

Note: Regarding “The 16th Fiscal Year Annual Securities Report (From June 1, 2022 to May 31, 2023)” that was provided as reference information through the TSE English Materials Distribution Service, Pasona Group Inc. provides English material in which the content of the “Independent Auditor’s Audit Report and Internal Control Audit Report” and “Independent Auditor’s Audit Report” is omitted.
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.

Annual Securities Report

16th Fiscal Year From June 1, 2022 to May 31, 2023

Pasona Group Inc.

Annual Securities Report

1. This document was prepared by outputting and printing the annual securities report prepared based on Article 24, Paragraph 1 of Japan's *Financial Instruments and Exchange Act* and by adding a Table of Contents and pages to the data submitted by using the electronic data processing system for disclosure (EDINET) set forth in Article 27-30-2 of said act.
2. At its end, this document contains the audit report attached to the annual securities report submitted via the above method, as well as the internal control report and the confirmation letter submitted with the above annual securities report.

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Cover

Document submitted: Annual Securities Report

Grounds: Article 24, Paragraph 1 of Japan's *Financial Instruments and Exchange Act*

Submitted to: Director-general of the Kanto Finance Bureau

Date of submission: August 25, 2023

Fiscal year: 16th fiscal year (June 1, 2022 to May 31, 2023)

Company name: Pasona Group Inc.

Name and title of representative: Yasuyuki Nambu, Group President & CEO

Location of head office: 5-1, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan

Telephone no.: +81-3-6734-0200 (main)

Name of contact person: Yuko Nakase, Senior Managing Executive Officer and CFO

Nearest contact point: 1-30, 3-chome, Minami-Aoyama, Minato-ku, Tokyo, Japan

Telephone No.: +81-3-6734-0200 (main)

Name of the contact person: Yuko Nakase, Senior Managing Executive Officer and CFO

Places where a copy is to be made available for public inspection: Tokyo Stock Exchange, Inc.
(2-1, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan)

Part I: Company Information

I-1 Company overview

1. Transition of major management indicators, etc.

(1) Consolidated management indicators, etc.

Fiscal period		12th	13th	14th	15th	16th
Closing month/year		May 2019	May 2020	May 2021	May 2022	May 2023
Net sales	(¥, millions)	326,984	324,984	334,540	366,096	372,579
Ordinary profit	(¥, millions)	9,237	10,236	20,379	22,496	15,366
Profit attributable to owners of parent	(¥, millions)	1,975	594	6,784	8,621	6,099
Comprehensive income	(¥, millions)	4,616	3,369	10,251	14,433	10,468
Net assets	(¥, millions)	40,253	42,316	49,779	67,146	71,624
Total assets	(¥, millions)	119,459	140,441	151,641	203,746	275,504
Net assets per share	(¥)	724.91	813.28	974.85	1,276.00	1,378.40
Profit per share	(¥)	50.52	15.21	173.36	220.19	155.70
Diluted per share amount of profit	(¥)	-	-	-	219.41	155.22
Equity ratio	(%)	23.7	22.7	25.2	24.5	19.6
Return on equity	(%)	7.6	2.0	19.4	19.6	11.7
Price earnings ratio	(times)	33.1	84.2	10.9	9.5	11.2
Cash flow from operating activities	(¥, millions)	9,186	11,424	18,868	10,115	5,961
Cash flow from investing activities	(¥, millions)	(6,519)	(6,964)	(9,665)	(29,624)	(12,502)
Cash flow from financing activities	(¥, millions)	3,962	12,102	(5,147)	23,543	(2,292)
Cash and cash equivalents, end of period	(¥, millions)	31,793	48,147	52,298	56,578	47,919
Number of employees (Average number of temporary workers)	(persons)	7,855 (1,462)	9,657 (9,931)	9,498 (12,291)	10,364 (13,124)	9,786 (15,132)

Note 1: The number of employees is the number of full-time employees and does not include contract employees. Compared to the 15th fiscal year, the number of employees decreased by 578, and the number of temporary employees increased by 2,008. These increases and decreases are mainly due to an increase in headcount resulting from the expansion of projects with limited timeframes and changes in the scope of tabulation of "Number of employees" and "Average number of temporary employees."

Note 2: Diluted profit per share for the 12th through 14th fiscal years is not shown in the above table, as there are no residual securities with dilutive effects.

Note 3: The number of shares remaining in the stock benefit trust (BBT) and the stock benefit trust (J-ESOP), which are recorded as treasury stock in shareholders' equity, is not included in the above table. The number of shares of treasury stock held by the Company at the end of the fiscal year is used to calculate net assets per share and profit per share, as well as the number of shares outstanding at the end of the fiscal year and the average number of shares outstanding during the fiscal year. The number of shares of treasury stock is included as a deduction in the calculation of the number of shares of treasury stock.

Note 4: The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related accounting standards have been applied from the beginning of the 15th fiscal year, and the key management indicators and other indicators for the 15th fiscal year onwards are those after the application of these accounting standards.

(Reference) Assets and liabilities in the above management indicators include temporary "deposits received" from clients related to contracted projects for which use by the Group is restricted and the corresponding "cash and deposits."

Total assets and equity ratio after the deduction of these assets and liabilities are as follows.

Fiscal period	14th	15th	16th
Closing month/year	May 2021	May 2022	May 2023
Total assets (¥, millions)	149,652	193,622	200,634
Equity ratio (%)	25.5	25.8	26.9

(2) Management indicators, etc., of the reporting company

Fiscal period	12th	13th	14th	15th	16th
Closing month/year	May 2019	May 2020	May 2021	May 2022	May 2023
Sales (¥, millions)	8,751	9,497	14,477	10,060	15,646
Ordinary profit (¥, millions)	(2,139)	(2,664)	2,846	(4,231)	691
Profit (¥, millions)	681	1,569	1,295	1,338	2,033
Share capital (¥, millions)	5,000	5,000	5,000	5,000	5,000
Total number of issued shares (shares)	41,690,300	41,690,300	41,690,300	41,690,300	41,690,300
Net assets (¥, millions)	19,292	20,148	18,578	18,758	19,396
Total assets (¥, millions)	59,306	78,213	80,170	89,955	97,963
Net assets per share (¥)	493.21	515.10	474.67	478.85	495.11
Dividend per share (Interim dividends per share) (¥)	18.00 (-)	19.00 (-)	30.00 (-)	35.00 (-)	35.00 (-)
Profit per share (¥)	17.42	40.12	33.10	34.18	51.90
Diluted profit per share (¥)	-	-	-	-	-
Equity ratio (%)	32.5	25.8	23.2	20.9	19.8
Return on equity (%)	3.5	8.0	6.7	7.2	10.7
Price earnings ratio (times)	96.0	31.9	57.3	61.3	33.5
Payout ratio (%)	103.3	47.4	90.6	102.4	67.4
Number of employees (Average number of temporary workers) (persons)	538 (37)	661 (334)	645 (324)	674 (296)	731 (370)
Total shareholder return (Comparative indicator: TOPIX including dividends) (%)	100.0 (88.6)	78.0 (94.1)	116.0 (118.2)	130.0 (120.3)	111.0 (137.8)
Highest share price (¥)	1,995	1,776	2,283	3,860	2,215
Lowest share price (¥)	1,008	680	1,117	1,847	1,707

Note 1: The dividend of 35 yen per share for the 15th fiscal year includes a special dividend of 5 yen per share.

Note 2: The number of employees is the number of full-time employees and does not include contract employees.

The number of temporary employees increased by 74 compared to the end of the previous fiscal year, mainly as

a result of changes in the scope of "Number of employees" and "Number of temporary employees."

Note 3: Diluted profit per share is not stated because there are no dilutive shares.

Note 4: The shares of the Company remaining in the Stock Benefit Trust (BBT) and the Stock Benefit Trust (J-ESOP), which are recorded as treasury stock in shareholders' equity, are used to calculate net assets per share and profit per share, as well as the total number of shares issued and outstanding at the end of the fiscal year and the average number of shares during the fiscal year.

