Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

February 2, 2024

Consolidated Financial Results for the First Nine Months of Fiscal Year Ending March 31, 2024 (Under IFRS)

Company name: Members Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 2130
URL: https://www.members.co.jp/
Representative: Akihiko Takano, Representative Director and President
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Telephone: +81-3-5144-0660
Scheduled date to file quarterly securities report: February 8, 2024
Scheduled date to commence dividend payments: —
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: No

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the first nine months of fiscal year ending March 31, 2024 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	14,584	15.7	(569)	—	(533)	—	(382)	—
December 31, 2022	12,610	19.1	607	(38.8)	558	(43.6)	378	(44.8)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Nine months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
December 31, 2023	(382)	—	(381)	—	(29.13)	(29.13)
December 31, 2022	378	(44.8)	378	(44.8)	28.57	28.36

Note: Due to the application of IAS 12 “Income Taxes” (amended in May 2021), results for the first nine-month period of the fiscal year ended March 31, 2023, have been retrospectively restated.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
December 31, 2023	10,613	5,542	5,542	52.2
March 31, 2023	11,305	6,366	6,366	56.3

Note: Due to the application of IAS 12 “Income Taxes” (amended in May 2021), figures as of March 31, 2023, have been retrospectively restated.

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	0.00	—	30.00	30.00
Fiscal year ending March 31, 2024	—	0.00	—		
Fiscal year ending March 31, 2024 (Forecast)				31.00	31.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	20,000	13.2	200	(86.1)	190	(86.4)	130	(87.1)

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Full year	130	(87.1)	9.81

(Note) Changes from the latest financial forecast: None
1. The above consolidated earnings forecast is based on IFRS.
2. “Basic earnings per share” was calculated based on the average number of shares in FY 3/2023 (13,246,173).
3. Due to the application of IAS 12 “Income Taxes” (amended in May 2021), the percentage of change from the same period of the previous year has been calculated using retrospectively restated figures.

* **Notes**

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

Newly included: —
Excluded: —

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: Yes

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

(iii) Changes in accounting estimates: Yes

Note: Please refer to "2. Summary of Consolidated Financial Statements and Major Notes (6) Notes to Summary of Consolidated Financial Statements (Changes in Accounting Policies), and (Changes in accounting estimates) on page 11 for details.

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	13,421,700 shares
As of March 31, 2023	13,363,700 shares

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

As of December 31, 2023	395,596 shares
As of March 31, 2023	277,518 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023	13,115,024 shares
Nine months ended December 31, 2022	13,262,025 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notes regarding the description, etc. related to the future)

The descriptions about the future, such as the business forecast, in this document are based on the information the company has obtained so far and certain assumptions that are considered reasonable, and our company does not guarantee that the results will be as forecasted. There is a possibility that actual business performance, etc. will be considerably different from the forecast due to various factors. For the assumptions for the earnings forecast, notes for the use of the forecast, etc., please refer to "1, Qualitative Information Regarding the Financial Results for the Current Quarter, (3) Explanation Regarding the Future Forecast Information such as Consolidated Earnings Forecast" on page 4 of the Appendix.

(How to obtain the material for supplementary explanations on financial results and the contents of the session for briefing financial results)

The English material for supplementary explanations on financial results will be uploaded to the website of our company on Friday, February 9, 2024.

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1. Qualitative Information Regarding the Financial Results for the Current Quarter

From the first three months of Fiscal Year ending March 31, 2024, IAS 12 "Income Taxes" (amended in May 2021) has been applied and comparative analysis with the same period of the previous fiscal year has been made using retrospectively restated figures. The application of this standard did not have a material impact on this Summary of Consolidated Financial Statements. The details of the changes in accounting policies are stated in "(6) Notes to Summary of Consolidated Financial Statements (Changes in Accounting Policies)" in "2. Summary of Consolidated Financial Statements and Major Notes."

(1) Explanation Regarding Business Results

Management's Explanation and Analysis of Business Results

Due to the climate change caused by global warming, severe natural disasters have been occurring frequently all over the world. The 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) was held in Dubai, United Arab Emirates (UAE) from November 2023. The adopted decision document clearly states that greenhouse gases such as carbon dioxide, which are the main cause of global warming, need to be reduced by 43% by 2030 and 60% by 2035 compared to 2019 levels, in order to achieve the goal of limiting global warming to 1.5 degrees Celsius. An increasing number of countries and regions are declaring carbon neutrality, meaning that emissions of greenhouse gases are virtually zero. As it is believed that the success or failure of efforts toward GX(*1) is directly linked to the competitiveness of companies and, by extension, the nation, in Japan, based on the GX Promotion Act, we aim to achieve three things at the same time: decarbonization, stable energy supply, and economic growth, and are implementing initiatives such as switching to carbon-free power sources and making GX investments of 150 trillion yen in the public and private sectors. We are expecting businesses, including their marketing activities, to transform into a model that facilitates decarbonization and resolution of societal issues by accelerating corporate transformations through the utilization of digital technologies for continuous value creation.

