company that belongs to the Outsourcing segment, in a tender offer (the "Tender Offer") by the Offeror for the common shares of the Target Company.

The Offeror commenced the Tender Offer on November 15, 2023. However, subsequently, the Target Company received an offer from Dai-ichi Life Holdings, Inc. ("Dai-ichi Life") to become a wholly owned subsidiary of Dai-ichi Life through a tender offer, and because of the time required by the Target Company to consider such offer, on December 12, 2023, the Offeror has extended the tender offer period to January 17, 2024 in response to the request of the Target Company.

For details, please refer to the press releases titled "Notice Concerning the Execution of Share Tender Agreement Relating to the Tender Offer for Subsidiary Shares and the Expected Recording of Extraordinary Profits" announced on November 14, 2023, "Notice of Scheduled Commencement of Tender Offer by Dai-ichi Life Holdings, Inc. for Shares of Benefit One Inc." announced on December 7, 2023, and "Notice Concerning Extension of Tender Offer for Subsidiary Shares" announced on December 12, 2023.

For the reasons stated above, the Company will not disclose its consolidated earnings forecast for the full fiscal year ending May 31, 2024, as there are many undetermined factors that will affect earnings, and it is difficult to calculate a reasonable earnings forecast at this time. The Company will announce the full-year consolidated earnings forecast for the fiscal year ending May 31, 2024 when it becomes reasonably possible to make a forecast.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	123,067	84,984
Notes and accounts receivable-trade, and contract assets	52,625	58,234
Inventories	3,365	4,009
Other	15,337	13,532
Allowance for doubtful accounts	(121)	(113)
Total current assets	194,275	160,647
Non-current assets		
Property, plant and equipment	33,725	37,861
Intangible assets		
Goodwill	7,353	7,169
Other	19,228	19,779
Total intangible assets	26,582	26,949
Investments and other assets		
Other	20,798	21,336
Allowance for doubtful accounts	(7)	(9)
Total investments and other assets	20,791	21,327
Total non-current assets	81,099	86,138
Deferred assets	130	120
Total assets	275,504	246,907

(Millions of yen)

	As of May 31, 2023	As of November 30, 2023
Liabilities		
Current liabilities		
Accounts payable-trade	7,427	4,897
Short-term borrowings	10,296	11,779
Accrued expenses	17,009	17,430
Income taxes payable	3,061	2,669
Deposits received	78,690	59,892
Provision for bonuses	4,667	4,472
Provision for bonuses for directors	26	7
Asset retirement obligations	17	-
Other	23,586	22,432
Total current liabilities	144,783	123,582
Non-current liabilities		
Bonds payable	3,224	2,931
Long-term borrowings	43,505	38,783
Provision for share awards for directors	600	614
Provision for share awards for employees	566	554
Retirement benefit liability	2,409	2,436
Asset retirement obligations	2,554	2,614
Other	6,236	6,651
Total non-current liabilities	59,096	54,586
Total liabilities	203,880	178,168
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	17,094	17,355
Retained earnings	32,941	31,703
Treasury shares	(2,378)	(2,694)
Total shareholders' equity	52,658	51,365
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	853	747
Foreign currency translation adjustment	348	593
Remeasurements of defined benefit plans	138	69
Total accumulated other comprehensive income	1,340	1,410
Share acquisition rights	2	2
Non-controlling interests	17,622	15,959
Total net assets	71,624	68,738
Total liabilities and net assets	275,504	246,907

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	H1 FY2022	H1 FY2023
Net sales	183,973	179,316
Cost of sales	139,116	136,830
Gross profit	44,856	42,485
Selling, general and administrative expenses	38,123	38,505
Operating profit	6,733	3,980
Non-operating income		
Interest income	15	20
Share of profit of entities accounted for using equity method	33	45
Sponsorship money income	96	83
Subsidy income	560	53
Other	437	207
Total non-operating income	1,143	411
Non-operating expenses		
Interest expenses	179	218
Commitment fees	36	46
Other	229	139
Total non-operating expenses	445	403
Ordinary profit	7,431	3,987
Extraordinary income		
Gain on change in equity	211	3
Gain on sale of non-current assets	33	0
Gain on sale of investment securities	627	0
Total extraordinary income	872	3
Extraordinary losses		
Loss on sale and retirement of non-current assets	81	170
Total extraordinary loss	81	170
Profit before income taxes	8,223	3,820
Income taxes-current	3,855	2,449
Income taxes-deferred	(405)	(380)
Income taxes	3,450	2,068
Profit	4,773	1,752
Profit attributable to non-controlling interests	2.038	1,606
Profit attributable to owners of parent	2,734	145

