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July 15, 2025

Consolidated Financial Results for the Year Ended May 31, 2025 (Under Japanese GAAP)

Company name: Pasona Group Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 2168
 URL: <https://www.pasonagroup.co.jp>
 Representative: Hirotaka Wakamoto, Representative Director, President and CEO
 Inquiries: Yuko Nakase, Senior Managing Executive Officer and CFO Tel +81-3-6734-0200
 Scheduled date of annual general meeting of shareholders: August 22, 2025
 Scheduled date to commence dividend payments: August 8, 2025
 Scheduled date to file annual securities report: August 20, 2025
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for analysts and institutional investors)

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2024	309,240	(13.3)	(1,237)	—	(460)	—	(8,658)	—
FY2023	356,733	(4.3)	6,794	(52.7)	7,152	(53.5)	95,891	—

(Note) Comprehensive income FY2024: ¥(8,416) million (—%) FY2023: ¥99,351 million (849.1%)

	Net profit per Share	Diluted Net Profit per Share	Return on Equity	Ordinary Profit to Total Assets	Operating Profit to Net Sales
	Yen	Yen	%	%	%
FY2024	(221.80)	—	(6.1)	(0.2)	(0.4)
FY2023	2,447.56	2,446.80	94.7	2.5	1.9

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates FY2024: ¥134 million FY2023: ¥131 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
May 31, 2025	265,038	141,134	50.9	3,517.00
May 31, 2024	301,090	154,677	49.3	3,789.83

(Reference) Equity As of May 31, 2025: ¥134,934 million As of May 31, 2024: ¥148,504 million

(Note) 1. Total assets for the fiscal years ended May 31, 2024 and May 31, 2025 include temporary “deposits received” from customers for contracted projects and the corresponding “cash and deposits” in assets and liabilities. For details, please refer to “1. Summary of Business Results, etc. (2) Summary of Financial Position for the Fiscal Year under Review.”

2. “Accounting Standards for Corporate Tax, Resident Tax, Business Tax, etc.” (Corporate Accounting Standard No. 27, October 28, 2022) and other standards have been applied from the beginning of the current consolidated fiscal year, and the various figures for the fiscal year ended May 2024 are based on retroactively adjusted figures.

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Period
FY2024	4,327	(47,600)	(15,055)	78,664
FY2023	7,397	94,252	(12,879)	137,047

2. DIVIDENDS

	Dividends per Share (Yen)					Total Dividend Payment (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Annual			
FY2023	—	0.00	—	75.00	75.00	3,018	3.1%	2.9%
FY2024	—	0.00	—	75.00	75.00	2,956	—	2.1%
FY2025(Forecast)	—	0.00	—	75.00	75.00		585.5%	

(Note) Breakdown of year-end dividend for the fiscal year ending May 31, 2025:

Ordinary dividend ¥15.00, Special dividend ¥60.00

(Note) Breakdown of year-end dividend for the fiscal year ending May 31, 2026 (forecast):

Ordinary dividend ¥15.00, Special dividend ¥60.00

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2026

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	Net Profit per Share
	%	%	%	%	Yen
FY2025 Full Fiscal Year	330,000 6.7	2,500 —	2,800 —	500 —	12.81

4. NOTES

(1) Significant changes in the scope of consolidation during the period: None

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

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

iii) Changes in accounting estimates: None

iv) Restatement: None

(3) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding as of the period-end (including treasury shares)

May 31, 2025: 40,190,300 shares May 31, 2024: 41,690,300 shares

2) Number of treasuries shares as of the period-end

May 31, 2025: 1,823,771 shares May 31, 2024: 2,505,360 shares

3) Average number of shares for the period

FY2024: 39,036,161 shares FY2023: 39,178,295 shares

1. FY2024 (June 1, 2024 to May 31, 2025)

(1) Non-consolidated Financial Results

Percentage figures represent year-on-year increase / (decrease).

	Net Sales		Operating Profit (Loss)		Ordinary Profit (Loss)		Net Profit	
		%		%		%		%
FY2024	7,645	(23.6)	(8,679)	—	(9,411)	—	(13,099)	—
FY2023	10,004	(36.1)	(5,206)	—	(8,778)	—	100,843	—

	Net Profit per Share		Diluted Net Profit per Share	
		Yen		Yen
FY2024		(335.56)		—
FY2023		2,573.96		—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2025	175,638	100,998	57.5	2,632.46
May 31, 2024	194,284	118,855	61.2	3,033.18

(Reference) Equity as of May 31, 2025: ¥100,998 million As of May 31, 2024: ¥118,855 million

(Note)

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

This Financial Report is not subject to a 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 might differ materially from forecasts for a variety of reasons. Please refer to (Attachment) “1. Summary of Business Results, etc., (4) Future Outlook” for the assumptions used in the forecast of business results.

We are planning to hold a financial results online meeting for analysts and institutional investors on July 17, 2025.

Supplemental materials for the financial results will be posted on the Company’s website

(<https://www.pasonagroup.co.jp/ir/>)immediately after the meeting.

FY2024 Consolidated Financial Report

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1. Summary of Business Results, etc.

(1) Summary of Business Results for the Fiscal Year under Review

i) Business results for the fiscal year ended May 31, 2025

During the consolidated fiscal year under review, the Japanese economy recovered gradually as personal consumption continued to pick up and corporate earnings and employment conditions continued to improve. However, the economic outlook became uncertain toward the second half of the year due to rising prices and trends in the U.S. tariff policy.

The environment surrounding our business remained solid, with steady demand for human resources against the backdrop of economic recovery. In addition, structural reforms at companies and the acceleration of digital transformation (DX) utilizing digital technologies such as AI led to solid demand for BPO services. In addition, tourism demand continued to recover, as the number of tourists, including inbound tourists, increased.

Under these circumstances, the Group discontinued its Outsourcing segment at the beginning of the current consolidated fiscal year due to the sale of shares in a consolidated subsidiary in the previous fiscal year. In addition, large-scale BPO solution projects peaked, resulting in a decrease in consolidated net sales compared to the previous fiscal year. On the other hand, in BPO Solutions, we worked to improve gross profit margins by promoting X-TECH BPO, which utilizes digital technology. Excluding the Outsourcing segment, gross profit increased due to an improvement in gross profit margin, but this was not enough to offset the negative impact of the outsourcing segment. Consolidated gross profit decreased, and although selling, general, and administrative expenses also decreased, consolidated operating profit was negative.

As a result, consolidated net sales for the current fiscal year were ¥309,240 million (down 13.3% year-on-year), and gross profit was ¥67,958 million (down 19.9% year-on-year). Operating loss was ¥1,237 million (operating profit of ¥6,794 million for the previous fiscal year), and ordinary loss was ¥460 million (ordinary profit of ¥7,152 million for the previous fiscal year).

In addition, we have exhibited our “PASONA NATUREVERSE” pavilion at Expo 2025 Osaka, Kansai, communicating to the world how a truly affluent society can be achieved, where physical, mental, and social health is realized and where everyone can flourish in a spiritually rich and vigorous manner. Since its opening, our pavilion has been a popular attraction, welcoming over 1 million visitors and receiving daily coverage in many mass media outlets, significantly contributing to the enhancement of our brand value.