As the digital business becomes more active, each company is having difficulty to recruit and train creative personnel who are versed on the Internet and digital technology internally, and such personnel shortage is now a huge hurdle to digitalization. According to the DX (Digital Transformation) White Paper 2023, more than 80% of Japanese companies answered that they lack both the quality and quantity of human resources to promote DX (Incorporated Administrative Agency Information Technology Promotion Agency DX White Paper 2023, Issued March 16, 2023).

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

<Business Overview>

From the first quarter of this consolidated cumulative period, we started offering the "DGT (Digital Growth Team)" service that were created by integrating the EMC and the PGT businesses offered up to the previous fiscal year. The DGT service is a hands-on service that promotes and supports the digitalization of companies by a customer-dedicated team that consists of 3 or more digital creators with various specialized skills, including data analysis, UX(*2), and engineering. Digital creators directly pursue the improvement of digital business results of client companies, and continuously support their operation with hypothesis verification. In addition, we started to support the improvement of carbon productivity (*3) of client companies through our digital business operation services and implement actions that lead to decarbonization in our daily operation work.

In this fiscal year ending March 31, 2024, we will further strengthen the sales structure through the separation of production and sales with the aim of establishing DGT service, and by increasing the number of clients we offer DGT models, we will steadily increase the operating rate of digital creators. To this end, we will attempt to accelerate the growth of non-web operation area and improve profitability by actively launching inhouse companies that specialize in high-value-added services with advanced technologies and increasing the number of digital creators belonging to those companies. Concurrently, we accelerate skill development and job transfer of all digital creators. In addition, we will strategically expand mid-career recruitment in order to improve the human resource portfolio of the entire group and build a foundation for enhancing service capabilities.

Since this corporate group has only one segment, "Internet business support business," segment information is omitted.

<Overview of Consolidated Financial Statements>

For the third quarter of the current consolidated cumulative term, revenue was 14,584 million yen (up 15.7% from the same quarter of the previous fiscal year), operating loss was 569 million yen (operating profit of 607 million yen in the same quarter of the previous fiscal year), loss before income taxes was 533 million yen (profit before income taxes of 558 million yen in the same quarter of the previous fiscal year), and loss attributable to the owners of the parent was 382 million yen (profit attributable to the owners of the parent of 378 million yen in the same quarter of the previous fiscal year).

Sales revenue increased by 15.7% year-on-year and added-value sales (sales generated by internal resources after deducting outsourcing and procurement costs) increased by 13.9% year-on-year, both reaching record highs.

The growth rate of added-value sales slowed down year-on-year in the third consolidated fiscal quarter due to an increase in work-in-progress related to fourth quarter sales and a delay in the transfer of digital creators to high value-added areas compared to the plan.

However, due to the Policies and Initiatives aimed at improving profitability in the next fiscal year and beyond, the number of companies we offer DGT models increased to 141 companies (+25 companies compared to the end of the previous fiscal year), and the number of all client customers increased to 427 companies (+77 companies compared to the end of the previous fiscal year). The customer base has continued to expand, and the added-value sales per company among the top 50 companies we offer DGT models in terms of sales scale has increased by 7.6% year-on-year by providing high value-added services for existing customers aggressively.

<Our Corporate Group's Policies and Initiatives>

Going forward, we will continuously aim for further growth on added-value sales while placing top priority on improving profitability based on the following policies.

1. Improving profitability by reducing upfront investment-type recruitment

Since the upfront investment in new graduate recruitment was excessive compared to the actual added-value sales growth rate during the third quarter of the current consolidated cumulative period, we recognize that it is necessary to control this cost in order to improve profitability. As a specific initiative, we will restrict the hiring of new graduates until the target operation rate for digital creators excluding first-year new graduate employees reaches 90% and operating profit margin recovers to 10%.

In the fiscal year ending March 2025, we will reduce the number of new graduate employees we will hire to just over 400 (585 joined in the fiscal year ending March 2024), and although we aim to improve profit margins to a certain extent, we expect that the cost for non-operating digital creators will continue to occur. Therefore, we do not expect the operating profit margin to recover to 10%.