Note 5: The highest and lowest share prices are those quoted on the First Section of the Tokyo Stock Exchange before April 3, 2022, and on the Prime Market of the Tokyo Stock Exchange after April 4, 2022.

2. Company history

The predecessor of Pasona Inc. was established in February 1976 with the primary objective of creating employment opportunities for housewives.

Since then, Pasona Inc. has expanded its business to include temporary staffing, outsourcing, placement, human resources consulting, education and training, and other services (hereinafter "Human Resources-related Business").

On June 1, 2000, Pasona Inc. separated its "Human Resources-related Business" from its other businesses and concentrated its management resources into the Human Resources-related Business. In addition, on the same day, the former Pasona Inc. took over the domestic Human Resources-related Business from Nambu Enterprise Inc. At the same time, Pasona Sunrise Inc. changed its trade name to Pasona Inc.

Pasona Inc. established Pasona Group Inc. (the Company) as its wholly owned parent company through a share transfer on December 3, 2007, and became a wholly owned subsidiary of the Company. On March 1, 2008, the Company transferred its shares to Pasona Inc. through an absorption-type demerger, with the Company as the successor company. The Company took over the affiliate management function and a portion of the business from Pasona Inc.

Company history

(As of May 31, 2023)

Feb. 1976	Temporary Center Inc. established in Kita-ku, Osaka City to undertake temporary staffing as its main business
Jun. 1993	Corporate name Temporary Center Inc. changed to Pasona Inc.
Jun. 2000	Pasona Sunrise Inc. obtained operational rights of Human resource-related business from the former Pasona Inc. (currently Nambu Enterprise, Inc.) and changed corporate name to Pasona Inc.
Dec. 2001	Pasona Inc. listed on the Osaka Securities Exchange NASDAQ Japan market
Oct. 2003	Pasona Inc. listed on the First Section of the Tokyo Stock Exchange
Mar. 2004	Pasona Tech Inc. registered its shares on the over-the-counter market of the Japan Securities Dealers Association (JASDAQ)
Sep. 2004	Benefit One Inc. registered its shares on the over-the-counter market of the Japan Securities Dealers Association (JASDAQ)
Mar. 2006	Benefit One Inc. listed on the Second Section of the Tokyo Stock Exchange
Dec. 2007	Pasona Group Inc. established as a pure holdings company through a share transfer Company listed on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange Hercules
Dec. 2008	Company delisted from Osaka Securities Exchange Hercules
Jul. 2009	Pasona Inc. merged with MITSUI BUSSAN HUMAN RESOURCES CORPORATION
Nov. 2009	Pasona Tech, Inc. included in the scope of consolidation as a wholly owned subsidiary following the acquisition of shares by way of public tender
Feb. 2010	All shares of AIG Staff Co., Ltd. (currently Pasona Inc.) acquired and made a wholly owned subsidiary
Mar. 2010	Pasona Career Inc. merged with Pasona Inc. and changed its corporate name to Pasona Inc.
Mar. 2011	Acquired shares of KIS Corporation (currently Pasona Inc.) and made it a subsidiary
Jun. 2011	Pasona Inc. acquired all rights and obligations relating to the temporary staffing business of Ricoh Human Creates Co., Ltd. and Ricoh San-ai Life Inc. by succeeding to through an absorption-type demerger
Dec 2011	Acquired shares of International transaction Center Ltd. (currently Pasona Inc.), made it a wholly owned subsidiary Pasona Agri-Partners Inc. established as a wholly owned subsidiary
Mar. 2012	Acquired shares of CAPLAN Corporation and made it a wholly owned subsidiary Benefit One Inc. acquired shares of Unimat Solutions Inc. (currently Benefit One Inc.) and became a wholly owned subsidiary

Apr. 2012	Acquired shares of YASUKAWA BUSINESS STAFF CORPORATION (currently Pasona Yaskawa Business Staff Inc) and made it a subsidiary (Note)
May 2012	Acquired shares of Bewith, Inc. and made it a subsidiary Benefit One Inc. acquires shares of Hoken Kyouiku Center Co., Ltd. (currently Benefit One Inc.), made it a wholly owned subsidiary
Sep. 2012	Pasona Furusato Incubation Inc. established as a joint-venture company with Benefit One Inc.
Nov. 2012	Pasona Tequila Inc. (currently circlace Inc.) established as a subsidiary
Jan. 2013	CAPLAN Corporation acquired shares of Asahi Beer Communications Co., Ltd. and made it a subsidiary
Feb. 2013	Established Pasona Life Care Inc. as a wholly owned subsidiary
Mar. 2013	Pasona Tequila Inc. (currently circlace Inc.) became joint-venture with Tequila International PTE Ltd. and salesforce.co
Dec. 2013	Currently Pasona art now Co., Ltd. became wholly owned subsidiary through the acquisition of shares of Eco LOVE Co.
Apr. 2014	Acquired Medical Associa Inc. (currently Pasona Inc.) and made it a subsidiary
Jan. 2015	Established Tango Kingdom Inc. as a subsidiary
Apr. 2015	Pasona Tohoku Sosei Inc. established as a subsidiary Acquired shares of Panasonic Business Service Co., Ltd. (currently Pasona Panasonic Business Service Co., Ltd.) and made it and its subsidiary, Shin Nihon Kogyo Co. Ltd. (currently gotop Co., Ltd.), subsidiaries
Aug. 2015	Benefit One Payroll Inc. (currently Pasona HR Solution Inc.) established as a joint venture with Benefit One Inc.
Oct. 2015	Acquired shares of PT. Dutagriya Sarana in Indonesia and made it a subsidiary
Apr. 2016	Pasona Inc. acquired shares of Osaka Gas Excellent Agency Co. (currently Pasona Inc.) and made it a subsidiary Pasona Knowledge Partner Inc. was established as a joint venture with Panasonic IP Management Co. and Japan Employment Creation Organization, Inc. (currently Pasona Masters Inc.)
Dec. 2016	Nijigennomori Inc. established as a subsidiary Benefit One Inc. acquired shares of REWARDZ PRIVATE LIMITED and made it a subsidiary
Aug. 2017	Pasona Inc. acquired shares of NTT Human Solutions Corporation (currently Pasona HS Inc.) and Telwell Job Support Inc. (currently Pasona HS Inc.) and made it a subsidiary Took over of temporary staffing business of NTT-ME Service Corporation, NTT Solco and Hokkaido Telemart Corporation, Telwell West Nippon Corporation and DOCOMO Datacom, Inc.
Sep. 2017	Pasona Inc. acquired shares of Drop System Inc. (currently Pasona Inc.) and made it a subsidiary
Feb. 2018	Acquired shares of Agensi Pekerjaan Pasona Sdn. Bhd. in Malaysia and made it a subsidiary
Apr. 2018	Acquired shares of MHI Diamond Staff Corporation (currently Nagasaki Diamond Staff Corporation), a subsidiary of Mitsubishi Heavy Industries, Ltd. and made it a subsidiary Job-Hub Inc. (currently Pasona JOB HUB Inc.) established as a subsidiary
Nov. 2018	Benefit One Inc. listed shares on the First Section of the Tokyo Stock Exchange
Jun. 2019	Pasona Advisor Network Inc. (currently Pasona JOB HUB Inc.) established as a subsidiary
Jan. 2020	Pasona HR Consulting (Thailand) Co., Ltd. established as a subsidiary
Mar. 2020	Tango Kingdom Brewery Inc. took over the business of Tango Kingdom Co. Acquired all shares of Tango Kingdom Brewery Inc. and made it a wholly owned subsidiary
Apr. 2020	Pasona Smile Inc. established as a subsidiary
Sep. 2020	Pasona Knowledge Partners Inc. established Pasona Intellectual Property Trust Inc.
Dec. 2020	Pasona Oversea Recruitment (Thailand) Co., Ltd. established as a subsidiary
Jul. 2021	Established Pasona HR HUB Inc. as a subsidiary
Aug. 2021	Established Kosyunoya Inc. as a subsidiary
Sep. 2021	Established awajishima resort Inc. as a subsidiary
Oct. 2021	Benefit One Inc. acquired all shares of JTB BENEFIT SERVICE, Inc. and made it a wholly owned subsidiary
Dec. 2021	Established All Japan Tourism Alliance Inc. as a subsidiary
Mar. 2022	Subsidiary Bewith, Inc. listed on the First Section of the Tokyo Stock Exchange.
Apr. 2022	Benefit One Inc. merged with JTB BENEFIT SERVICE, Inc. Pasona Group Inc., Benefit One Inc. and Bewith, Inc. moved from First Section of the Tokyo Stock