After the closing of the Expo, we plan to relocate our pavilion to Awaji Island in Hyogo Prefecture. Regarding temporary expenses, such as those not expected to be relocated or used after the closing of the Expo, we recorded extraordinary losses of ¥2,571 million as Expo exhibit-related expenses during the interim period. In the second half of the current fiscal year, we also carefully examined facility-related, operation-related, and other expenses incurred since the interim period, and we decided to record extraordinary losses for temporary expenses, totaling Expo exhibit-related expenses of ¥4,821 million in the current fiscal year as extraordinary losses. As a result of the above, net loss attributable to owners of the parent amounted to ¥8,658 million (net profit attributable to owners of the parent of ¥95,891 million in the previous fiscal year, partly due to the sale of shares in consolidated subsidiaries).

Consolidated Business Results

(Millions of yen)

	FY2023	FY2024	YoY
	Millions of yen	Millions of yen	%
Net sales	356,733	309,240	(13.3)
Operating profit (loss)	6,794	(1,237)	—
Ordinary profit (loss)	7,152	(460)	—
Profit (loss) attributable to owners of parent	95,891	(8,658)	—

*Excluding the Outsourcing segment from the previous financial results

	FY2023	FY2024	YoY
	Millions of yen	Millions of yen	%
Net sales	318,301	309,240	(2.8)
Operating profit (loss)	(821)	(1,237)	—

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

* The Group's reportable segments were "Expert Services," "BPO Services," "HR Consulting, Education c& Training, Others," "Global Sourcing" "Career Solutions," "Outsourcing," "Life Solutions," and "Regional Revitalization Solutions" in the previous consolidated fiscal year, but effective from the beginning of the current consolidated fiscal year under review, they have been renamed "BPO Solutions," "Expert Solutions," "Career Solutions," "Global Solutions," "Life Solutions," and "Regional Revitalization and Tourism Solutions." Figures for the nine months period of the previous fiscal year are compared based on the reclassified figures after the change.

HR Solutions **Net sales ¥286,552 million** **Operating profit ¥14,808 million**

[BPO Solutions (Contracting, Outsourcing)] Net sales ¥137,236 million

In this business, the Group provides BPO services by accepting contracts from our clients for such tasks as general affairs that consolidate and streamline complicated clerical work, accounting and finance that handle expense reimbursement according to the demand for business, reception, sales administration and order placement, personnel and labor affairs, payroll, education, and training, and more. In addition, we are developing various BPO solution businesses for corporate management issues, including an advisory consulting business that provides consulting and management support by professional personnel such as freelancers and former executives of listed companies.

In the BPO Solutions, demand for BPO services related to corporate structural reforms and the promotion of DX utilizing digital technologies, such as AI, remained strong. In the X-TECH BPO field, there was an increase in DX support projects involving cloud implementation and low-code/no-code implementation, as well as expansion in recruitment support, human resources and labor management, and payroll calculation services due to labor shortages. In addition, we expanded the provision of new high-value-added BPO services, such as the "AIO" (abbreviation for "AI BPO") AI agent-combined BPO service and "Pro Share Mentor," which supports the development of next-generation managers.

However, in addition to the impact of the peaking-out of large-scale consignment projects, it was not possible to offset the impact of reduced transactions with certain companies at some subsidiaries, and net sales amounted to ¥137,236 million (down 7.0% year-on-year).

[Expert Solutions (Temporary staffing)] Net sales ¥134,807 million

In this business, the Group provides temporary staffing services for a wide range of job types and ages, from office work to highly skilled professionals, engineers, sales and marketing professionals, and young adults to senior citizens.

Due to the economic recovery and improvement in the employment situation, companies continued to experience a shortage of human resources, and orders for temporary staffing increased in a wide range of industries, including trading companies, manufacturers, and service industries. In the Group, the number of temporary workers continued to decline year on year due to the end of temporary staffing operations in response to COVID-19 infections and the reduction of temporary staffing contracts at some companies. However, since April 2025, the number of temporary workers has exceeded the previous year's figures, indicating a recovery trend. In addition, in the current fiscal year, the treatment of temporary staff improved, and the unit price of temporary staffing fees also rose.

However, due to fewer business days compared to the previous fiscal year, net sales for the current consolidated fiscal year were ¥134,807 million (down 1.7% year-on-year).

Sales of the above BPO Solutions and Expert Solutions amounted to ¥272,044 million (down 4.4% year-on-year). Although the gross profit margin of BPO improved from the previous fiscal year, operating profit decreased to ¥9,759 million (down 15.7% year-on-year) due to a decrease in gross profit accompanying a decline in net sales and an increase in selling, general, and administrative expenses, such as personnel expenses, due to rising employee wages.

[Career Solutions (Placement/Recruiting, Outplacement)]

Net sales ¥14,507 million Operating profit ¥5,048 million

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

In the Placement / Recruiting business, we increased our workforce, improved operational productivity, and developed new members into productive assets. In addition, stable demand continued in the high-level career field, which is a strategic focus area, and the average referral fee increased. On the other hand, due to increased uncertainty about the future caused by trends in tariff policy, some companies temporarily suspended hiring or delayed the start of mid-career hiring. The Company is working to launch new services such as introducing female managers and alumni recruitment, utilizing the know-how that we have cultivated and our connections with companies.

In the Outplacement business, we saw significant market growth in 2024 and continue to perform well in 2025. In this environment, the number of requests made with the Company has increased, and in addition, with the rise of human capital management, demand for the “Safe Placement Total Service,” which supports employees in forming their own careers, remained strong.

As a result, net sales increased to ¥14,507 million (up 11.1% year-on-year) and operating profit increased to ¥5,048 million (up 24.9% year-on-year).

Net sales in the HR Solutions segment, which consists of the above businesses, amounted to ¥286,552 million (down 3.7% year-on-year). In terms of profit, although the Career Solutions segment saw an increase in profits, it was unable to offset the impact of decreased revenues in the BPO Solutions and Expert Solutions segments, and the HR Solutions segment's overall operating profit was ¥14,808 million (down 5.2% year-on-year).

Global Solutions (Overseas Human Resource Services)

Net sales ¥11,407 million Operating profit ¥401 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 North America region, we reviewed our business portfolio and expanded our BPO services, such as accounting and payroll processing, as well as our HR consulting services, including human resource system design, which we have been focusing on, and our recruitment services also grew. In the Asian region, the manufacturing industry, particularly in Taiwan, remained strong, leading to an expansion in recruitment services, and the HR consulting field also grew. In India, temporary staffing and recruitment services increased revenue, as did recruitment services in Singapore. On the other hand, in Indonesia, where price competition is fierce, temporary staffing revenue declined. In addition, selling, general, and administrative expenses increased due to new hiring and improved treatment of employees at many locations, including in the United States and Taiwan.

As a result of these developments, the ratio of high-margin recruitment and HR consulting services increased, leading to net sales amounted to ¥11,407 million (up 3.5% year-on-year), and operating profit amounted to ¥401 million (up 48.3% year-on-year).

Life Solutions (Childcare support, Nursing care, etc.)

Net sales ¥8,623 million Operating profit ¥(26) million

This segment includes childcare support services, such as the operation of licensed and certified childcare centers, in-house childcare facilities, and childcare facilities for children, as well as childcare education; nursing care services, which provide daycare services and home-visit nursing care; and life support services, such as housekeeping services.

In the childcare support business, the market remained strong, particularly in metropolitan areas. Although the number of small after-school clubs decreased compared to the previous term, revenue increased due to the

opening of facilities with larger capacity and an increase in subsidy income based on fixed prices.

On the other hand, in terms of expenses, in addition to an increase in personnel expenses due to increase in the number of personnel and improvements in the treatment of childcare workers, there was an increase in expenses related to system investment and quality control enhancements.