From the fiscal year ending March 2026, we will further curtail the recruitment of new graduate employees, to achieve the growth rate of added-value sales of 15% and operating profit margin of 10% or higher.

2. Continuing efforts to strengthen services, sales, and training to increase growth rate

In accordance with our current management policy, we will strongly promote the following three points in an effort to raise the growth rate of added value sales and quickly achieve our operating profit margin target of 10%.

(1) Establish the DGT service
- Shift from the web operations field to highly advanced fields on digital business operations such as data/AI/cloud

(2) Strengthen sales strategy
- Strengthen account management to expand transactions with existing customers
- Establish separation of production and sales to acquire new customers

(3) Improve human resources portfolio and strengthen training
- Control new graduate recruitment and continue to strengthen mid-career recruitment
- Strengthen the development of high value-added human resources in data/AI/cloud, etc.

Looking ahead to improved profitability from the fiscal year ending March 2025, we have already begun to see results from the progress made in the forementioned policies and initiatives, particularly in the high-value-added fields. The number of digital creators and customer base in the specialized companies in this field has expanded compared to the previous quarter. We will continue to strengthen the development of highly advanced creators, such as data analysts and the one utilizing generative AI, to further expand the number of digital creators in the high-value-added fields and establish DGT services. We will also actively promote services on those high-value-added fields to existing customers to further increase the value-added sales per company.

We believe that digital investment by companies will accelerate further, and at the same time, the shortage of IT/digital human resources will further expand, against the backdrop of further evolution of digital technology, the global effort toward decarbonization, and decline in population in Japan. Under such environment, we will continue to work to expand our human capital by improving the skills of digital creators, who are the source of value creation for customers, and improving employee engagement, by continuing to invest in human resources such as developing specialized skills; then, we will realize "the world's best digital business operation support" through the DGT services.

(*1) GX (Green Transformation): This refers to the transformation for utilizing clean energy while avoiding the use of fossil fuels as much as possible and activities aimed at achieving this goal. The Ministry of Economy, Trade and Industry believes that efforts to achieve carbon neutrality by 2050 and the national greenhouse gas emission reduction target by 2030 are opportunities for economic growth and defines GX as the transformation of entire economic and social system toward the goal of reducing emissions and improving industrial competitiveness.

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

(*3) Carbon Productivity: Gross domestic product (GDP) per unit of greenhouse gas emissions. We design for customers our support to formulate and operate their business model with calculating profits per carbon emitted during manufacturing, sales, and collection of customers' products and services as the carbon productivity. Our company, we measure a company's carbon productivity by measuring profits per carbon emitted during the manufacturing, sales, and collection of products and services, and formulate business model construction and operational support.

(2) Explanation Regarding the Financial Standing

i)Status of Assets, Liabilities, and Shareholders' Equity

The total assets at the third quarter of the current consolidated term were 10,613 million yen (down 692 million yen from the end of the previous consolidated fiscal year). This is primarily due to an increase of 478 million yen in other current assets, 167 million yen in deferred tax assets, and 131 million yen of inventory assets, along with a decrease of 1,454 million yen in cash and cash equivalents.

Total liabilities stood at 5,070 million yen (up 131 million yen from the end of the previous consolidated fiscal year). This was primarily due to a decrease of 151 million yen in income taxes payable, 86 million yen in trade payables and other payables, and 52 million yen in contract liabilities, along with an increase of 432 million yen in other current liabilities.

Total equity was 5,542 million yen (down 824 million yen from the end of the previous consolidated fiscal year). This was primarily due to an increase of 47 million yen in capital surplus and 40 million yen in capital stock, along with a decrease of 763 million yen in retained earnings and 131 million yen due to purchase of treasury shares.

ii)Status of Cash Flows

The cash and cash equivalent (hereinafter referred to as "funds") at the end of the third quarter of the current consolidated cumulative term was 3,025 million yen, down 1,454 million yen from the end of the previous consolidated fiscal year. The status of each cash flow for the cumulative third quarter and the factors behind them are as follows.

(Cash Flows from Operating Activities)

The funds used during the third quarter of the current consolidated cumulative term as a result of operating activities amounted to 570 million yen (350 million yen acquired during the same quarter of the previous year). The income was mainly from 381 million yen in depreciation and amortization while the expenditure was mainly from 533 million yen in loss before income taxes, 363 million yen in income taxes paid, and an increase of 131 million yen in inventory assets.

