

## Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2023 (Six Months Ended March 31, 2023)

[Japanese GAAP]  
April 28, 2023

Company name: Global Kids Company Corp.  
Securities code: 6189  
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Stock Exchange Listing: TSE (Prime)  
URL: <https://www.gkids.jp/>

Scheduled date of filing of Quarterly Report: May 2, 2023

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2023 (October 1, 2022 to March 31, 2023)

#### (1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Mar. 31, 2023	12,379	1.0	155	(58.0)	148	(59.3)	98	(55.4)
Six months ended Mar. 31, 2022	12,257	5.3	370	10.2	364	12.2	221	12.3

Note: Comprehensive income (million yen)

Six months ended Mar. 31, 2023: 106 (down 55.2%)

Six months ended Mar. 31, 2022: 237 (up 13.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Mar. 31, 2023	10.48	10.44
Six months ended Mar. 31, 2022	23.64	23.50

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Mar. 31, 2023	19,414	8,245	42.5
As of Sep. 30, 2022	16,601	8,367	50.4

Reference: Shareholders' equity (million yen) As of Mar. 31, 2023: 8,245

As of Sep. 30, 2022:

8,367

### 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2022	-	0.00	-	25.00	25.00
Fiscal year ending Sep. 30, 2023	-	0.00	-	-	-
Fiscal year ending Sep. 30, 2023 (Forecast)	-	-	-	30.00	30.00

Note: Revisions to the most recently announced dividend forecast: None

### 3. Consolidated Earnings Forecast for the Fiscal Year Ending September 30, 2023

#### (October 1, 2022 to September 30, 2023)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Yen
Full year	25,400	4.3	300	(57.6)	280	(76.3)	170	-	-	18.08

Note: Revisions to the most recently announced earnings forecast: Yes

**\*Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares issued (common stock)

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

As of Mar. 31, 2023:	9,429,141 shares	As of Sep. 30, 2022:	9,405,341 shares
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2) Number of treasury shares as of the end of the period

As of Mar. 31, 2023:	15,823 shares	As of Sep. 30, 2022:	6,859 shares
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3) Average number of shares issued during the period

Six months ended Mar. 31, 2023:	9,404,762 shares	Six months ended Mar. 31, 2022:	9,352,814 shares
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\* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* Explanation of appropriate use of earnings forecasts and other special items

Forecasts and other forward-looking statements in these materials are based on assumptions judged to be valid and information available to the Company's management at the time these materials were prepared, but are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

Please refer to the section "1. Qualitative Information on Quarterly Consolidated Financial Performance, (4) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements" on page 3 of the attachments for details on the above forecasts.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

Regarding the circumstances surrounding the child-rearing support business, the number of nursery school users and childcare facilities had been continuing to increase due to the rise in the number of households with two workers and the employment rate for women. However, the number of wait-listed children in April 2022 decreased by 2,690 children from the previous year to 2,944 children, and the number of newborns in 2022 fell below 800,000 for the first time since 1899 when the gathering of such statistics began. As seen by these trends, the external environment has been changing.

Meanwhile, as a government response, the “Children and Families Agency” was established in April 2023, under the banner of a “child-centered society” which unifies the measures regarding children and centrally positions child-related initiatives and policies within society in order to strengthen child-related policies. The draft plan announced in March 2023 contains policies referred to as “unprecedented measures to tackle the declining birth rate,” including policies to decrease the number of children each childcare worker is to be in charge of for the first time in 75 years and further improve childcare workers’ compensation, and to create a system, “*Kodomo Daredemo Tsuen* system (tentative name),” that enables all child-rearing households to use nursery schools regardless of work requirements, among other things. Furthermore, in the policy speech delivered in January 2023, child-related policies were given the highest priority, and in the Basic Policy on Economic and Fiscal Management and Reform (*Honebuto no Hoshin*, “big-boned policies”) of June, policies outlining the basic framework for doubling the child-related budget are expected to be announced, thus indicating a further rise in society’s child-oriented perspective.