	Exchange to the Prime Market due to a revision of the Tokyo Stock Exchange's market classification
Jun. 2022	Pasona Agri-Partners Inc. established Awaji Nature Farm Inc. as a wholly owned subsidiary.
Sep. 2022	Pasona Furusato Incubation Inc. and Nijigennomori Inc. established as a wholly owned subsidiary
Oct. 2022	Bewith, Inc. acquires shares of Doinet Co., Ltd. and made it a subsidiary.
Jan. 2023	Acquired shares of KANDEN JOINUS Co., Ltd. (currently Pasona Joinus Inc.) and made it a subsidiary
Apr. 2023	KANDEN JOINUS Co., Ltd. Changed corporate name to Pasona Joinus Inc.

(Note) Pasona Yaskawa Business Staff Inc. changed its name to "Pasona YBS Inc." on August 1, 2023.

3. Contents of business

The Group consists of the Company as a holding company, 69 consolidated subsidiaries, and 5 equity method affiliates, and is classified into eight segments, including Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing), Career Solutions (Placement/Recruiting, Outplacement), and Employee Welfare Outsourcing, and is engaged in Human Resources-related Businesses and regional revitalization businesses, etc.

The business segments and positioning of major group companies as of May 31, 2023 are as follows.

As the Company falls under the category of a Specified Listed Company, etc., as stipulated in Article 49, Paragraph 2 of the Cabinet Office Ordinance on Regulation of Trading of Securities, etc., the Company will be judged on the basis of consolidated figures with respect to the criteria for minor material facts under the Insider Trading Regulations.

(1) Business Segments and Major Group Companies

Business Segments	Major Group Companies	
HR Solutions		
Expert Services (Temporary Staffing)	Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing), HR Consulting, Education & Training, and Others Pasona Inc. Bewith, Inc. Pasona HS Inc. Pasona Panasonic Business Service Co., Ltd. Pasona JOB HUB Inc. Pasona Yaskawa Business Staff Inc. ※ Pasona Logicom Inc. CAPLAN Corporation Pasona art now Inc. Asahi Beer Communications Co., Ltd. Pasona HR Solution Inc. Nagasaki diamond staff Co., Ltd. Pasona HR HUB Inc. gotop Co., Ltd. Pasona Masters Inc. Smart Style Co., Ltd. Pasona Knowledge Partner Inc. iBRID Co., Ltd. Pasona Intellectual Property Trust Inc. Profelier, Inc. Pasona Heartful Inc. Doinet Co., Ltd. Pasona Joinus Inc.	
BPO Services (Contracting & Outsourcing)		
HR Consulting, Education & Training, and Others		
Global Sourcing (Overseas Human Resources Services)		
		Global Sourcing (Overseas Human Resources Services) Pasona N A, Inc. Pasona India Private Limited PASONA CANADA, INC. Pasona Tech Vietnam Co., Ltd. PT Dutagriya Sarana PT Pasona HR Indonesia Pasona Taiwan Co., Ltd. Pasona Singapore Pte. Ltd. MGR Consulting Co., Ltd. Pasona Education Co. Limited PASONA ASIA CO., LIMITED Pasona HR Malaysia Sdn. Bhd. Pasona Korea Co., Ltd. Agensi Pekerjaan Pasona Sdn. Bhd. Pasona Human Resources (Shanghai) Co., Ltd. Pasona Recruitment (Thailand) Co., Ltd. Pasona HR Consulting & Recruitment (Thailand) Co., Ltd. Pasona Oversea (Thailand) Co., Ltd.
Career Solutions (Placement/ Recruiting, Outplacement)		Pasona Inc.
Outsourcing		Benefit One Inc. Benefit One USA, INC. Benefit One Shanghai Inc. PT. BENEFIT ONE INDONESIA BENEFIT ONE INTERNATIONAL PTE. LTD. Benefit One (Thailand) CO., Ltd REWARDZ PRIVATE LIMITED REWARDZ BENEFITS SDN. BHD.
Life Solutions		Pasona Foster Inc. Pasona Life Care Inc.
Regional Revitalization Solutions		Pasona Furusato Incubation Inc. Pasona Agri-Partners Inc. Nijigenomori Inc. Pasona Smile Inc. Tango Kingdom Brewery Inc. Chihou Sousei Inc. Pasona Tohoku Sousei Inc. Takumi Sousei Inc. Kosyunoya Inc. awajishima resort Inc. All Japan Tourism Alliance Inc. Awaji Nature Farm Inc.

※ Pasona Yaskawa Business Staff Inc. changed its name to Pasona YBS Inc. on August 1, 2023.

(2) Major Segments Details

HR Solutions

(i) Expert Services (Temporary Staffing)

In accordance with the provisions of Japan's *Act for Securing Proper Operation of Worker Dispatching Undertakings and Protection of Dispatched Workers* (hereinafter referred to as the "Worker Dispatching Act"), we conduct "worker dispatching business" in which we recruit, register, and dispatch temporary staff to companies, etc., under license from Japan's Ministry of Health, Labor and Welfare. In dispatching workers, the Group recruits and registers dispatched staff in advance, matches the staff's wishes with the conditions of the client, concludes an employment contract between the staff and the Group, and dispatches the staff to the client.

(ii) BPO Services (Contracting & Outsourcing)

The Group processes business operations under contract or outsourced by clients, using a system that includes employees of the Group and workers that have entered into employment contracts with the Group to perform such operations. The transactions under outsourcing & contracting agreements include on-site (within the customer's premises) contracted work, BPO (Business Process Outsourcing) and outsourcing of the customer's business process by the Group's own facilities and systems, etc., and outsourcing of the customer's business process. The Group has its own facilities and systems for BPO and contact center operations, both of which are included in BPO services.

In the case of temporary staffing contracts, the client is responsible for directing and ordering the dispatched staff, whereas in the case of outsourcing and subcontracting contracts, the Group directs and orders the workers.

(iii) HR Consulting, Education & Training, and Others

Pasona JOB HUB Inc. provides services to solve management issues by introducing experienced executives and highly specialized domain personnel with abundant know-how and human networks.

CAPLAN Corporation provides education and training services commissioned by companies, government agencies, and municipalities, sales of talent management systems that centrally manage human resources, and consulting services related to the introduction and utilization of such systems, as well as human resources development and personnel management.

Pasona Heartful Inc., a special subsidiary, is engaged in social welfare-related businesses, including the development of an environment in which people with disabilities can work utilizing their talents and abilities, and consulting on employment support for people with disabilities.

(iv) Global Sourcing (Overseas Human Resources Services)

We provide full-line human resource-related services overseas, including placement & recruiting, temporary staffing and outsourcing of contracting, payroll processing, education and training, and other outsourcing services.

(v) Career Solutions (Placement/Recruiting and Outplacement)

The "Placement/Recruiting" business is a fee-charging job placement business licensed by Japan's Ministry of Health, Labor and Welfare under the *Employment Security Law* that recruits and registers candidates that wish to change jobs or find employment, and at the same time it collects job information to match their needs.

In addition, "outplacement" is a business that provides outplacement services to those that have retired or are scheduled to retire from a company due to company reasons (hereinafter referred to as "service users") by preparing their work history, preparing for job interviews, providing job information, and supporting independence until they find their next new job. When a company implements an early retirement program or transfers an employee to an external company, we enter into a basic contract with such a company and receive compensation from the company to support the career development of the service user.