In the Life Support business, revenue from nursing care services declined due to the closure of day service nursing care facilities. However, various childcare support services were expanded mainly in urban municipalities, and the acquisition of contracted projects from local governments, such as housekeeping services and nursing care training for nursing care providers and family caregivers, remained strong.

As a result, net sales amounted to ¥8,623 million (up 10.7% year-on-year) and operating profit amounted to ¥(26) million (¥128 million in the previous fiscal year).

Regional Revitalization and Tourism Solutions

Net sales ¥7,083 million Operating profit ¥(1,900) million

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

At “Nijigen no Mori” Anime Awaji Island Park (acquired naming rights sponsorship for Awaji Island Park in Hyogo Prefecture from May 20, 2025), despite the impact of extreme heat and typhoons, inbound visitors reached 60,000 for the year. The increase in the number of visitors from the U.S. and Europe, mainly for the attractions such as “NARUTO & BORUTO Shinobizato” and “Godzilla Intercept Operation ~ National Godzilla Awaji Island Research Center,” resulted in a new record for annual sales. Additionally, the business expanded through merchandise sales related to Expo 2025 Osaka, Kansai. In addition, at restaurants and other dining facilities, the number of visitors, mainly female customers and inbound tourists, increased at HELLO KITTY SMILE and HELLO KITTY SHOW BOX, where visitors can enjoy the world of Hello Kitty, which is popular around the world. In terms of costs, there was a decrease in depreciation expenses, but some facilities were closed for renovations, and raw material prices rose, increasing cost ratios, while personnel expenses also increased.

As a result, net sales were ¥7,083 million (up 7.2% year-on-year), and operating profit was ¥(1,900) million (¥(2,671)) million in the previous fiscal year, resulting in a smaller deficit than in the previous fiscal year.

Eliminations and Corporate **Net sales ¥(4,425) million Operating profit ¥(14,519) 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 current fiscal year, in addition to upfront investments such as personnel expenses due to improved treatment and recruitment of human resources associated with the launch of new businesses, IT-related expenses to promote DX across the entire group increased.

As a result, net sales after eliminating intergroup transactions were ¥(4,425) million (¥(5,372) million in the previous fiscal year) and operating profit was ¥(14,519) million (¥(14,174) million in the previous fiscal year).

Segment Information (Figures include intersegment sales)**Consolidated Net Sales by Segment**

(Millions of yen)

	FY2023	Fy2024	YoY
HR Solutions	297,715	286,552	(3.7)%
BPO Solutions (Contracting, Outsourcing)	147,579	137,236	(7.0)%
Expert Solutions (Temporary staffing)	137,082	134,807	(1.7)%
Career Solutions (Placement/Recruiting, Outplacement)	13,054	14,507	+11.1%
Global Solutions (Overseas Human Resource Services)	11,024	11,407	+3.5%
Outsourcing	38,962	—	—
Life Solutions (Childcare support, Nursing care, etc.)	7,792	8,623	+10.7%
Regional Revitalization and Tourism Solutions	6,610	7,083	+7.2%
Elimination and Corporate	(5,372)	(4,425)	—
Total	356,733	309,240	(13.3)%
Total (excluding Outsourcing)	318,301	309,240	(2.8)%

Consolidated Operating Profit (Loss) by Segment

(Millions of yen)

	FY2023	FY2024	YoY
HR Solutions	15,625	14,808	(5.2)%
BPO Solutions (Contracting, Outsourcing)	11,582	9,759	(15.7)%
Expert Solutions (Temporary staffing)	4,042	5,048	+24.9%
Career Solutions (Placement/Recruiting, Outplacement)	4,042	5,048	+24.9%
Global Solutions (Overseas Human Resource Services)	270	401	+48.3%
Outsourcing	7,615	—	—
Life Solutions (Childcare support, Nursing care, etc.)	128	(26)	—
Regional Revitalization and Tourism Solutions	(2,671)	(1,900)	—
Elimination and Corporate	(14,174)	(14,519)	—
Total	6,794	(1,237)	—
Total (excluding Outsourcing)	(821)	(1,237)	—

* Since the Outsourcing segment was abolished from the beginning of the current consolidated fiscal year due to the sale of shares of Benefit One Inc., which was a consolidated subsidiary at the end of the previous consolidated fiscal year, the total excluding the Outsourcing segment is shown as reference information.

(2) Summary of Financial Position for the Fiscal Year under Review

Status of Assets, Liabilities and Net Assets

Assets and liabilities as of May 31, 2025 included ¥35,319 million (¥54,975 million as of May 31, 2024) in temporary “deposits received” from customers related to contract projects for which use by the Group is restricted, along with a corresponding amount of “cash and deposits.”

Assets

Total assets as of May 31, 2025 decreased ¥36,052 million (down 12.0%) from the end of the previous fiscal year to ¥265,038 million. Cash and deposits decreased by ¥67,510 million due to the decrease in “deposits received” mentioned above, along with the acquisition of fixed assets. On the other hand, securities increased by ¥14,500 million due to fund management, tangible fixed assets such as Regional Revitalization projects increased by ¥11,677 million, and investment and other assets increased by ¥4,370 million due to investments in venture companies expected to generate synergies in areas such as well-being and fund management.

Liabilities

Total liabilities as of May 31, 2025 decreased ¥22,508 million (down 15.4%) from the end of the previous fiscal year to ¥123,904 million. This was mainly due to a decrease of ¥17,632 million in deposits received for the above-mentioned consignment projects and a decrease of ¥5,756 million in long-term borrowings due to the repayment of borrowings.

Net Assets

Net assets as of May 31, 2025 amounted to ¥141,134 million, a decrease of ¥13,543 million or 8.8%, compared with May 31, 2024. This was mainly attributable to a decrease of ¥11,677 million in retained earnings due to net loss attributable to owners of the parent of ¥8,658 million, along with dividend payment of ¥3,018 million. In addition, while the Company has been purchasing treasury shares since January 2025, it retired 1.5 million shares of treasury shares on April 30, 2025, resulting in no significant change in treasury shares compared to the end of the previous fiscal year.

As a result of the above, the equity ratio as of May 31, 2025 was 50.9% (49.3% at the end of the previous fiscal year). Total assets, after deducting “cash and deposits” associated with “deposits received” for commissioned projects, amounted to ¥229,719 million (¥246,115 million at the end of the previous fiscal year), resulting in an equity ratio of 58.7% (60.3% at the end of the previous fiscal year).

(3) Summary of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereafter “net cash”) in FY2024 decreased by ¥58,382 million, compared with May 31, 2024, to ¥78,664 million. “Net cash” does not include “cash and deposits” corresponding to temporary “deposits received” from customers related to contract projects.

Cash Flows from Operating Activities

Net cash provided by operating activities increased to ¥4,327 million (an increase of ¥7,397 million in the previous fiscal year).

Major cash inflows included depreciation and amortization expenses of ¥2,756 million (¥5,569 million in the previous fiscal year), a decrease in accounts receivable and contract assets of ¥2,244 million (¥4,177 million in the previous fiscal year), an increase in deposits received (due to a holiday on the last day of the period) of ¥2,094 million (a decrease of ¥1,281 million in the previous fiscal year), and an increase in contract liabilities of ¥976 million (a decrease of ¥909 million in the previous fiscal year).

Major cash outflows includes net loss before taxes and other adjustments of ¥5,826 million (net profit of ¥106,251 million).

Cash Flows from Investing Activities

Net cash used in investing activities decreased to ¥47,600 million (an increase of ¥94,252 million in the previous fiscal year).