Amid such substantial changes in the external environment surrounding the child-rearing support business, the Group is moving forward with initiatives whose core consists of three policies, namely “expansion of scale,” “expansion of functions,” and “strengthening of infrastructure,” based on the “Medium-term Management Plan 2024” announced on November 12, 2021. As a concrete measure for “expansion of scale,” the Company entered into a share transfer agreement on April 18, 2023, to acquire all shares of Tokyo Tatemono Kids Co., Ltd. which mainly operates Tokyo Metropolitan Government licensed nursery schools on which the Group is focusing. For details, please refer to “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Consolidated Financial Statements (Significant Subsequent Events).” Also, based on the judgment that improving productivity through reorganization of the Group’s head office functions would be indispensable for promoting the diversification of revenue sources mainly by strengthening new businesses seeking “expansion of functions,” the decision was made to transfer part of Global Kids K.K.’s child-rearing support business to GKS K.K., effective April 1, 2023. As a measure for “strengthening of infrastructure,” the Company is pursuing development of a child-rearing platform, the focal point of ICT strategies, and continuing active investments. In addition, with respect to the “GlobalKids Plus +” learning business, lessons are scheduled to start in Toyosu in June 2023.

At the end of the period under review, the Group operates a total of 171 facilities: 141 central government licensed nursery schools (103 in Tokyo, 28 in Kanagawa, four in Chiba, one in Saitama and five in Osaka); 20 local government licensed nursery schools or centers for early childhood education and care; and 10 after-school day care centers or children’s houses.

Regarding results of operations for the period under review, net sales increased slightly year on year due to the transfer of the company sponsored childcare business. In terms of expenses, both the cost of sales and the cost to sales ratio rose due mainly to increases in personnel and recruiting expenses. Also, owing to investments in the child-rearing platform mentioned above and other factors, outsourcing expenses increased, which resulted in a rise of the selling, general and administrative expenses ratio.

Consequently, the Group reported net sales for the period under review of 12,379 million yen (up 1.0% year on year) with operating profit of 155 million yen (down 58.0% year on year), ordinary profit of 148 million yen (down 59.3% year on year), and profit attributable to owners of parent of 98 million yen (down 55.4% year on year).

### (2) Explanation of Financial Position

#### Assets

Total assets amounted to 19,414 million yen at the end of the period under review, an increase of 2,813 million yen from the end of the previous fiscal year.

Current assets increased 3,244 million yen to 7,791 million yen. This was mainly attributable to an increase of 3,628 million yen in cash and deposits.

Non-current assets decreased 430 million yen to 11,623 million yen. This was mainly attributable to buildings and structures, net and long-term prepaid expenses decreasing by 315 million yen and 59 million yen, respectively.

#### Liabilities

Total liabilities amounted to 11,169 million yen at the end of the period under review, an increase of 2,935 million yen from the end of the previous fiscal year.

Current liabilities increased 3,366 million yen to 6,584 million yen. This was mainly attributable to an increase of 3,200 million yen in short-term loans payable.

Non-current liabilities decreased 430 million yen to 4,585 million yen. This was mainly attributable to a decrease of 430 million yen in long-term loans payable.

#### Net assets

Net assets amounted to 8,245 million yen at the end of the period under review, a decrease of 122 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 98 million yen in retained earnings as a result of the booking of profit attributable to owners of parent, while a decrease of 234 million yen occurred due to the payment of year-end dividends.

### **(3) Cash Flows**

Cash and cash equivalents (hereinafter, “net cash”) at the end of the period under review amounted to 4,931 million yen.

#### Cash flows from operating activities

Net cash provided by operating activities amounted to 1,043 million yen (789 million yen provided in the first half of the fiscal year ended September 30, 2022). This was mainly attributable to a decrease of 358 million yen in accounts receivable-other and contract assets and the non-cash item of 374 million yen in depreciation.

There was also an increase of 254 million yen compared with the first half of the fiscal year ended September 30, 2022. This was attributable to an increase of 328 million yen due to a decrease in accounts receivable-other and contract assets.

#### Cash flows from investing activities

Net cash used in investing activities amounted to 3 million yen (745 million yen used in the first half of the fiscal year ended September 30, 2022), mainly attributable to purchase of property, plant and equipment of 17 million yen.

There was also an increase of 742 million yen compared with the first half of the fiscal year ended September 30, 2022. This was primarily attributable to a decrease in purchase of property, plant and equipment of 696 million yen.

#### Cash flows from financing activities

Net cash provided by financing activities amounted to 2,587 million yen (2,708 million yen provided in the first half of the fiscal year ended September 30, 2022). This was mainly attributable to an increase of 3,200 million yen in the net amount of short-term loans payable.