(Cash Flows from Investing Activities)

The funds used during the third quarter of the current consolidated cumulative term as a result of investing activities amounted to 80 million yen (1,129 million yen used in the same quarter of the previous year). The income was mainly from 26 million yen in income from the sale of investments while the expenditure was mainly from 61 million yen in expense due to security deposit, 23 million yen in purchase of property, plant and equipment and 22 million yen in purchase of investments.

(Cash Flows from Financing Activities)

The funds used during the third quarter of the current consolidated cumulative term as a result of financing activities amounted to 802 million yen (563 million yen used in the same quarter of the previous year). The expenditure was mainly from 391 million yen as dividends paid, 351 million yen in expenditure for the repayment of lease liabilities, and 132 million yen in purchase of treasury shares.

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

There is no change to the consolidated earnings forecast for the fiscal year ending March 2024, which was announced on October 27, 2023.

(Regarding the Dividend Forecast)

From the point of enhancing the return of profits to all of our shareholders and further increasing enterprise value, we will retain earnings in preparation for new business investment for long-term profit growth and the expansion in business activities, as well as set a fundamental policy of the distribution of profits according to the improvement of business results and a continuous increase in the dividend amount. Our medium-term target of an equity dividend ratio attributable to owners of the consolidated parent company is about 5%.

After comprehensively taking into account of the DOE and dividend payout ratio, the term-end dividend for FY 3/2024 is planned to be 31.00 yen.

2. Summary of Consolidated Financial Statements and Major Notes

(1) Summary of Quarterly Consolidated Balance Sheets

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2023)	3rd quarter of the current consolidated accounting year (Dec. 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	4,479,967	3,025,311
Trade receivables and other receivables	3,387,822	3,299,926
Inventory assets	68,547	200,250
Other financial assets	—	2,406
Other current assets	234,311	712,932
Total current assets	8,170,648	7,240,827
Non-current assets		
Tangible fixed assets	349,032	337,354
Rights to use as assets	918,446	898,704
Goodwill	116,115	116,115
Intangible assets	9,897	8,455
Other financial assets	1,340,550	1,442,556
Deferred tax assets	401,188	569,033
Total non-current assets	3,135,231	3,372,219
Total assets	11,305,879	10,613,047

[unit: thousand yen]	Previous consolidated accounting year (Mar. 31, 2023)	3rd quarter of the current consolidated accounting year (Dec. 31, 2023)
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Lease liabilities	360,860	431,536
Trade payables and other payables	1,201,535	1,115,526
Income taxes payable	204,338	52,929
Contract liabilities	66,737	14,361
Other current liabilities	2,551,526	2,984,167
Total current liabilities	4,384,998	4,598,521
Non-current liabilities		
Lease liabilities	301,917	236,119
Allowance	252,658	236,168
Total non-current liabilities	554,576	472,288
Total liabilities	4,939,574	5,070,809
Shareholders' equity		
Capital stock	1,017,504	1,057,867
Capital surplus	342,670	389,997
Treasury shares	(300,140)	(429,405)
Other components of equity	30,845	11,435
Retained earnings	5,275,424	4,512,341
Total equity attributable to owners of the parent	6,366,305	5,542,237
Total shareholders' equity	6,366,305	5,542,237
Total liabilities and equity	11,305,879	10,613,047

(2) Summary of Quarterly Consolidated Statements of Income

[unit: thousand yen]

	Cumulative 3Q FY2023 (Apr. 1, 2022 to Dec. 31, 2022)	Cumulative 3Q FY2024 (Apr. 1, 2023 to Dec. 31, 2023)
Revenue	12,610,779	14,584,754
Cost of sales	9,131,476	11,862,867
Gross profit	3,479,302	2,721,887
Selling, general and administrative expenses	2,876,023	3,286,713
Other income	12,695	2,242
Other expenses	8,575	7,087
Operating profit (loss)	607,399	(569,671)
Finance income	22	47,145
Finance costs	49,194	10,633
Profit (loss) before income taxes	558,228	(533,159)
Income taxes	179,293	(151,074)
Profit (loss) for the period	378,934	(382,084)
Profit (loss) attributable to		
Owners of parent	378,934	(382,084)
Net profit (loss)	378,934	(382,084)
Earnings per share		
Basic earnings (loss) per share (yen)	28.57	(29.13)
Diluted earnings (loss) per share (yen)	28.36	(29.13)

(3) Summary of Quarterly Consolidated Statements of Comprehensive Income

[unit: thousand yen]