Major cash outflows were mainly due to deposits into time deposits of ¥10,536 million (¥60 million in the previous fiscal year), the acquisition of tangible fixed assets of ¥14,909 million (¥15,244 million in the previous fiscal year), and the acquisition of securities of ¥14,500 million (none in the previous fiscal year).

Cash Flows from Financing Activities

Net cash used in financing activities decreased to ¥15,055 million (a decrease of ¥12,879 million in the previous fiscal year).

Major cash outflows included the repayment of long-term borrowings of ¥9,099 million (¥10,325 million in the previous fiscal year), the acquisition of treasury shares ¥1,731 million (¥597 million in the previous fiscal year) and the payment of dividends of ¥3,417 million (¥4,568 million in the previous fiscal year).

(Reference) Cash Flow Benchmarks

	FY2020	FY2021	FY2022	FY2023	FY2024
Equity ratio	25.2%	24.5%	19.6%	49.3%	50.9%
Equity ratio based on market capitalization	49.0%	40.3%	24.7%	28.4%	33.0%
Ratio of interest-bearing debt to cash flows (years)	1.8	5.3	9.9	5.8	7.7
Interest coverage ratio	64.5	35.4	15.9	16.6	12.9

Notes:

- Equity ratio: Shareholders' equity / Total assets
Equity ratio based on market capitalization: Market capitalization / Total assets
Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows
Interest coverage ratio: Cash flows / Interest payments
- Each benchmark is calculated based on the consolidated financial statements.
- Market capitalization is calculated by multiplying the period-end closing share price with the number of outstanding shares at period-end (after deducting treasury shares).
- Cash flows from operating activities are used in calculations for cash flows.
- Interest-bearing debt includes all interest-bearing debt under liabilities recorded on the consolidated balance sheets.
- The equity ratio after deduction of temporary "deposits" from customers related to contracted projects whose use by the Group is restricted and the corresponding "cash and deposits" is as described in the previous section "(2) Summary of Financial Position for the Fiscal Year under Review", and the equity ratio based on market value was 38.1% (34.8% at the end of the previous fiscal year).

(4) Future Outlook

Since our founding in 1976, we have developed a variety of businesses based on the unchanged corporate philosophy since our founding of providing “Solutions to Society's Problems,” aiming to realize a society in which everyone can freely utilize their talents and be active in a healthy and vigorous manner, both physically and mentally. Our job is to “harness the potential of the individual.”

During the current fiscal year, we have entered the 50th year since the Company's founding. The composition of our business portfolio changed in the fiscal year ended May 2024 due to the sale of shares in a consolidated subsidiary, and in the current fiscal year we have worked to develop a new growth strategy for the next 50 years. Looking ahead to the next 50 years, we will build on our business expertise and network to create a new “well-being industry” and aim to realize the world of “NATUREVERSE”,* where everyone can enjoy physical, mental, and social health.

Therefore, we have positioned the five-year period beginning in May 2026 as “PASONA GROUP VISION 2030” and will aim for sustainable corporate growth and further enhancement of corporate value through a growth strategy focused on reforming our revenue structure and pursuing new business growth.

For details, please refer to the “Notice Regarding PASONA GROUP VISION 2030” dated July 15, 2025, along with the materials to be disclosed at the “Financial Results Briefing for the Fiscal Year Ended May 2025” scheduled to be held on July 17, 2025.

* NATUREVERSE refers to the truly prosperous world that the Pasona Group aims to achieve, where people, nature, and technology coexist, and where people are connected by a spirit of compassion.

In the fiscal year ending May 2026, BPO solutions will be affected by a decline in revenue due to the peaking of large-scale contracted projects, which will be on par with the previous fiscal year. However, against the backdrop of further advances in digital technologies such as AI and of labor shortages, demand for BPO services that support operational efficiency and rapid business launch is expected to remain strong. In the next fiscal year, we will work to further improve gross profit margins as well by streamlining operations. Furthermore, with the economic recovery continuing, we expect companies to maintain their desire to hire new talent. As demand for human resources expands in areas such as temporary staffing and recruitment services, and as major companies in particular move forward with structural reforms, we believe that demand for re-employment support services will also increase. In addition, in the Regional Revitalization and Tourism Solutions business, which aims to establish a sustainable growth model for local areas through tourism, with the increase in tourists due to inbound travel and Expo 2025 Osaka, Kansai, we will work to expand revenue and grow our business by implementing attraction and branding strategies for each target audience while improving the value of the visitor experience.

As a result, net sales for the fiscal year ending May 2026 are expected to be ¥330,000 million (up 6.7% year-on-year). In addition to improvement in the above business revenues, a review of company-wide costs, is expected to result in an operating profit of ¥2,500 million (a loss of ¥1,237 million in the current fiscal year). Ordinary profit is projected to be ¥2,800 million (a loss of ¥460 million in the current fiscal year). We plan to generate net profit attributable to shareholders of the parent company of ¥500 million (a loss of ¥8,658 million in the current fiscal year).

Consolidated Business Results Forecast

(Millions of yen)

	FY2024	FY2025 (Forecast)	Change	YoY
Net sales	309,240	330,000	+20,759	+6.7%
Operating profit (loss)	(1,237)	2,500	+3,737	—
Ordinary profit (loss)	(460)	2,800	+3,260	—
Profit (loss) attributable to owners of parent	(8,658)	500	+9,158	—

Forecasts by Segment

Consolidated Net Sales by Segment

(Millions of yen)

	(reference) FY2024	(forecast) FY2025	YoY
HR Solutions	286,552	300,700	+4.9%
BPO Solutions (Contracting, Outsourcing)	137,236	136,000	(0.9)%
Expert Solutions (Temporary staffing)	134,807	148,500	+10.2%
Career Solutions (Placement/Recruiting, Outplacement)	14,507	16,200	+11.7%
Global Solutions (Overseas Human Resource Services)	11,407	13,700	+20.1%
Life Solutions (Childcare support, Nursing care, etc.)	8,623	9,500	+10.2%
Regional Revitalization and Tourism Solutions	7,083	10,000	+41.2%
Elimination and Corporate	(4,425)	(3,900)	—
Total	309,240	330,000	+6.7%

Consolidated Operating Profit (Loss) by Segment

(Millions of yen)

	(reference) FY2024	(forecast) FY2025	YoY
HR Solutions	14,808	16,100	+8.7%
BPO Solutions (Contracting, Outsourcing)	9,759	10,800	+10.7%
Expert Solutions (Temporary staffing)			
Career Solutions (Placement/Recruiting, Outplacement)	5,048	5,300	+5.0%
Global Solutions (Overseas Human Resource Services)	401	700	+74.5%
Life Solutions (Childcare support, Nursing care, etc.)	(26)	400	—
Regional Revitalization and Tourism Solutions	(1,900)	(500)	—
Elimination and Corporate	(14,519)	(14,200)	—
Total	(1,237)	2,500	—

(5) Policy on the Appropriation of Profits and Dividends for FY2024 and FY2025

In order to fulfill our role as a sustainably growing company, we are securing growth capital for new business investments and capital expenditures while striving to strengthen our management foundation and profitability.

Our goal is to increase shareholder value by enhancing corporate value. In addition, based on the basic policy of returning profits to shareholders in line with business performance, we aim to achieve a consolidated dividend payout ratio of 40%. During the period covered by “PASONA GROUP VISION 2030,” which runs until the fiscal year ending May 2030, we will introduce a progressive dividend with a minimum dividend of ¥75 per share to maintain or increase dividends in order to realize continuous and stable dividends without being affected by temporary fluctuations in business performance.