There was also a decrease of 120 million yen compared to the first half of the fiscal year ended September 30, 2022. This was mainly attributable to an increase of 100 million yen in the net amount of short-term loans payable, while the dividends paid of 234 million yen occurred.

### **(4) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements**

For consolidated forecasts for the fiscal year ending September 30, 2023, please refer to “Notice Concerning Revision of Earnings Forecasts” that was announced today (April 28, 2023).

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	FY9/22 (As of Sep. 30, 2022)	Second quarter of FY9/23 (As of Mar. 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	1,303	4,931
Accounts receivable-other and contract assets	2,597	2,238
Prepaid expenses	640	616
Other	5	4
Total current assets	<u>4,546</u>	<u>7,791</u>
Non-current assets		
Property, plant and equipment		
Land	692	692
Buildings and structures, net	8,584	8,268
Other, net	310	278
Total property, plant and equipment	<u>9,587</u>	<u>9,239</u>
Intangible assets		
Software	33	26
Software in progress	-	11
Total intangible assets	<u>33</u>	<u>37</u>
Investments and other assets		
Investment securities	47	47
Long-term prepaid expenses	365	306
Lease and guarantee deposits	1,717	1,701
Construction assistance fund receivables	266	257
Deferred tax assets	35	33
Other	0	0
Total investments and other assets	<u>2,432</u>	<u>2,346</u>
Total non-current assets	<u>12,054</u>	<u>11,623</u>
Total assets	<u>16,601</u>	<u>19,414</u>
<b>Liabilities</b>		
Current liabilities		
Short-term loans payable	-	3,200
Current portion of long-term loans payable	754	807
Accounts payable-other	1,336	1,560
Income taxes payable	175	97
Advances received	120	58
Provision for bonuses	594	576
Other	234	283
Total current liabilities	<u>3,217</u>	<u>6,584</u>
Non-current liabilities		
Long-term loans payable	2,957	2,526
Net defined benefit liability	448	480
Deferred tax liabilities	1,249	1,219
Asset retirement obligations	360	358
Total non-current liabilities	<u>5,015</u>	<u>4,585</u>
Total liabilities	<u>8,233</u>	<u>11,169</u>

(Millions of yen)

	FY9/22 (As of Sep. 30, 2022)	Second quarter of FY9/23 (As of Mar. 31, 2023)
Net assets		
Shareholders' equity		
Capital stock	1,296	1,302
Capital surplus	1,984	1,991
Retained earnings	5,127	4,991
Treasury shares	(6)	(12)
Total shareholders' equity	8,402	8,272
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(34)	(26)
Total accumulated other comprehensive income	(34)	(26)
Total net assets	8,367	8,245
Total liabilities and net assets	16,601	19,414

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**  
**(For the Six-month Period)**

(Millions of yen)

	First six months of FY9/22 (Oct. 1, 2021 – Mar. 31, 2022)	First six months of FY9/23 (Oct. 1, 2022 – Mar. 31, 2023)
Net sales	12,257	12,379
Cost of sales	11,150	11,416
Gross profit	1,107	963
Selling, general and administrative expenses	736	807
Operating profit	370	155
Non-operating income		
Interest and dividend income	4	1
Other	2	9
Total non-operating income	7	10
Non-operating expenses		
Interest expenses	10	8
Capital expenses	0	-
Other	1	9
Total non-operating expenses	12	17
Ordinary profit	364	148
Extraordinary losses		
Loss on retirement of non-current assets	-	0
System failure handling expense	*19	-
Total extraordinary losses	9	0
Profit before income taxes	355	148
Income taxes	134	49
Profit (Loss)	221	98
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	221	98
Profit attributable to non-controlling interests	-	-
Other comprehensive income		
Valuation difference on available-for-sale securities	0	-
Remeasurements of defined benefit plans, net of tax	15	7
Total other comprehensive income	16	7
Comprehensive income	237	106
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	237	106
Comprehensive income attributable to non-controlling interests	-	-



**(3) Quarterly Consolidated Statement of Cash Flows**

(Millions of yen)