(vi) Outsourcing

The main business is the welfare and benefit agency business, in which companies, public offices, local governments, etc., become corporate members of membership organizations operated by Benefit One Inc., and the employees of corporate members (individual members) can use a welfare and benefit menu including accommodation facilities, sports clubs, and various schools, etc. The company is also engaged in the "personal" business (mainly for individual customers of cooperating companies), incentive business (loyalty and motivation support services through a variety of

point redemption items), healthcare business (health support for disease prevention such as health checkup services, specific health guidance, and stress checks), and purchasing and settlement agency business.

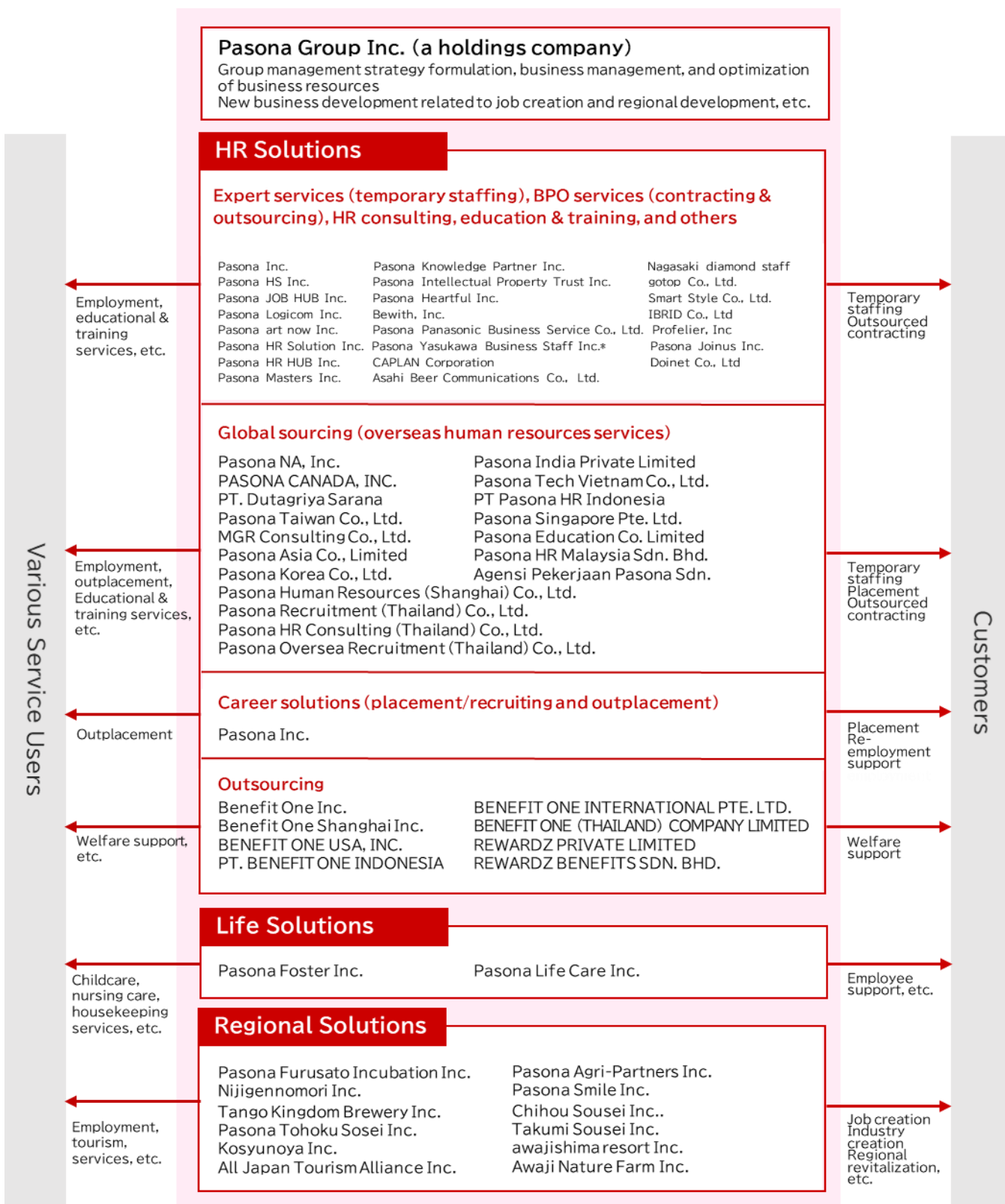
Life Solutions

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

Regional Revitalization Solutions

In cooperation and collaboration with local residents, local businesses, and local governments, we conduct regional revitalization projects with the aim of creating new industries and employment opportunities for sustainable regional revitalization. In addition to food & beverages, amusement, and lodging businesses that utilize local specialties, we also conduct projects related to tourism promotion and business attraction so as to revitalize the region.

Business Overview



* Pasona Yaskawa Business Staff Inc. changed its corporate name to "Pasona YBS Inc." on August 1, 2023.

4. Status of associated companies

The Group's 69 consolidated subsidiaries and 5 equity method affiliates (as of May 31, 2023) are engaged in the following business types: temporary staffing, outsourcing & contracting, placement & recruiting, outplacement, outsourcing, childcare & nursing care, and regional revitalization.

Company name	Location	Share capital or investments in capital (millions of yen)	Contents of major business	Ratio of voting rights holding or held (%)	Relationship
(Consolidated subsidiaries)					
Pasona Inc. (Note 1, 5)	Minato-ku, Tokyo	100	Temporary staffing, BPO (contracting and outsourcing), placement and outplacement	100.00	Business management Trademark licensing Business consignee Concurrent director (2) Receipt of funds Guarantee of debt
Benefit One Inc. (Notes 1, 2, 3, 6)	Shinjuku-ku, Tokyo	1,527	Welfare benefit agency services	51.16	Outsourcing of employee welfare services Concurrent director (1)
Bewith, Inc. (Note 1, 2, 3)	Shinjuku-ku, Tokyo	794	Contact center, BPO (outsourcing & contracting)	56.45	Business consignee Concurrent director (1)
Pasona Panasonic Business Service Co., Ltd.	Osaka City, Osaka	20	General administration and office support, production of manuals and promotional materials, digital content production, document services, etc.	66.50	Trademark licensing Business consignee Concurrent director (1) Receipt of funds
Nijigennomori Inc. (Note 4)	Awaji City, Hyogo Prefecture	100	Operation of "Nijigen-nomori" animation park, regional revitalization projects, etc.	100.00 (0.10)	Business management Concurrent Director (1) Deposit of funds Guarantee of debt
Pasona HS Inc. (Note 4)	Minato-ku, Tokyo	100	Temporary staffing, BPO (contracting and outsourcing), placement and outplacement	100.00 (100.00)	Business management Trademark licensing Receipt of funds
Pasona JOB HUB Inc.	Minato-ku, Tokyo	50	Temporary staffing, BPO (contracting and outsourcing), placement and outplacement	100.00 (100.00)	Business management Trademark licensing Receipt of funds
Pasona Smile Inc.	Awaji City, Hyogo Prefecture	30	Operation of amusement facilities, cultural creation business, regional development business, etc.	100.00	Business management Trademark licensing Acceptance of collateral Concurrent Director (1) Deposit of funds
Pasona Joinus Inc. (Note 4,7)	Osaka City, Osaka	70	Temporary staffing, BPO (contracting and outsourcing), placement	100.00 (0.25)	Business management Trademark licensing Deposit of funds
Pasona Life Care Inc.	Minato-ku, Tokyo	100	Welfare and nursing care services, etc.	100.00	Business management Trademark licensing Concurrent Director (1) Receipt of funds
59 other companies					
(Equity method-applied affiliated companies) 5 companies					

Note 1: The company is a specified subsidiary company.

Note 2 :The company submits annual securities reports.