In addition, as announced in the “Resolution to Pay Special Dividends and Revision of Dividend Forecast for the Fiscal Year Ending May 2024” dated April 12, 2024, as a measure to enhance shareholder returns through the sale of shares in consolidated subsidiaries, we have resolved to pay a special dividend of ¥60 per share for each of the five fiscal years from the fiscal year ended May 2024 to the fiscal year ending May 2028.

Although net profit attributable to parent company shareholders was negative for the current consolidated fiscal year, in line with our policy of maintaining continuous and stable dividends, we will pay a year-end dividend of ¥75 per share, consisting of a regular dividend of ¥15 and a special dividend of ¥60.

As for the next dividend, in line with our dividend policy, we plan to pay a regular dividend of ¥15 per share, the same amount as in the current consolidated fiscal year, plus a special dividend of ¥60 per share, for a total of ¥75 per share.

2. Basic Consideration on Selecting our Accounting Standard

The Group has adopted Japanese GAAP as our accounting standard, considering the period comparability of the consolidated financial statements and the comparability between companies. Regarding the application for IFRS (International Financial Reporting Standards), we will proceed with consideration based on domestic and international situations.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of May 31, 2024	As of May 31, 2025
Assets		
Current assets		
Cash and deposits	192,281	124,771
Notes receivable - trade	182	23
Accounts receivable - trade	33,594	33,406
Contract assets	9,678	7,842
Securities	-	14,500
Inventories	1,781	2,352
Income taxes refund receivable	1,231	120
Other	4,951	5,980
Allowance for doubtful accounts	(63)	(48)
Total current assets	243,637	188,948
Non-current assets		
Property, plant and equipment		
Buildings	16,767	19,642
Accumulated depreciation	(7,924)	(8,283)
Buildings, net	8,843	11,358
Structures	2,214	2,428
Accumulated depreciation	(1,221)	(1,299)
Structures, net	993	1,128
Land	8,021	9,255
Leased assets	1,521	1,540
Accumulated depreciation	(634)	(772)
Leased assets, net	886	768
Construction in progress	15,331	22,103
Other	7,157	8,505
Accumulated depreciation	(5,766)	(5,974)
Other, net	1,391	2,531
Total property, plant and equipment	35,467	47,145
Intangible assets		
Goodwill	842	815
Software	3,121	5,826
Leased assets	18	12
Customer relation assets	921	854
Other	107	109
Total intangible assets	5,011	7,617
Investments and other assets		
Investment securities	3,288	7,655
Long-term loans receivable	33	33
Retirement benefit asset	3,165	3,518
Deferred tax assets	1,640	1,891
Leasehold and guarantee deposits	7,328	6,864
Other	1,417	1,281
Allowance for doubtful accounts	(10)	(11)
Total investments and other assets	16,862	21,233
Total non-current assets	57,341	75,997
Deferred assets		
Bond issuance costs	111	92
Total deferred assets	111	92
Total assets	301,090	265,038

(Millions of yen)

	As of May 31, 2024	As of May 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	3,423	2,771
Short-term borrowings	9,263	6,043
Lease liabilities	342	311
Accounts payable - other	6,333	7,184
Accrued expenses	16,756	18,596
Income taxes payable	1,138	1,621
Accrued consumption taxes	3,033	3,484
Contract liabilities	2,111	3,162
Deposits received	56,374	38,741
Provision for bonuses	4,205	4,217
Provision for bonuses for directors (and other officers)	13	20
Asset retirement obligations	98	66
Other	793	1,506
Total current liabilities	103,889	87,728
Non-current liabilities		
Bonds payable	2,630	2,100
Long-term borrowings	29,427	23,671
Lease liabilities	678	551
Provision for share awards for directors (and other officers)	418	253
Allowance for stock benefit for employee	281	278
Retirement benefit liability	2,407	2,359
Deferred tax liabilities	1,304	1,333
Asset retirement obligations	2,326	2,923
Other	3,048	2,703
Total non-current liabilities	42,523	36,175
Total liabilities	146,412	123,904
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	17,495	15,963
Retained earnings	127,465	115,788
Treasury shares	(2,685)	(2,577)
Total shareholders' equity	147,276	134,174
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	121	95
Foreign currency translation adjustment	604	530
Remeasurements of defined benefit plans	501	133
Total accumulated other comprehensive income	1,228	760
Share acquisition rights	2	2
Non-controlling interests	6,171	6,196
Total net assets	154,677	141,134
Total liabilities and net assets	301,090	265,038

(2) Consolidated Statements of Income & Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended May 31, 2024	For the fiscal year ended May 31, 2025
Net sales	356,733	309,240
Cost of sales	271,907	241,281
Gross profit	84,825	67,958
Selling, general and administrative expenses	78,030	69,196
Operating profit (loss)	6,794	(1,237)
Non-operating income		
Interest income	43	159
Share of profit of entities accounted for using equity method	131	134
Sponsorship money income	83	234
Subsidy income	523	198
Other	363	618
Total non-operating income	1,145	1,346
Non-operating expenses		
Interest expenses	439	331
Commitment fees	64	30
Other	283	206
Total non-operating expenses	787	568
Ordinary profit (loss)	7,152	(460)
Extraordinary income		
Gain on sale of non-current assets	2	96
Gain on sale of investment securities	0	76
Gain on sale of shares of subsidiaries and associates	112,040	-
Gain on change in equity	17	5
Total extraordinary income	112,060	178
Extraordinary losses		
Loss on sale and retirement of non-current assets	299	190
Impairment losses	10,811	237
Loss on valuation of investment securities	685	50
Costs related on sales of shares of subsidiaries and associates	1,164	-
Expo exhibit related expenses	-	4,821
Loss on litigation	-	246
Total extraordinary losses	12,961	5,545
Profit (loss) before income taxes	106,251	(5,826)
Income taxes - current	4,926	1,989
Income taxes - deferred	1,886	126
Total income taxes	6,813	2,115
Profit (loss)	99,438	(7,942)
Profit attributable to non-controlling interests	3,547	716
Profit (loss) attributable to owners of parent	95,891	(8,658)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended May 31, 2024	For the fiscal year ended May 31, 2025
Profit (loss)	99,438	(7,942)
Other comprehensive income		
Valuation difference on available-for-sale securities	(725)	(25)
Foreign currency translation adjustment	274	(84)
Remeasurements of defined benefit plans, net of tax	364	(364)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(86)	(474)
Comprehensive income	99,351	(8,416)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	95,779	(9,125)
Comprehensive income attributable to non-controlling interests	3,572	709

(3) Consolidated Statements of Changes in Shareholders' Equity

FY2023 (For the fiscal year ended May 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	17,094	32,941	(2,378)	52,658
Cumulative effects of changes in accounting policies			16		16
Restated balance	5,000	17,094	32,957	(2,378)	52,674
Changes during period					
Dividends of surplus			(1,396)		(1,396)
Profit (loss) attributable to owners of parent			95,891		95,891
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		318		279	597
Treasury stock possession of stock ownership plan trust				(597)	(597)
Disposal of treasury shares by stock payment trust				11	11
Change in scope of consolidation			12		12
Change in ownership interest of parent due to transactions with non-controlling interests		82			82
Capital increase of consolidated subsidiaries		(0)			(0)
Net changes in items other than shareholders' equity					-
Total changes during period	-	401	94,507	(306)	94,601
Balance at end of period	5,000	17,495	127,465	(2,685)	147,276