	First six months of FY9/22 (Oct. 1, 2021 – Mar. 31, 2022)	First six months of FY9/23 (Oct. 1, 2022 – Mar. 31, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	355	148
Depreciation	426	374
System failure handling expense	9	-
Increase (decrease) in provision for bonuses	(22)	(18)
Increase (decrease) in net defined benefit liability	59	48
Interest and dividend income	(4)	(1)
Interest expenses	10	8
Decrease (increase) in accounts receivable-other and contract assets	30	358
Decrease (increase) in prepaid expenses	(66)	29
Increase (decrease) in accounts payable-other	171	224
Increase (decrease) in advances received	(69)	(62)
Other, net	45	90
Subtotal	946	1,198
Interest and dividend income received	3	0
Interest expenses paid	(10)	(8)
Income taxes paid	(149)	(147)
Net cash provided by (used in) operating activities	789	1,043
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(714)	(17)
Proceeds from sale of property, plant and equipment	1	0
Payments for lease and guarantee deposits	(45)	(1)
Proceeds from refund of lease and guarantee deposits	-	5
Collection of construction assistance fund receivables	10	10
Other, net	2	-
Net cash provided by (used in) investing activities	(745)	(3)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	3,100	3,200
Repayments of long-term loans payable	(391)	(377)
Repayments of lease obligations	(1)	(0)
Proceeds from exercise of share options	1	0
Dividends paid	-	(234)
Purchase of treasury shares	(0)	-
Net cash provided by (used in) financing activities	2,708	2,587
Net increase (decrease) in cash and cash equivalents	2,752	3,628
Cash and cash equivalents at beginning of period	1,327	1,303
Cash and cash equivalents at end of period	4,080	4,931

#### **(4) Notes to Quarterly Consolidated Financial Statements**

##### **Going Concern Assumption**

Not applicable.

##### **Quarterly Consolidated Statement of Income**

\*1 System failure handling expense

First six months of FY9/22 (Oct 1, 2021 – Mar. 31, 2022)

Expenses were incurred as a result of the system failure that was caused by malware that used malicious emails, discovered on February 24, 2022. Expenses primarily consisted of the costs involved in having an outside expert perform investigation and analysis.

##### **Significant Changes in Shareholders' Equity**

Not applicable.

##### **Changes in Accounting Policies**

The Group had previously included certain expenses related to the consolidated subsidiary's facilities in selling, general and administrative expenses but starting from the first three month of FY9/23, it has changed the presentation method to include such expenses in the cost of sales.

As the Group transitions from the "business expansion" phase to the "business expansion and duplication" phase under the "Medium-term Management Plan 2024," it is revising its organizational structure as part of the project to improve earnings.

While revising the system for facility assessment and reviewing facility profit/loss in the process of restructuring, the Group has refined its approach to expenses and has determined that accounting for certain selling, general and administrative expenses as cost of sales would more appropriately reflect the management environment, and accordingly has changed its accounting method.

This change in accounting policy has been retrospectively applied and for the six months ended March 31, 2022, the consolidated financial statements represent those after the retrospective application.

As a result, compared to the accounting method prior to the retrospective application, the cost of sales for the six months ended March 31, 2022 increased by 428 million yen, and gross profit and selling, general and administrative expenses have decreased by the same amount, respectively. However, it has had no effect on operating profit, ordinary profit, profit before income taxes, and per share information.

##### **Segment and Other Information**

Segment information

Omitted since the Group has only a single business segment, which is the "child-rearing support business."

**Significant Subsequent Events**

## Business combination through acquisition

At the Board of Directors meeting held on April 18, 2023, the Company resolved to acquire all shares of Tokyo Tatemono Kids Co., Ltd. that engages in the child-rearing support business, and entered into a share transfer agreement with Tokyo Tatemono Co., Ltd.

## (1) Reason for the share acquisition

With the backdrop of the growing number of nursery school users due to an increase in the number of households with two workers and a rising employment rate for women, the Group has newly opened nursery schools every fiscal year since its founding in 2006. In recent years, however, the number of wait-listed children has been declining due to successful efforts made by local governments to expand nursery schools, and demand for opening new nursery schools is slowing down. The Group has set forth growth of the childcare business through the active use of M&A, in addition to opening new nursery schools, in its Medium-term Management Plan. As such, this initiative seeks to implement M&A with a view to achieving further growth amid a slowdown in demand for opening new nursery schools.