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	H1 FY2022	H1 FY2023
Profit	4,773	1,752
Other comprehensive income		
Valuation difference on available-for-sale securities	(820)	(222)
Foreign currency translation adjustment	339	264
Remeasurements of defined benefit plans, net of tax	(2)	(68)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	(483)	(25)
Comprehensive income	4,289	1,726
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	2,634	216
Comprehensive income attributable to non-controlling interests	1,655	1,510

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	H1 FY2022	H1 FY2023
Cash flows from operating activities		
Profit before income taxes	8,223	3,820
Depreciation	2,493	2,584
Amortization of goodwill	353	379
Increase (decrease) in allowance for doubtful accounts	37	(8)
Increase (decrease) in provision for bonuses	(87)	(210)
Increase (decrease) in provision for bonuses for directors	(7)	(20)
Increase (decrease) in retirement benefit liability	15	(9)
Decrease (increase) in retirement benefit asset	(66)	(173)
Interest and dividend income	(41)	(43)
Interest expenses	179	218
Subsidy income	(560)	(53)
Sponsorship money income	(96)	(83)
Share of loss (profit) of entities accounted for using equity method	(33)	(45)
Loss (gain) on change in equity	(211)	(3)
Loss (gain) on sale and retirement of non-current assets	47	170
Loss (gain) on sale of investment securities	(627)	(0)
Decrease (increase) in notes and accounts receivable-trade and contracts asset	(8,081)	(5,496)
Increase (decrease) in trade payables	(2,146)	(2,892)
Increase (decrease) in accrued consumption taxes	(283)	(167)
Other	124	(999)
Subtotal	(769)	(3,035)
Interest and dividends received	56	62
Interest paid	(180)	(222)
Subsidies received	560	53
Sponsorship money received	96	83
Income taxes paid	(6,164)	(811)
Net cash provided by (used in) operating activities	(6,401)	(3,870)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,308)	(5,511)
Proceeds from sale of property, plant and equipment	22	2
Purchase of intangible assets	(2,105)	(2,399)
Purchase of investment securities	-	(166)
Proceeds from sale of investment securities	702	0
Loan advances	(3)	(3)
Payments of leasehold and guarantee deposits	(351)	(630)
Proceeds from refund of leasehold and guarantee deposits	1,548	444
Payments for acquisition of businesses	-	(207)
Other	(20)	(35)
Net cash provided by (used in) investing activities	(4.515)	(8,506)

(Millions of yen)

	H1 FY2022	H1 FY2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(18)	2,015
Proceeds from long-term borrowings	1,000	-
Repayments of long-term borrowings	(5,016)	(5,395)
Redemption of bonds	(293)	(293)
Repayments of finance lease liabilities	(274)	(226)
Purchase of treasury shares	(0)	(597)
Proceeds from sale of treasury shares	-	597
Purchase of treasury shares of subsidiaries	(1,506)	-
Dividends paid	(1,392)	(1,391)
Dividends paid to non-controlling interests	(3,167)	(3,175)
other	25	(82)
Net cash provided by (used in) financing activities	(10,642)	(8,548)
Effect of exchange rate change on cash and cash equivalents	337	261
Net increase (decrease) in cash and cash equivalents	(21,223)	(20,664)
Cash and cash equivalents at the beginning of the period	56,578	47,919
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	59
Cash and cash equivalents at the end of the period	35,354	27,314

(4) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Notes on Significant Changes in the Shareholders' Equity)

None

(Additional Information)

(Regarding Tender Offer for Shares of a Subsidiary)

On November 14, 2023, the Company entered into an agreement with M3, Inc. (the "Offeror") to tender all of its shares of common stock of Benefit One Inc. (the "Target Company"), a consolidated subsidiary of the Company that belongs to the Outsourcing segment, in a tender offer (the "Tender Offer") by the Offeror for the common shares of the Target Company.

The Offeror commenced the Tender Offer on November 15, 2023. However, subsequently, the Target Company received an offer from Dai-ichi Life Holdings, Inc. ("Dai-ichi Life") to become a wholly owned subsidiary of Dai-ichi Life through a tender offer, and because of the time required by the Target Company to consider such offer, on December 12, 2023, the Offeror has extended the tender offer period to January 17, 2024 in response to the request of the Target Company.

For details, please refer to the press releases titled "Notice Concerning the Execution of Share Tender Agreement Relating to the Tender Offer for Subsidiary Shares and the Expected Recording of Extraordinary Profits" announced on November 14, 2023, "Notice of Scheduled Commencement of Tender Offer by Dai-ichi Life Holdings, Inc. for Shares of Benefit One Inc." announced on December 7, 2023, and "Notice Concerning Extension of Tender Offer for Subsidiary Shares" announced on December 12, 2023.