	Cumulative 3Q FY2023 (Apr. 1, 2022 to Dec. 31, 2022)	Cumulative 3Q FY2024 (Apr. 1, 2023 to Dec. 31, 2023)
Profit (loss) for the period	378,934	(382,084)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	－	121
Total items that will not be reclassified to profit or loss	－	121
Other comprehensive income after tax	－	121
Comprehensive income total	378,934	(381,963)
Comprehensive income attributable to		
Owners of parent	378,934	(381,963)
Comprehensive income	378,934	(381,963)

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

Consolidated third quarter of the prior fiscal year ended March 2023 (Apr. 1, 2022 to Dec. 31, 2022)

[unit: thousand yen]

	Equity attributable to owners of parent						Total Equity
	Capital stock	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	
Balance on April 1, 2022	963,358	281,704	(8,477)	52,190	4,606,602	5,895,377	5,895,377
Cumulative effect of accounting change	–	–	–	–	(7,857)	(7,857)	(7,857)
Restated balance	963,358	281,704	(8,477)	52,190	4,598,744	5,887,519	5,887,519
Profit for the period	–	–	–	–	378,934	378,934	378,934
Total comprehensive income	–	–	–	–	378,934	378,934	378,934
Exercise of share acquisition rights	53,564	53,564	–	(11,693)	–	95,435	95,435
Forfeiture of share acquisition rights	–	–	–	(19)	19	–	–
Purchase of treasury shares	–	–	(476)	–	–	(476)	(476)
Disposal of treasury shares	–	3,987	1,203	–	–	5,190	5,190
Dividends	–	–	–	–	(328,194)	(328,194)	(328,194)
Total transactions with owners	53,564	57,551	726	(11,713)	(328,174)	(228,044)	(228,044)
Balance on December 31, 2022	1,016,922	339,256	(7,750)	40,477	4,649,505	6,038,410	6,038,410

Consolidated third quarter of the current fiscal year ending March 2024 (Apr. 1, 2023 to Dec. 31, 2023)

[unit: thousand yen]

	Equity attributable to owners of parent						Total Equity
	Capital stock	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	
Balance on April 1, 2023	1,017,504	342,670	(300,140)	30,845	5,275,424	6,366,305	6,366,305
Profit (loss) for the period	–	–	–	–	(382,084)	(382,084)	(382,084)
Other comprehensive income	–	–	–	121	–	121	121
Total comprehensive income	–	–	–	121	(382,084)	(381,963)	(381,963)
Exercise of share acquisition rights	40,363	40,363	–	(8,140)	–	72,586	72,586
Share-based compensation transactions	–	6,047	–	–	–	6,047	6,047
Issuance of share acquisition rights	–	–	–	195	–	195	195
Forfeiture of share acquisition rights	–	–	–	(11,587)	11,587	–	–
Purchase of treasury shares	–	–	(131,235)	–	–	(131,235)	(131,235)
Disposal of treasury shares	–	917	1,970	–	–	2,887	2,887
Dividends	–	–	–	–	(392,585)	(392,585)	(392,585)
Total transactions with owners	40,363	47,327	(129,264)	(19,531)	(380,998)	(442,103)	(442,103)
Balance on December 31, 2023	1,057,867	389,997	(429,405)	11,435	4,512,341	5,542,237	5,542,237

(5) Summary of Quarterly Consolidated Statements of Cash Flows

[unit: thousand yen]

	Cumulative 3Q FY2023 (Apr. 1, 2022 to Dec. 31, 2022)	Cumulative 3Q FY2024 (Apr. 1, 2023 to Dec. 31, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	558,228	(533,159)
Depreciation and amortization	364,293	381,173
Finance income	(22)	(47,145)
Finance costs	48,001	10,633
(Increase) decrease in inventories	(47,382)	(131,702)
(Increase) decrease in trade and other receivables	(97,261)	35,475
Increase (decrease) in trade and other payables	55,351	(8,412)
Other	(212,018)	93,486
Subtotal	669,189	(199,652)
Proceeds from subsidy income	1,383	－
Proceeds from insurance income	6,000	－
Interest and dividends received	13,942	20
Interest paid	(6,138)	(7,655)
Income taxes paid	(334,345)	(363,671)
Income taxes refund	4	36
Cash flows from operating activities	350,034	(570,921)
Cash flows from investing activities		
Purchase of property, plant and equipment	(137,151)	(23,668)
Purchase of intangible assets	(2,904)	－
Purchase of investments	(992,459)	(22,514)
Income from the sale of investments	－	26,271
Expense due to security deposit	－	(61,736)
Income from collection of security deposit	－	866
Other	2,588	－
Cash flows from investing activities	(1,129,926)	(80,781)
Cash flows from financing activities		
Repayments of lease liabilities	(332,110)	(351,796)
Proceeds from issuance of share acquisition rights	－	195
Proceeds from exercise of share acquisition rights	95,435	72,586
Payments for purchase of treasury shares	(476)	(132,102)
Dividends paid	(326,719)	(391,835)
Cash flows from financing activities	(563,870)	(802,952)
Net increase (decrease) in cash and cash equivalents	(1,343,762)	(1,454,655)
Cash and cash equivalents at beginning of period	5,226,706	4,479,967
Cash and cash equivalents at end of period	3,882,944	3,025,311