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	853	348	138	1,340	2	17,622	71,624
Cumulative effects of changes in accounting policies				-			16
Restated balance	853	348	138	1,340	2	17,622	71,640
Changes during period							
Dividends of surplus				-			(1,396)
Profit (loss) attributable to owners of parent				-			95,891
Purchase of treasury shares				-			(0)
Disposal of treasury shares				-			597
Treasury stock possession of stock ownership plan trust				-			(597)
Disposal of treasury shares by stock payment trust				-			11
Change in scope of consolidation				-			12
Change in ownership interest of parent due to transactions with non-controlling interests				-			82
Capital increase of consolidated subsidiaries				-			(0)
Net changes in items other than shareholders' equity	(731)	255	363	(112)	(0)	(11,451)	(11,564)
Total changes during period	(731)	255	363	(112)	(0)	(11,451)	83,037
Balance at end of period	121	604	501	1,228	2	6,171	154,677

FY2024 (For the fiscal year ended May 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	17,495	127,465	(2,685)	147,276
Changes during period					
Dividends of surplus			(3,018)		(3,018)
Profit (loss) attributable to owners of parent			(8,658)		(8,658)
Purchase of treasury shares				(1,731)	(1,731)
Cancellation of treasury shares		(1,825)		1,825	-
Disposal of treasury shares by stock payment trust				12	12
Change in ownership interest of parent due to transactions with non-controlling interests		293			293
Net changes in items other than shareholders' equity					-
Total changes during period	-	(1,532)	(11,677)	107	(13,101)
Balance at end of period	5,000	15,963	115,788	(2,577)	134,174

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	121	604	501	1,228	2	6,171	154,677
Changes during period							
Dividends of surplus				-			(3,018)
Profit (loss) attributable to owners of parent				-			(8,658)
Purchase of treasury shares				-			(1,731)
Cancellation of treasury shares				-			-
Disposal of treasury shares by stock payment trust				-			12
Change in ownership interest of parent due to transactions with non-controlling interests				-			293
Net changes in items other than shareholders' equity	(26)	(73)	(367)	(467)	-	25	(442)
Total changes during period	(26)	(73)	(367)	(467)	-	25	(13,543)
Balance at end of period	95	530	133	760	2	6,196	141,134

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended May 31, 2024	For the fiscal year ended May 31, 2025
Cash flows from operating activities		
Profit (loss) before income taxes	106,251	(5,826)
Depreciation	5,569	2,756
Impairment losses	10,811	237
Amortization of goodwill	750	336
Increase (decrease) in allowance for doubtful accounts	53	(14)
Increase (decrease) in provision for bonuses	(479)	3
Increase (decrease) in retirement benefit liability	(4)	(24)
Decrease (increase) in retirement benefit asset	(369)	(939)
Increase (decrease) in provision for share awards for directors (and other officers)	-	(165)
Increase (decrease) in provision for employee stock ownership plan trust	(25)	8
Interest and dividend income	(85)	(173)
Interest expenses	439	331
Subsidy income	(523)	(198)
Sponsorship income	(83)	(234)
Share of loss (profit) of entities accounted for using equity method	(131)	(134)
Costs related on sales of shares of subsidiaries and associates	1,164	-
Loss (gain) on sale and retirement of non-current assets	297	93
Loss (gain) on sale of investment securities	(0)	(76)
Loss (gain) on valuation of investment securities	685	50
Loss (gain) on sale of shares of subsidiaries and associates	(112,040)	-
Decrease (increase) in accounts receivable - trade, and contract assets	4,177	2,244
Decrease (increase) in inventories	(567)	(552)
Decrease (increase) in other assets	(1,267)	1,190
Increase (decrease) in trade payables	(932)	763
Increase (decrease) in accrued consumption taxes	(960)	371
Increase (decrease) in deposits received	(1,281)	2,094
Increase (decrease) in contract liabilities	(909)	976
Increase (decrease) in other liabilities	930	1,328
Other, net	(2)	(6)
Subtotal	11,468	4,439
Interest and dividends received	103	112
Interest paid	(445)	(335)
Subsidies received	723	198
Support money received	83	234
Income taxes paid	(4,535)	(322)
Net cash provided by (used in) operating activities	7,397	4,327

(Millions of yen)

	For the fiscal year ended May 31, 2024	For the fiscal year ended May 31, 2025
Cash flows from investing activities		
Decrease (increase) in time deposits	60	(10,536)
Purchase of securities	-	(14,500)
Purchase of property, plant and equipment	(15,244)	(14,909)
Proceeds from sale of property, plant and equipment	5	197
Purchase of intangible assets	(4,905)	(3,421)
Purchase of investment securities	(417)	(4,454)
Proceeds from sale of investment securities	0	245
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	115,228	-
Loan advances	(6)	(7)
Proceeds from collection of loans receivable	8	6
Payments of leasehold and guarantee deposits	(815)	(660)
Proceeds from refund of leasehold and guarantee deposits	642	1,108
Payments for asset retirement obligations	(49)	(127)
Payments for acquisition of businesses	(207)	(491)
Other, net	(47)	(50)
Net cash provided by (used in) investing activities	94,252	(47,600)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	153	120
Proceeds from long-term borrowings	2,500	-
Repayments of long-term borrowings	(10,325)	(9,099)
Repayments of finance lease liabilities	(446)	(345)
Redemption of bonds	(586)	(594)
Proceeds from share issuance to non-controlling shareholders	559	45
Purchase of treasury shares	(597)	(1,731)
Proceeds from disposal of treasury shares	597	-
Purchase of treasury shares of subsidiaries	(0)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(164)	(34)
Dividends paid	(1,392)	(3,016)
Dividends paid to non-controlling interests	(3,176)	(400)
Net cash provided by (used in) financing activities	(12,879)	(15,055)
Effect of exchange rate change on cash and cash equivalents	298	(55)
Net increase (decrease) in cash and cash equivalents	89,068	(58,384)
Cash and cash equivalents at beginning of period	47,919	137,047
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	59	2
Cash and cash equivalents at end of period	137,047	78,664

(5) Note to Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Important Items Considered Fundamental to the Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

1) Consolidated subsidiaries

- a. No. of consolidated subsidiaries: 62 companies
- b. Major consolidated subsidiaries:
 - Pasona Inc.
 - Bewith, Inc.
 - Pasona Nihon Somubu Co., Ltd.
 - Nijjennomori Inc.
- c. New consolidated subsidiaries: 5 companies
 - Establishment
 - Pasona Safety Net Inc.
 - Pasona Sustainability Inc.
 - Pasona Furusato Marche Inc.
 - Pasona Wellness Tourism Inc.
 - Change from non-consolidated subsidiary
 - Tangokura Inc.*1
- d. Exclusion from the scope of consolidation: 2 companies
 - Pasonatech Inc. *2
 - Pasona Smile Inc. *3

*1 Transferred from a non-consolidated subsidiary due to increase in materiality.

*2 Merged with Pasona Group Inc. and was dissolved.

*3 Merged with Pasona Furusato Incubation Inc., a consolidated subsidiary of the Company, and was dissolved

2) Non-consolidated subsidiary

- a. No. of non-consolidated subsidiaries: 3 companies
- b. Major non-consolidated subsidiaries: IHATOV TOUHOKU Inc.
- c. Reasons for exclusion from the scope of consolidation:

The assets, sales, net profit & loss (the amount equivalent to equity shareholdings), and retained earnings (the amount equivalent to equity shareholdings) are considered insignificant and deemed to have immaterial impact on the consolidated financial statements. As a result, these non-consolidated subsidiaries have been excluded from the scope of consolidation.