1． Outline of the Target Company

(1) Name	: Benefit One Inc.
(2) Location	: 3-7-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo
(3) Name and title of representative	: Norio Shiraishi, President and Representative Director
(4) Description of business	: Benefits business, personal business, CRM (Customer Relationship Management) business, Business, Health Care Business, Purchasing and Payment Agency Business, Payment Business
(5) Capital	: ¥1,527 million (as of March 31, 2023)
(6) Date of establishment	: March 15, 1996

2． Effect on Consolidated Financial Statements

For the reasons stated above, the Company will not disclose its consolidated earnings forecast for the full fiscal year ending May 31, 2024, as there are many undetermined factors that will affect earnings, and it is difficult to calculate a reasonable earnings forecast at this time. The Company will announce the full-year consolidated earnings forecast for the fiscal year ending May 31, 2024 when it becomes reasonably possible to make a forecast.

(Segment Information)

i) First half ended November 30, 2022

Information regarding net sales, segment profit (loss) by reporting segment and revenue decomposition

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 1)	Figures in consolidated statements of income (Note 2)
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing					
Net sales					—			
Expert Services	74,962	—	—	—	—	74,962	—	74,962
BPO Services	66,906	—	—	—	—	66,906	—	66,906
HR Consulting, Education & Training, Others	3,668	—	—	—	—	3,668	—	3,668
Global Sourcing	4,834	—	—	—	—	4,834	—	4,834
Career Solutions	—	6,890	—	—	—	6,890	—	6,890
Outsourcing	—	—	19,933	—	—	19,933	—	19,933
Life Solutions	—	—	—	3,756	—	3,756	—	3,756
Regional Revitalization Solutions	—	—	—	—	3,021	3,021	—	3,021
Revenue from contract with customers	150,371	6,890	19,933	3,756	3,021	183,973	—	183,973
Other revenue	—	—	—	—	—	—	—	—
Sales to outside customers	150,371	6,890	19,933	3,756	3,021	183,973	—	183,973
Intersegment sales and transfers	2,345	19	301	242	402	3,310	(3,310)	—
Total	152,717	6,909	20,234	3,998	3,423	187,284	(3,310)	183,973
Operating profit (loss)	7,711	1,993	4,825	173	(1,117)	13,586	(6,852)	6,733

Notes:

1. Adjustments of ¥(6,852) million with Operating profit (loss) includes corporate expenses of ¥(6,972) million which primarily consist of Group management costs relating to the Company and incubation cost for our new business and the elimination of intersegment transactions of ¥119 million.
2. Operating profit (loss) is adjusted with operating profit under consolidated statements of income.

ii) First half ended November 30, 2023

Information regarding net sales, segment profit (loss) by reporting segment and revenue decomposition

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 1)	Figures in consolidated statements of income (Note 2)
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing					
Net sales								
Expert Services	68,394	—	—	—	—	68,394	—	68,394
BPO Services	70,349	—	—	—	—	70,349	—	70,349
HR Consulting, Education & Training, Others	3,796	—	—	—	—	3,796	—	3,796
Global Sourcing	5,157	—	—	—	—	5,157	—	5,157
Career Solutions	—	6,799	—	—	—	6,799	—	6,799
Outsourcing	—	—	18,479	—	—	18,479	—	18,479
Life Solutions	—	—	—	3,491	—	3,491	—	3,491
Regional Revitalization Solutions	—	—	—	—	2,847	2,847	—	2,847
Revenue from contract with customers	147,697	6,799	18,479	3,491	2,847	179,316	—	179,316
Other revenue	—	—	—	—	—	—	—	—
Sales to outside customers	147,697	6,799	18,479	3,491	2,847	179,316	—	179,316
Intersegment sales and transfers	2,424	10	248	305	251	3,240	(3,240)	—
Total	150,122	6,810	18,727	3,797	3,099	182,556	(3,240)	179,316
Operating profit (loss)	6,050	2,126	3,540	23	(1,216)	10,523	(6,543)	3,980

Notes:

1. Adjustments of ¥(6,543) million with Operating profit (loss) includes corporate expenses of ¥(6,554) million which primarily consist of Group management costs relating to the Company and incubation cost for our new business and the elimination of intersegment transactions of ¥10 million.

2. Operating profit (loss) is adjusted with operating profit under consolidated statements of income.

(Important Subsequent Events)

None