Note 3 :The following companies are consolidated subsidiaries of the Group that are publicly traded on securities markets in Japan.

Prime Market of the Tokyo Stock Exchange: Benefit One Inc. ,Bewith, Inc.

Note 4: Figures in parentheses in the "Percentage of voting rights held" column indicate indirect ownership.

Note 5: Pasona Inc. accounts for more than 10% of consolidated net sales (excluding inter-company sales among consolidated companies).

Principal financial information

(1) Net sales	¥214,778 million
(2) Ordinary profit	¥11,885 million
(3) Profit	¥7,939 million
(4) Net assets	¥32,237 million
(5) Total assets	¥136,308 million

Note 6: Although Benefit One Inc. accounts for more than 10% of consolidated net sales (excluding inter-company sales among consolidated companies), the description of major profit & loss information is omitted because the said consolidated subsidiary is a company that submits annual securities reports.

Note 7: The trade name has been changed from KANDEN JOINUS Co., Ltd.

5. Status of employees

(1) Status of consolidated companies

As of May 31 2023

Segment	Number of employees	
Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing) Others	6,905	(13,952)
Career Solution (Recruiting/Outplacement)	358	(147)
Outsourcing	1,242	(253)
Life Solutions	514	(407)
Regional Revitalization Solutions	106	(185)
Companywide	661	(188)
Total	9,786	(15,132)

Note 1: The number of employees is the total number of full-time employees of all consolidated companies, and the average number of temporary employees for the year is shown in parentheses.

Note 2: The number of employees decreased by 578 and the number of temporary employees increased by 2,008 from the end of the previous fiscal year. These increases and decreases are mainly the result of an increase in the number of employees due to the expansion of time-limited projects and changes in the scope of tabulation of "Number of Employees" and "Number of Temporary Employees."

(2) Status of the reporting company

As of May 31 2023

Number of employees	Average age	Average years of service	Average annual salary (¥, thousands)
731 (370)	36.3	7.9	6,226

Segment	Number of employees	
Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing) Others	70	(182)
Companywide	661	(188)
Total	731	(370)

Note 1: The number of employees is the number of full-time employees, and the average number of temporary employees for the year is shown in parentheses.

Note 2: In calculating average years of service, employees transferred from consolidated subsidiaries of the Company are included in the total number of years of service at the relevant companies.

Note 3: Average annual salary includes bonuses and non-standard wages.

Note 4: The number of temporary employees increased by 74 compared to the end of the previous fiscal year, mainly as a result of changes in the scope of "Number of employees" and "Number of temporary employees."

(3) Status of labor unions

There is nothing special to report.

(4) Percentage of female workers in management positions, percentage of male workers taking childcare leave, and differences in wages between male and female workers.

Since its establishment in 1976, our group has been working toward the realization of a society in which everyone, regardless of age, gender, nationality, or disability, can freely use their talents with hope and pride. Within the company, we promote the creation of a workplace environment where each employee can work with peace of mind, including proposals for diverse work styles that maximize each employee's abilities and support for career building.

Therefore, the same personnel system is applied regardless of gender, and a common system is used for evaluation, promotion, and salary levels. There are no gender differences in salary rules or wage items, and there are no wage differences between men and women in the personnel system at the same qualification level.

Submitting company and consolidated subsidiaries (Note 1)

Company Name	Percentage of female workers in management positions (%) (Note 2)	Male worker acquisition rate of childcare leave (%) (Note 3)	Difference in wages between male and female workers (%) (Note 2,4)		
			All employees	Regular employment laborers	Part-time and fixed-term workers
Pasona Group Inc.	44.7	50.0	89.5	87.4	94.0
Pasona Inc.	55.9	58.1	78.4	84.2	57.8
Benefit One Inc. (Note 5)	39.3	40.0	61.3	66.2	61.5
Bewith, Inc. (Note 5)	23.8	22.5	79.6	85.6	89.0
Pasona Panasonic Business Service Co., Ltd.	25.4	0	67.1	73.6	46.0
Pasona Life Care Inc.	52.6	-	65.9	82.4	77.4
Pasona Fosters Inc.	42.9	-	99.7	81.6	109.5
Pasona Heartful Inc.	50.0	-	92.1	91.8	92.7
Pasona Logicom Inc.	100.0	-	67.9	-	67.1

Note 1: • The periods covered by each are as follows.

Percentage of female workers in management positions

Period covered: As of May 31, 2023

Benefit One Inc. and Pasona Panasonic Business Service Co., Ltd. are as of March 31, 2023.

Ratio of male workers taking childcare leave, wage differences between men and women

Period covered: June 1, 2022 to May 31, 2023

The period covered of Benefit One Inc. and Pasona Panasonic Business Service Co., Ltd. was April 1, 2022 to March 31, 2023.

• If there are no employees applicable to the calculation, "-" is shown.

Note 2: Calculated in accordance with the provisions of Japan's *Act on the Promotion of Women's Active Engagement in Professional Life* (Act No. 64, 2015).

Note 3: Based on the provisions of Japan's *Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members* (Act No. 76, 1991), the percentage of employees who took child care leave, etc., as stipulated in Article 71-4-1 of Japan's *Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members* (Ordinance of Ministry of Labor No. 25, 1991) was calculated.

Note 4: The ratio of average annual wages for women to average annual wages for men is calculated.

• Wages include base salary, compensation for overtime work, and bonuses, and exclude retirement and commuting allowances.

• Regular workers: Executive officers, regular employees (including those who work shorter hours or more than 3 days per week)

• Part-time and fixed-term workers: Fixed-term contract employees, contract employees, part-time, etc., temporary staff

The high ratio of women using the shorter work-hour system and the high ratio of men in higher grades, including management positions, have resulted in differences in per capita wages between men and women.

There is no difference in the salary system between male and female part-time and fixed-term workers, but there is a difference in average salaries due to differences in job types and job descriptions.

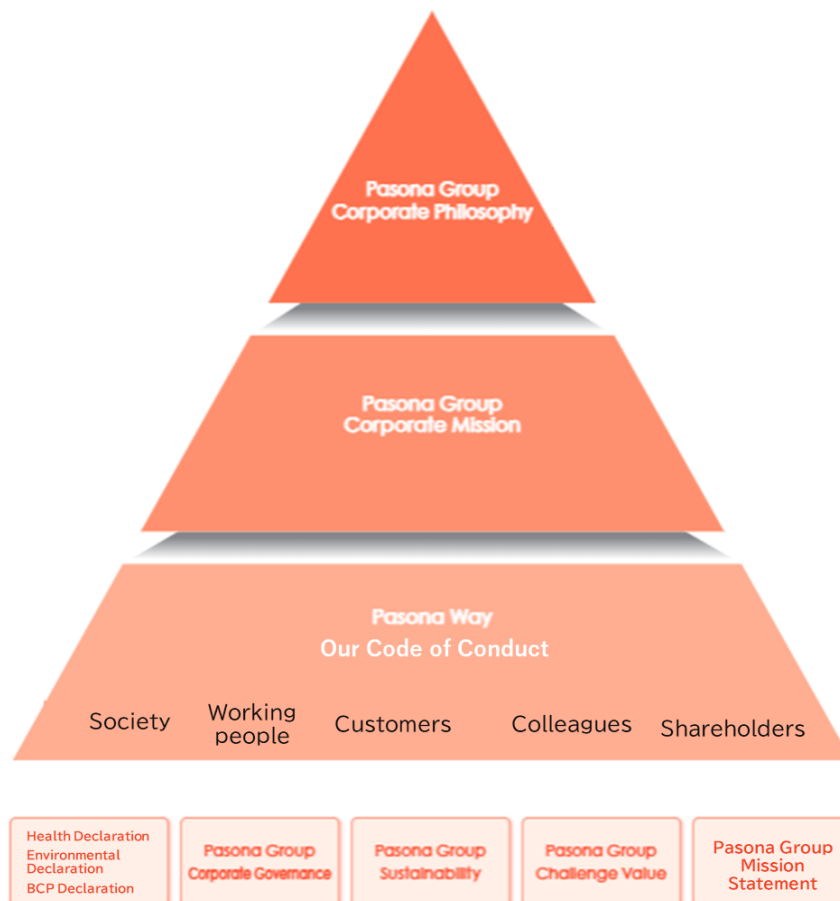
Note 5: Benefit One Inc. and Bewith, Inc. are listed on the Prime Market of the Tokyo Stock Exchange, so please refer to their annual securities reports for details.