2. Application of the Equity Method

1) Affiliated companies that are accounted for by the equity method

- a. No. of affiliated companies that are accounted for by the equity method 5 companies
- b. Major affiliated companies that are accounted for by the equity method
 - e-staffing Co., Ltd.
 - National Examination Center Inc.
 - circelace Inc.

- 2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method
- a. No. of non-consolidated subsidiaries and affiliated companies not accounted for by the equity method:
4 companies
 - b. Major non-consolidated subsidiaries and affiliated companies not accounted for by the equity method
Aora Now Inc.
 - c. Reasons for exclusion from the scope of the equity method
Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method were excluded from the scope of consolidation, as their net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) had an immaterial impact on the Group and as their overall importance to the Group's performance was limited.

(Changes in Accounting Policy)

We have applied the "Accounting Standards for Corporate Tax, Resident Tax, and Business Tax" (Corporate Accounting Standard No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standards") from the beginning of the current consolidated fiscal year. Regarding the revision of the classification of corporate tax, etc. (taxation of other comprehensive income), the transitional treatment specified in the proviso of Article 20-3 of the 2022 revised accounting standards and the "Guidance on the Application of Accounting Standards for Tax Effect Accounting" (Corporate Accounting Standards Application Guidelines No. 28, October 28, 2022. Hereinafter referred to as the "2022 Revised Application Guidelines"). The change in accounting policy has no impact on the consolidated financial statements.

In addition, regarding revisions related to the review of treatment in consolidated financial statements when deferring capital gains or losses arising from the sale of subsidiary shares between consolidated companies for tax purposes, we have applied the 2022 revision application guidelines from the beginning of the current consolidated fiscal year. The change in accounting policy has been applied retroactively, and the consolidated financial statements for the previous consolidated fiscal year have been restated to reflect the change. The impact of this change in accounting policy on the consolidated financial statements for the previous fiscal year is immaterial.

The impact on per-share information is described in "3. Consolidated Financial Statements and Significant Notes (5) Notes to Consolidated Financial Statements (Per-Share Information)."

(Changes in Presentation Method)

[Consolidated cash flows]

In the previous consolidated fiscal year, "changes in contract liabilities" were included in "changes in other liabilities" under "cash flows from operating activities."

However, due to the increased significance of the amount, they are presented separately from the current consolidated fiscal year.

In order to reflect this presentation method, the consolidated cash flow statement for the previous consolidated fiscal year has been reclassified.

As a result of the above, in the consolidated cash flow statement for the previous consolidated fiscal year, "Increase (decrease) in other liabilities" of ¥21 million in "Cash flows from operating activities" has been reclassified and presented as "Increase (decrease) in contract liabilities" of ¥(909) million and "Increase (decrease) in other liabilities" of ¥930 million.

(Segment Information, etc.)

[Segment Information]

1. Overview of reportable segments

(1) Method of determining reportable segments

The business segments reported by the Group are the business units for which the Group is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine the distribution of management resources and evaluate their business results. The group is engaged in comprehensive human resources-related businesses, and based on the characteristics of the services we provide, we have divided our reporting segments into five categories: “BPO Solutions/Expert Solutions,” “Career Solutions,” “Global Solutions,” “Life Solutions,” and “Regional Revitalization and Tourism Solutions.” As a holding company, we also formulate and support the execution of group management strategies, implement management control and optimal allocation of management resources, and develop new businesses related to job creation.

(2) Matters related to changes in reportable segments, etc.

The reporting segments of our group were classified as “Expert Services, BPO Services, etc.,” “Career Solutions,” “Outsourcing,” “Life Solutions,” and “Regional Revitalization Solutions” in the previous consolidated fiscal year, but at the beginning of the current consolidated fiscal year, some of these were reorganized and changed to “BPO Solutions, Expert Solutions,” “Career Solutions,” “Global Solutions,” “Life Solutions,” and “Regional Revitalization and Tourism Solutions.”

Benefit One Inc. and its subsidiaries, which were engaged in outsourcing at the end of the previous consolidated fiscal year, were excluded from the scope of consolidation, and the outsourcing segment was discontinued at the beginning of the current consolidated fiscal year.

Segment information for the previous consolidated fiscal year is presented based on the revised classification.

2. Method of computing net sales, profit (loss), assets, liabilities, and other items by reporting segment

The accounting treatment method for the Group’s reporting segments is generally same as the consolidated financial statements.

Also, segment profit is based on operating profit.

The prices of intersegment transactions and transfers are determined by price negotiations based on the Group’s submission of preferred prices after taking market conditions into account.

3. Information regarding net sales, profit (loss), assets, liabilities, and other items by reporting segment
FY2023 (For the fiscal year ended May 31, 2024)

(Millions of yen)

	Reporting segments						Total	Adjustment (Note 1)	Figures in consolidated statements of income (Note 2)
	HR Solutions		Global Solutions	Life Solutions	Regional Revitalization and Tourism Solutions	Outsourcing			
	BPO Solutions, Expert Solutions	Career Solutions							
Net sales									
BPO Solutions	145,059	—	—	—	—	—	145,059	—	145,059
Expert Solutions	136,501	—	—	—	—	—	136,501	—	136,501
Career Solutions	—	13,031	—	—	—	—	13,031	—	13,031
Global Solutions	—	—	10,791	—	—	—	10,791	—	10,791
Life Solutions	—	—	—	7,229	—	—	7,229	—	7,229
Regional Revitalization and Tourism Solutions	—	—	—	—	5,688	—	5,688	—	5,688
Outsourcing	—	—	—	—	—	38,431	38,431	—	38,431
Revenue from contract with customers	281,560	13,031	10,791	7,229	5,688	38,431	356,733	—	356,733
Other revenue	—	—	—	—	—	—	—	—	—
Sales to outside customers	281,560	13,031	10,791	7,229	5,688	38,431	356,733	—	356,733
Intersegment sales and transfers	3,101	22	233	563	922	530	5,372	(5,372)	—
Total	284,661	13,054	11,024	7,792	6,610	38,962	362,106	(5,372)	356,733
Operating profit (loss)	11,582	4,042	270	128	(2,671)	7,615	20,968	(14,174)	6,794
Segment assets	133,920	22,030	5,100	2,208	14,094	—	177,354	123,735	301,090
Other items									
depreciation	1,005	106	177	59	1,171	2,249	4,768	801	5,569
Amortization of goodwill	455	—	—	—	0	294	750	—	750
Impairment loss	834	—	—	—	9,977	—	10,811	—	10,811
Increase in tangible and intangible fixed assets	1,932	127	206	15	6,948	3,019	12,249	8,231	20,480

Notes:

- The following are included in the adjustment item.
 - Adjustment of segment loss totaling ¥(14,174) million includes Group management costs relating to the Company and incubation cost of our new business totaling ¥(14,228) million, as well as intersegment sales and transfers totaling ¥53 million.
 - Adjustment of segment assets totaling ¥123,735 million includes the Company's cash and deposits and assets relating to Group management totaling ¥159,144 million, as well as intersegment sales and transfers totaling ¥(35,408) million.
 - Adjustment of depreciation and amortization totaling ¥801 million is mainly comprised of depreciation and amortization of assets relating to Group management.
 - Adjustment of increase in tangible and intangible fixed assets totaling ¥8,231 million is mainly comprised of an increase of assets relating to Group management and headquarters functions totaling ¥8,240 million, as well as intersegment sales and transfers totaling ¥(8) million.
- Segment profit is adjusted with operating profit under consolidated statements of income.
- Benefit One Inc. which was responsible for outsourcing in the previous consolidated fiscal year, and its subsidiaries have been excluded from the scope of consolidation. For this reason, no segment assets were recorded at the end of the previous consolidated fiscal year.