(6) Notes to Summary of Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no related information.

(Changes in Accounting Policies)

This corporate group applied IAS 12 "Income Taxes" (amended in May 2021) from the first three-month period of fiscal year ending March 31, 2024.

Statement	Criteria name	Compulsory application period (Start year after)	FY applicable to the corporate group	Description of new standard, interpretations and amendments
IAS 12	Income taxes	January 1, 2023	Period ending March 31, 2024	Clarification of accounting treatment for deferred taxes related to assets and liabilities arising from a single transaction

The application of this standard clarifies the accounting treatments on initial recognition for transaction that give rise to equal taxable and deductible temporary differences at the time of the transaction, and results in the recognition of taxable and deductible temporary differences as deferred tax liabilities and assets, respectively, in the Condensed Interim Consolidated Statements of Financial Position.

As a result of the application of the standard, the previous fiscal year's consolidated financial statements have been retrospectively restated. The effect of the application decreased deferred tax assets by 9,391 thousand yen and retained earnings by 9,391 thousand yen. In addition, the effect increased income tax expenses by 172 thousand yen and decreased profit for the period by the same amount in the Consolidated Statements of Income for the first nine-month period of fiscal year ended March 31, 2023.

Due to the cumulative effect of application of this standard, the beginning balance of retained earnings for the first nine-month period of previous fiscal year decreased by 7,857 thousand yen in the Consolidated Statements of Changes in Equity.

(Changes in Accounting Estimates)

During the third quarter of the consolidated cumulative term, we made a decision to terminate leases for certain offices. As a result, we have remeasured lease liabilities due to changes in lease terms and adjusted the carrying amount of Rights to use as assets.

This change has resulted in a decrease of 23,365 thousand yen in Rights to use as assets and 23,365 thousand yen in lease liabilities at the end of the first nine-month period of fiscal year ending March 31, 2024 compared to before the change.

(Significant Subsequent Events)

(Acquisition of treasury share)

At the board of directors meeting held on October 27, 2023, the Company resolved matters related to the acquisition of treasury share based on the provisions of Article 156 of the Companies Act, as applied by replacing the terms with the provisions of Article 165, Paragraph 3 of the same Act.

(1) The reason of purchase of treasury shares

Reason to acquire the treasury share: To enhance returns to shareholders, improve capital efficiency, and be able to execute the flexible capital policy in the future, as well as to allocate shares to be delivered as incentives such as share compensation for sustainable improvement of corporate value.

(2) Content regarding the purchase

(i)Type of shares to be acquired	Our common share
(ii)Total number of shares to be acquired	400,000 shares (Upper limit) (3.04% of total number of issued shares excluding treasury share)
(iii)Total acquisition price of shares	400,000,000 yen (Upper limit)
(iv)Acquisition period	From November 1, 2023 to March 29, 2024
(v)Acquisition method	Market purchases on the Tokyo Stock Exchange

(Reference) Treasury shares as of October 27, 2023

Number of shares issued and outstanding (excluding treasury shares)	13,146,004 shares
Number of treasury shares	275,696 shares

(3) Content regarding the purchase of treasury shares

Based on the forementioned resolution of the board of directors meeting, we have purchased treasury shares from January 1, 2024 to January 11, 2024

(i)	Type of shares purchased	Our common share
(ii)	Total number of shares purchased	258,700 shares
(iii)	Total price of shares purchased	268,749,800 yen

We have completed the share buyback program as resolved by the Board of Directors meeting held on October 27, 2023. The total number of treasury shares acquired as of January 11, 2024 is as follows:

(i)	Total number of shares purchased	378,600 shares
(ii)	Total price of shares purchased	399,985,300 yen