I-2. Status of business

1. Management policies, management environment, challenges to address, etc.

(1) Basic policy for company management

Based on the corporate philosophy of "Solutions to Society's Problems," which has remained unchanged since its establishment in 1976, and in accordance with Pasona Group's "Mission" and "Guiding Principles," the Group aims to contribute to the building of a sustainable society through the realization of the "Smart Life Initiative" to create enriched lives for people.



Pasona Group Corporate Philosophy

Solutions to Society's Problems

Pasona Group's job is to harness the potential of the individual. That is, to "Life Produce" and to support the creation of a comfortable lifestyle for people everywhere.

To carry this out, our mission is to continue embracing challenges with high aspirations and dedication toward creating a new social infrastructure.

- Creating a society in which every person is able to find work that they like and a career that complements their personal goals
- Working toward a society in which people are free to exercise their talents through an egalitarian relationship between the workplace and the individual
- Promoting diversity and continually create opportunities for individuals to achieve their dreams

Pasona Group Corporate Mission

Based on its corporate philosophy of providing "Solutions to Society's Problems," which has been unchanged since its founding, Pasona Group has always been a social solutions company dedicated to its mission of assisting all aspects of life for all those around us. Our mission is contributing toward a sustainable society and working toward a society capable of achieving a "Smart Life Initiative" to create lives of abundance for people.

Creating Jobs

We are committed to building diverse forms of social infrastructure so that everyone that wishes to work can demonstrate their talents and abilities to the fullest and can be active with ways of working that match their own lifestyles.

Enjoying Life

By ensuring that everyone feels a sense of joy and meaning by enjoying their work, living prosperous lives, and contributing to society, we promote a society where it is easy to achieve a work-life balance so people can feel connected to one another.

Producing Careers

We support the dreams of those who challenge themselves through strong will, and we create opportunities for career-building.

Creating Culture

To help people lead lives of abundance, we seek to achieve a "Smart Life Initiative" by creating new cultures involving health, music, art, and food; as well as creating industries that enable dreams.

The Pasona Way

The Pasona Way represents our core values, which indicate how each employee should act and behave, based upon our Corporate Philosophy and Corporate Mission. All executive officers and employees pass along and share these values established at Pasona's establishment, which also serve as a consistent basis for making judgments.

For Society

- | We consider what each individual can do for the society, and we meet challenges boldly with a strong will, a sense of mission, and a venture-company mindset.
- | We realize a society in which everyone that wishes to work can work with peace of mind and can dream of creating a bright future for themselves.
- | We continue to be a company with a long and fruitful history, with relevance and social impact.
- | We call for social change and will contribute to society as a social activist organization.

For Working People

- | As "Life Producers," we work hand-in-hand with people to help them design and realize their own lives of abundance.
- | "Dreams belong to people" : We seek to realize a rich future as a product of dreaming, and to walk that path together.
- | We draw out and encourage each individual's talents, abilities, and hidden potential.
- | We support all those that depend on us with wholehearted sincerity and care.

For Clients and Customers

- | "I am Pasona's strength" : We act with confidence and pride, providing our services as professionals that can bring reliability and peace of mind.
- | "When hearts touch hearts, hearts move hearts" : We always keep the other person's perspective in mind and maintain pure intentions.
- | "Be a 'do tank' rather than a 'think tank'" : We don't overthink what we can do for the customer —instead, we take immediate action.
- | "Even the soles of our feet shine" : We work diligently, sparing no effort for our customers.

For Colleagues

- | Our smiles are always bright, our words are always happy and gentle, and our hands and feet are always working hard.
- | We express feelings of gratitude to our workplace colleagues, seniors, bosses, juniors, and those around us.
- | We share our wealth and enjoyment in working, and we nurture an environment in which we can work lively and healthily.
- | We honor the Pasona Group's history of meeting challenges and its inherent qualities, and, together with our colleagues, we seek to meet new challenges to realize an ideal future.

For Shareholders

- | For shareholders that sympathize with our corporate philosophy; to undertake business activities conducted with the highest levels of quality that also fulfill our corporate social responsibility.

(2) Target Management Indicators

The Group's job is to "make the most of people" and to create enriched lifestyles for people, in other words, "life production." As a "Social Solutions Company," we will respond to diversifying needs, continue to be a company needed by society, and strive to enhance corporate value through group cooperation and synergy creation, thereby achieving sustainable growth and improving profitability.

(3) Management Strategy

(i) Evolution to X-TECH BPO services

In Japan, where the working-age population is declining, companies are positioning the improvement of business productivity and efficiency as an important management strategy. In an environment that requires quick and effective responses to fluctuating economic conditions, project-based work areas that effectively utilize outside personnel and resources over a defined period of time are also expanding.

In response to diversifying management issues, the Group will broaden the scope of its BPO services by strengthening Group collaboration and will aim to provide higher-value-added services by utilizing cutting-edge digital tools such as RPA, AI, and avatars in the BPO services that it offers.

In addition to labor-intensive BPO services such as the consolidation of corporate administrative work, payroll calculation, and receptionist services, we will develop new BPO services in line with the trends of the times and expand our service areas, such as by providing services to support the improvement of employee health, with programs to promote the advancement of women.

(ii) Expansion of support for diverse work styles and career development

Currently in Japan, the implementation of the "trinity of labor market reforms," including support for capacity-building through reskilling, is being discussed. In addition, the percentage of the labor force over the age of 45 is increasing year by year, and the number of senior workers who continue to work after the retirement age of 65 is also increasing.

In Japan, which has entered a period where living to 100 is more commonplace, we offer a variety of services that support the autonomous career development of each individual. The "professional and advisory personnel matching service," in which senior and veteran personnel utilize their past experience to work as corporate advisors and outside directors, continues to expand year by year. In addition, many companies are introducing a "Safe Placement Total Service," which provides companies with support for the diverse career development of their employees, particularly those promoting recurrent education and human capital management. In response to the urgent need of many companies to promote the success of women, we will further expand our recruiting business for female managers and support the development and promotion of female managers in companies through our "Women's Advanced Program," a training program for female executive candidates. Through this program, we will support the development and promotion of female managers in companies.

(iii) Expand earnings from Regional Revitalization projects centered on Awaji Island

The Pasona Group is engaged in regional development projects that create new industries and employment in rural areas in cooperation and collaboration with local residents, businesses, and local governments. Since starting the "Pasona Challenge Farm" in 2008 to train independent farmers on Awaji Island, Hyogo Prefecture, Japan, Pasona has been working to revitalize the region by utilizing special products in the area, including the "Nojima Schola," a tourist base using an abandoned school, and the "Nijigen no Mori" amusement park at Awaji Island Park in Hyogo Prefecture. Today, the company operates many facilities, including restaurants and lodging facilities that make the most of local ingredients, as well as hands-on facilities where visitors can enjoy the magnificent natural environment, with the aim of realizing regional development by increasing the number of people, especially tourists, who interact with the company.

With the COVID-19 infection under control, tourists, including inbound tourists, are rapidly returning to domestic tourist destinations. In the Group's regional development business, we will open new facilities and attractions that can be enjoyed by people of all ages, centering on our business on Awaji Island, Hyogo Prefecture, and we will develop services that meet customer needs and will work to increase earnings, such as by using multilingualization to accommodate inbound visitors, developing original products, and attracting repeat customers.

2. Approach to sustainability and initiatives

The Group's approach to sustainability and its initiatives are as follows. Forward-looking statements are based on the judgment of the Group as of the end of the current consolidated fiscal year.