FY2024 (For the fiscal year ended May 31, 2025)

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 1)	Figures in consolidated statements of income (Note 2)
	HR Solutions		Global Solutions	Life Solutions	Regional Revitalization and Tourism Solutions			
	BPO Solutions, Expert Solutions	Career Solutions						
Net sales								
BPO Solutions	135,029	—	—	—	—	135,029	—	135,029
Expert Solutions	134,320	—	—	—	—	134,320	—	134,320
Career Solutions	—	14,487	—	—	—	14,487	—	14,487
Global Solutions	—	—	11,121	—	—	11,121	—	11,121
Life Solutions	—	—	—	8,105	—	8,105	—	8,105
Regional Revitalization and Tourism Solutions	—	—	—	—	6,176	6,176	—	6,176
Revenue from contract with customers	269,349	14,487	11,121	8,105	6,176	309,240	—	309,240
Other revenue	—	—	—	—	—	—	—	—
Sales to outside customers	269,349	14,487	11,121	8,105	6,176	309,240	—	309,240
Intersegment sales and transfers	2,694	20	285	517	907	4,425	(4,425)	—
Total	272,044	14,507	11,407	8,623	7,083	313,666	(4,425)	309,240
Operating profit (loss)	9,759	5,048	401	(26)	(1,900)	13,281	(14,519)	(1,237)
Segment assets	117,615	28,230	5,304	2,926	21,556	175,634	89,403	265,038
Other items								
Depreciation	1,247	93	199	58	510	2,108	647	2,756
Amortization of goodwill	324	—	—	—	12	336	—	336
Impairment loss	237	—	—	—	—	237	—	237
Increase in tangible and intangible fixed assets	4,051	524	181	21	7,876	12,655	7,040	19,695

Notes:

- The following are included in the adjustment item.
 - Adjustment of segment profit totaling ¥(14,519) million includes Group management costs relating to the Company and incubation cost of our new business totaling ¥(14,505) million, as well as intersegment sales and transfers totaling ¥(14) million.
 - Adjustment of segment assets totaling ¥89,403 million includes the Company's cash and deposits and assets relating to Group management totaling ¥137,067 million, as well as intersegment sales and transfers totaling ¥(47,663) million.
 - Adjustment of depreciation and amortization totaling ¥647 million is mainly comprised of depreciation and amortization of assets relating to Group management.
 - Adjustment of increase in tangible and intangible fixed assets totaling ¥7,040 million is mainly comprised of an increase of assets relating to Group management and headquarters functions totaling ¥7,040 million, as well as intersegment sales and transfers totaling ¥(0) million.
- Segment profit is adjusted with operating profit under consolidated statements of income.

[Related information]

FY2023 (For the fiscal year ended May 31, 2024)

1. Information by product and service

Nothing is stated herein as similar information is disclosed in segment information.

2. Information on geographic areas

(1) Net sales

Since the percentage of net sales in Japan exceeds 90%, information on geographic areas is omitted in this report.

(2) Property, plants, and equipment

Because the percentage of total property, plants, and equipment located in Japan exceeds 90%, information on geographic areas is omitted in this report.

3. Information by major customer

No major customer is stated because no customer accounted for more than 10% of net sales.

FY2024 (For the fiscal year ended May 31, 2025)

1. Information by product and service

Nothing is stated herein, as similar information is disclosed in segment information.

2. Information on geographic areas

(1) Net sales

Because the percentage of net sales in Japan exceeds 90%, information on geographic areas is omitted in this report.

(2) Property, plants, and equipment

Because the percentage of total property, plants, and equipment located in Japan exceeds 90%, information on geographic areas is omitted in this report.

3. Information by major customer

No major customer is stated because no customer accounted for more than 10% of net sales.

[Information regarding impairment loss on fixed assets by reporting segment]

FY2023 (For the fiscal year ended May 31, 2024)

Because an impairment loss on fixed assets has been already disclosed in the segment information, it is omitted in this report.

FY2024 (For the fiscal year ended May 31, 2025.)

Because an impairment loss on fixed assets has been already disclosed in the segment information, it is omitted in this report.

[Information regarding unamortized balance of goodwill by reporting segment]

FY2023 (For the fiscal year ended May 31, 2024)

(Millions of yen)

	Reporting segments					Adjustment	Total
	BPO/Expert Solutions	Career Solutions	Global Solutions	Life Solutions	Regional Revitalization and Tourism Solutions		
Balance at the end of the period	842	—	—	—	—	—	842

FY2024 (For the fiscal year ended May 31, 2025)

(Millions of yen)

	Reporting segments					Adjustment	Total
	BPO/Expert Solutions	Career Solutions	Global Solutions	Life Solutions	Regional Revitalization and Tourism Solutions		
Balance at the end of the period	815	—	—	—	—	—	815

[Information regarding Gain on Bargain Purchase by reporting segment]

FY2023 (For the fiscal year ended May 31, 2024)

None

FY2024 (For the fiscal year ended May 31, 2025)

None

(Per Share Information)

	(Yen)	
	FY2023	FY2024
Net assets per share	3,789.83	3,517.00
Net profit per share	2,447.56	(221.80)
Diluted net profit per share	2,446.80	—

(Notes)

1. Although there are potential shares, no potential shares per share are stated for the current fiscal year's net income per share after adjustment for potential shares, as there is a net loss per share.

2. The Company's shares in BBT and J-ESOP, which are reported as treasury shares under Shareholders' equity, are not counted toward the number of treasury shares as of the period-end and the average number of shares outstanding for the period, for the purpose of computing earnings and net assets per share.

The number of treasuries shares deducted for calculation of net assets per share was 601,862 in FY2023 and 601,862 in FY2024, in terms of BBT, and was 464,274 in FY2023 and 451,803 in FY2024 in terms of J-ESOP (year-end basis). The number of treasury shares deducted for calculation of net profit per share was 572,362 in FY2023 and 601,862 in FY2024, in terms of BBT, and was 441,470 in FY2023 and 453,584 in FY2024 in terms of J-ESOP (year-average basis).

3. As stated in "Changes in Accounting Policies," the changes in accounting policies for the current consolidated fiscal year have been applied retroactively, and the consolidated financial statements for the previous consolidated fiscal year have been restated to reflect the retroactive application. As a result, compared to before the retroactive application, the net asset value per share for the previous consolidated fiscal year increased by ¥0.41.

4. The following shows the basis for calculating net profit per share and diluted net profit per share.

	(Millions of yen)	
Items	FY2023	FY2024
Profit attributable to owners of the parent	95,891	(8,658)
Amount not applicable to shareholders of common stock	—	—
Profit attributable to owners of the parent applicable to common stock	95,891	(8,658)
Average number of shares for the period (shares)	39,178,295	39,036,161
Diluted net profit per share		
Adjustment to net profit attributable to owners of the parent	(29)	(4)
(Adjustment due to latent shares of consolidated subsidiaries)	((29))	((4))
Overview of diluted shares excluded from the calculation of net profit per share after adjusting for diluted share because of lack of diluting effect	—	—

5. The following shows the basis of calculating net assets per share.

	(Millions of yen)	
Items	As of May 31, 2024	As of May 31, 2025
Total net assets	154,677	141,134
Amount deducted from total net assets	6,173	6,199
Net assets applicable to common stock as of the fiscal period-end	148,504	134,934
Number of common stock shares used to calculate net assets per share (shares)	39,184,940	38,366,529

(Important Subsequent Events)

None