The Company and Tokyo Tatemono Kids Co., Ltd. are both primarily operators of central government licensed nursery schools, mainly in and around the Tokyo area, and synergistic effects, such as expansion of scale of the childcare business and improvement of productivity as a result of improved operational efficiency of some head office functions, are expected to emerge.

The Company will continue to open new childcare facilities and promote expansion of scale of the childcare business through the active use of M&A, as well as expand childcare peripheral businesses and strengthen initiatives to improve profitability in an effort to increase its corporate value.

## (2) Profile of subsidiary undergoing change

(1) Company name	Tokyo Tatemono Kids Co., Ltd.	
(2) Head office address	4-3-18 Nihonbashi-Muromachi, Chuo-ku, Tokyo	
(3) Representative	Kenichiro Takahashi, President & Chief Executive Officer	
(4) Businesses	Development and operation of childcare facilities	
(5) Capital	100 million yen	
(6) Establishment	August 1, 2016	
(7) Major shareholders and shareholding ratios	Tokyo Tatemono Co., Ltd. 90.00% Global Kids Company Corp. 10.00%	
(8) Relationship between the listed company and the subsidiary	Capital	The Company holds 10% of the shares of the subsidiary.
	Personnel	One (1) Director & Executive Officer of the Company concurrently serves as Director (part-time) of the subsidiary.
	Trading	The Company is entrusted with school meal services by the subsidiary.

## (9) Business results and financial position of the subsidiary for the past three years

Fiscal year	Fiscal year ended December 2020	Fiscal year ended December 2021	Fiscal year ended December 2022
Net assets	298 million yen	378 million yen	426 million yen
Total assets	1,695 million yen	1,639 million yen	1,530 million yen
Net assets per share	14,925 yen	18,919 yen	21,321 yen
Net sales	1,608 million yen	1,822 million yen	1,928 million yen
Operating profit	(35) million yen	10 million yen	(11) million yen
Ordinary profit	161 million yen	95 million yen	88 million yen
Profit	19 million yen	79 million yen	48 million yen
EBITDA	52 million yen	101 million yen	81 million yen
Profit per share	968 yen	3,993 yen	2,402 yen
Dividend per share	-	-	-

## (3) Overview of the transferor of the shares

(1) Company name	Tokyo Tatemono Co., Ltd.	
(2) Head office address	1-9-9 Yaesu, Chuo-ku, Tokyo	
(3) Representative	Hitoshi Nomura, Representative Director, President & Chief Executive Officer	
(4) Businesses	Development, leasing and management of office buildings, commercial facilities and others; development, sales, leasing and management of condominiums and detached houses; sale/purchase of real estate, etc.	
(5) Capital	92,451 million yen (Fiscal year ended December 2022)	
(6) Establishment	October 1, 1896	
(7) Net assets	456,838 million yen (Fiscal year ended December 2022)	
(8) Total assets	1,720,134 million yen (Fiscal year ended December 2022)	
(9) Major shareholders and shareholding ratios	The Master Trust Bank of Japan, Ltd. (trust account): 17.44% Custody Bank of Japan, Ltd. (trust account): 9.70%	
(10) Relationship between the listed company and the transferor	Capital	The transferor holds 100,000 shares of the Company (equivalent to a shareholding ratio of 1.06%).
	Personnel	Not applicable.
	Trading	Not applicable.
	Status of applicability to related parties	Not applicable.

## (4) Number of shares to be acquired, acquisition price, and status of shareholding before and after the acquisition

(1) Number of shares owned by the Company before the acquisition	2,000 shares (Number of voting rights: 2,000, percentage of voting rights: 10%)
(2) Number of shares to be acquired	18,000 shares (Number of voting rights: 18,000, percentage of voting rights: 90%)
(3) Value of the acquisition	370 million yen
(4) Number of shares owned by the Company after the acquisition	20,000 shares (Number of voting rights: 20,000, percentage of voting rights: 100%)

## (5) Schedule

(1) Date of resolution of the Board of Directors	April 18, 2023
(2) Date of conclusion of share transfer agreement	April 18, 2023
(3) Effective date of transfer of shares	June 1, 2023 (planned)

## (6) Future outlook

As a result of this share acquisition, Tokyo Tatemono Kids Co., Ltd. is scheduled to become a consolidated subsidiary of the Company on June 1, 2023. This acquisition will have a negligible impact on the Company's consolidated financial results for the fiscal year ending September 30, 2023.

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*