Based on our corporate philosophy of "solving society's problems," the Group is committed to business activities aimed at realizing a sustainable society and promoting sustainability management for the sustainable growth of our Group. In order to clarify the significance of our sustainability efforts and the future vision that we are aiming for, we have clearly stated this as "Pasona Group Sustainability" and have made it the common understanding of the Group. Our ESG and sustainability initiatives are posted on our website at <https://www.pasonagroup.co.jp/ir/esg/index.html>

(1) Governance and Risk Management

In the Group, various internal meetings and committees play a role in promoting sustainability management. For climate change issues, the "Environmental Management Strategy Board" formulates strategies, policies, and targets for the Group's environmental management and response to climate change, while the Environmental Management Promotion Council promotes effective action plans for each division and group based on these policies. With regard to human capital, the Group Human Resources Department discusses and promotes initiatives concerning important issues in the area of human resources for the entire Group.

In addition, the "SDGs Committee" compiles the Group's business activities that contribute to the development of a sustainable society from the perspective of the UN SDGs, disseminates information, and discusses the further expansion of activities. Important sustainability-related matters are monitored by each meeting or committee, which reports to the Board of Directors or the Management Meeting, with each providing appropriate advice as necessary.

In addition to climate change risk, the Group has established its Risk Management Regulations and a Risk Management Committee as an organization that oversees risk in order to prevent crises that could have significant impact on management and to minimize losses in the event that such crises should occur.

Various risks related to sustainability in general are identified at various internal meetings and committees, where relevant laws and regulations and matters affecting the business are discussed, and are then integrated into the overall risk management process by the Risk Management Committee. In addition, the contents of these reports are regularly reported to the Board of Directors to enable the Board of Directors to appropriately monitor the status of the Group and its response.

(2) ESG/Sustainability Management

1) Commitment to Sustainable Global Environment

Since 2005, when the government-led "Team Minus 6%" project was launched, the Group established an Environmental Committee composed of Executives and employees from each Group company. Since then, we have worked to create opportunities for each and every one of our employees to act as "social activists," in addition to providing them with environmental education, in order to leave a healthy and beautiful planet for future generations.

In recent years, as environmental destruction, global warming, abnormal weather, and the destruction of ecosystems have become increasingly serious on a global level, as a social solutions company, the Group will communicate its vision of sustainable management and continue to be a trusted socially responsible long-selling company. In 2021, the Group formulated the Pasona Group Environmental Innovation Strategy, and in the same year, the Group announced its support for the Task Force on Climate-related Financial Disclosure (TCFD). We also established the Environmental Management Promotion Council to analyze climate change scenarios and clarify business impact in terms of risks and opportunities caused by climate change. In 2023, we also established the "Environmental Management Strategy Board" to formulate strategies, policies, and targets for environmental management and climate change response.

Please refer to our website (URL <https://www.pasonagroup.co.jp/ir/esg/index.html>) for information on our response to the Task Force on Climate-related Financial Disclosures (TCFD).

a. Major efforts to reduce CO₂ emissions

The entire group is actively promoting energy-saving activities to reduce CO₂ emissions. We are switching to hybrid and electric vehicles for company cars. We are also promoting the use of renewable energy at our offices. In addition, the entire company is promoting the reduced use of paper resources by converting employee handbooks into mobile apps, digitizing contracts and paper documents, and using tablet terminals at board meetings and other meetings. We are striving to reduce CO₂ emissions by changing the behavior of each and every Executive and employee through "Kaizen Challenge" activities, which promote ecological activities not only in the workplace but also at home and individually, and through environmental conservation activities in Japan and overseas. In the fiscal year ended May 31, 2023, we reduced CO₂ emissions by 915 tons through the introduction of eco cars, digitization of paper documents, and environmental conservation activities.

b. Environmental initiatives

With the aim of raising Group-wide awareness of environmental issues and encouraging behavioral change, we held study sessions with internal and external experts, attended by 1,500 executives and employees from all over Japan.

In addition, as part of our efforts to protect the environment, we are promoting activities to preserve *satoyama* through tree planting and tree raising in every region of Japan, as well as environmental beautification activities at 70 locations in Japan and overseas in conjunction with Earth Day (April) and World Clean Up Day (September), which were adopted by the UN. In the fiscal year ended May 31, 2023, we conducted 268 such activities in Japan and overseas, with a total of 4,300 employees. In addition, as an effort for resource recycling, we have introduced composting, in which food waste is not thrown away but used as a recyclable resource, to our operations mainly on Awaji Island, where the food waste is turned into compost, converted into a resource, and used on farms.

c. Compliance with the Task Force on Climate-related Financial Disclosure (TCFD)

Governance

The Environmental Management Strategy Board formulates strategies, policies, and targets for the Group's environmental management and climate change response. Based on this policy, the Environmental Management Promotion Council promotes effective action plans for each division and group company and conducts environmental education to raise the environmental awareness of each employee. The Environmental Committee is developing environmental activities nationwide in Japan in collaboration with local communities, where people can experience living in harmony with nature. The Risk Management Committee deliberates on matters related to climate change risk management, and the Internal Audit Department conducts environmental audits of each department and each affiliated company. The Board of Directors monitors important matters related to climate change by receiving reports and providing appropriate advice from the Environmental Management Strategy Board.



Board of Directors	Oversight of climate change response	At least once a year
Environmental Management Strategy Board	Determination of policies, strategies, and targets for environmental management and climate change response Officer in charge: Executive vice president, general manager of the Pasona Way Division	At least once a month

Strategies

The Group analyzed risks and opportunities for 2030 based on several climate change scenarios (1.5–2°C and 4°C global increases). The scenario analysis is based on reports issued by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and Japan’s Ministry of the Environment, and other organizations. The process of analysis and the main risks and opportunities identified in the scenario analysis are as follows.

Analytical Process



Risk/Opportunity Items



For each risk and opportunity identified, we drew up specific scenarios and examined the financial impact on our business, quantitatively and qualitatively. As a result, the major risks and opportunities identified by the Group through this scenario analysis and our policy for dealing with them are as follows. No significant risks affecting the business were identified. We will continue to review our assessments and enhance information disclosure.

Risk/Opportunity Items		Potential Impact	Our Response Policy	
Risk	Transition risk	greenhouse gas emission regulations	Increase in procurement costs of electricity, etc. Promote use of renewable energy for office and facility electricity Realization of micro-grids at Awaji Island facilities	
	Transition risk	higher carbon prices	<ul style="list-style-type: none"> Increase in fossil fuel use costs Negative impact on our temporary staffing and BPO businesses due to deteriorating client performance Monitor portfolio of client industries, as there may be transactional impact with customers that have little direct risk to the Company, but a high impact	
	Physical Risk	severe extreme weather events	Awaji Island facilities cease operations	Continuation of BCP measures currently underway
		increase in average temperature	Increased heating and cooling costs	Greening of offices and creation of energy-efficient facilities Realization of microgrids at Awaji Island facilities
Opportunity	Transition Opportunities	CO2 emissions visualization	Increased demand for services related to CO2 emissions visualization CO2 emissions visualization BPO services and CO2 emissions offsetting services for companies working on decarbonization management Development of digital solutions after visualization	
		environmental education	Growing interest in environmental education programs Developing environmental training programs for corporations and environmental human resource development programs utilizing fieldwork on Awaji Island, based on our own training programs	
	Physical Opportunities	administrative support to municipalities and insurance companies	Increased demand for BPO business during natural disasters Strengthen BPO business	

Strategies (Opportunities)

As the movement toward decarbonization accelerates in Japan and abroad, listed companies in particular are required to disclose climate-related financial information and take actions to achieve carbon neutrality, including in their supply chains. However, many companies lack not only the know-how to visualize CO2 emissions, but also the resources to perform the complicated tasks involved. Another challenge is educating employees about the SDGs. Our consolidated subsidiary CAPLAN Corporation provides "BPO services" to support visualization of CO2 emissions and related operations, and "environmental training services" for employees.

Training for companies related to environmental issues and climate change

We provide “environmental training services” customized to meet the issues of each company by leveraging CAPLAN Corporation's extensive network of instructors and the environmental education know-how for more than 8,000 Executives and employees of Pasona Group companies. We will strive to raise awareness within the company and develop human resources to take on new challenges in the environmental field.

Learning about co-creation, circulation, and diversity: Sustainability Training Program

Pasona Agri-Partners Inc. offers training programs for companies, organizations, and educational institutions to learn about the UN SDGs, such as regarding food safety and the natural environment. The program offers agricultural experiences to learn about soil cultivation, food safety, and production processes, as well as classroom training to learn about issues related to abandoned farmland and de-plasticized materials, with approximately 8,600 participants in the fiscal year ended May 31, 2023.

Visualization of CO₂ emissions

CAPLAN Corporation's "CO₂ Emissions Visualization BPO Service" supports the visualization of CO₂ emissions from both system and operational perspectives by combining the GHG (greenhouse gas) emissions calculation and visualization cloud service and the Group's BPO Service know-how.

Risk management

The Group has established Risk Management Regulations to prevent crises that could have serious impact on management and to minimize losses in the event that such crises should occur.

Risks due to climate change are identified by the Environmental Management Promotion Council, where relevant laws and regulations and natural disasters that can affect business are discussed.

In addition, the Board of Directors is regularly informed of the details of these measures, the status of response is monitored, and progress is managed and reviewed. We are building a management system for climate change risk.

2) Initiatives for human capital

Since our founding in 1976, we have worked to realize a society in which everyone, regardless of age, gender, nationality, or disability, can freely use their talents to fulfill their dreams and take pride in their work. Within the company, we promote the creation of a workplace environment where employees can work with peace of mind, including proposing diverse work styles that maximize each employee's abilities and providing support for career building, thereby leading to the sustainable development and value enhancement of the Group.

Human resources development policy and the internal environmental improvement policy, indicators, and targets

Our group's job is to "harness the potential of the individual." That is, to "Life Produce" and to support the creation of a comfortable lifestyle for people everywhere. To fulfill this role, under our human resources development policy of "Creating your own future by yourself," we have put in place various personnel systems and measures that encourage the exercise of talent and ability, and we support employees' autonomous career-building so that each employee can have high aspirations and a sense of purpose, while continuing to boldly take on challenges.

Our human resources strategy consists of three pillars: "Diversity & Inclusion" (creating a system in which everyone can play an active role), "Sustainability" (autonomous career development), and "Well-Being" (a truly fulfilling way of living and working). By encouraging the growth of our employees, we promote the development of human resources that can contribute to the realization of a sustainable society, not to mention the growth of the Group.

In addition, based on a corporate philosophy that has remained unchanged since the company's founding, the Pasona Way, which represents the core of the Pasona Group, serves as a guideline for action, carrying on the spirit of the Company's founding and providing an unwavering axis for decision-making at all times. Every year, the two-month period beginning on February 16—the anniversary of Pasona Group's founding—is designated as "Pasona Way Week" as a month of reinforcement, during which all executives and employees share the corporate philosophy by reflecting on the Group's business history and the role that it plays, along with holding discussions and setting individual action goals under the theme of the corporate philosophy.

Human Resources Strategy 3 Pillars



Indicators and targets

Human resource strategy	Indicators	Actual results for the fiscal year ended May 31, 2023	Targets for the fiscal year ended May 31, 2025
1. Creating a system in which everyone can play an active role	Ratio of female management staff	48.9%	About 55%
	Number of global human resources in Japan	About 200 persons	About 400 persons
	Number of employees with disabilities	About 570 persons	About 670 persons
2. Autonomous career development	Number of DX personnel trained	About 1,000 persons	About 2,000 persons
	Percentage of employees practicing hybrid careers (in-house duplication of work)	15.5%	About 30%
	Qualified work-life facilitators and career consultants	About 1,400 persons	About 2,000 persons
3. A truly prosperous way of living and working	Exercise scores in the lifestyle survey	47.6 points	70 points
	Percentage of male employees taking childcare leave	45.2%	70%

Calculated for: The Company and all domestic consolidated subsidiaries

a. Diversity & Inclusion/Creating a system in which everyone can play an active role

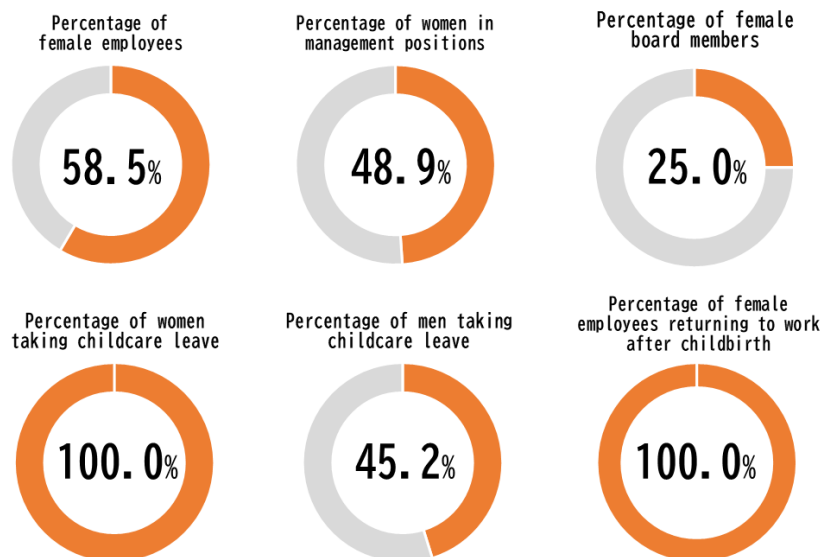
Pasona Group believes that creating an environment in which all employees, regardless of age, gender, nationality, or disability, can make full use of their talents and abilities on the Pasona Group stage and can create a fulfilling life plan will lead to mid- to long-term corporate growth.

• Promotion of women's activities

The Group, which was founded with the desire to "support housewives in finding new employment," has been practicing human resource development and placement of the right person in the right job without gender bias, with the aim of realizing a society with no gender disparities, with all employees joining the Company as career-track employees since its establishment. In order to enable employees to work through milestones in their lives such as childbirth, child-rearing, and nursing care, Pasona has established flexible work systems since the 1990s, including "telecommuting," "short-time work," and "flextime," and has set up on-site childcare facilities at Group headquarters and Pasona Family Office on Awaji Island in Hyogo Prefecture. Pasona has also established an on-site daycare center at the Group's headquarters and a Pasona Family Office on Awaji Island, Hyogo Prefecture, where employees can work in the same space as their children. In the area of human resource development and career development support for women, the "Wonder Woman Training," a next-generation female leadership development program launched in 2014, has produced positive results, with 2 of its graduates promoted to Group company presidents, 22 to executive officers, 9 to deputy directors, and 42 to higher positions of responsibility.

As a result of these activities, we have produced a large number of female managers and female executives, with women accounting for 58.5% of all employees, 48.9% of all managers, and 25.0% of directors and executive officers.

Utilizing the know-how cultivated by the Group, from 2021 we will begin offering the "Women's Advanced Program," a program to train female executive candidates who can contribute not only to their own companies but also to society, by learning the front-line business and presence skills required of corporate executives. The program has trained 72 female executive candidates from 41 companies so far.



Calculated for: The Company and all domestic consolidated subsidiaries

• **Diverse nationalities play an active role**

The Group has approximately 1,000 employees of diverse nationalities from 42 countries in Japan and abroad, and the percentage of foreign nationals among the employees of domestic consolidated subsidiaries is 2.5% (8.1% when including overseas consolidated subsidiaries), while the percentage of foreign nationals in management positions, the core of our business operations, is 0.8% (7.6% when including overseas consolidated subsidiaries). By having personnel of various nationalities with diverse values interact with each other, and by assigning and appointing the right people to the right positions, we are able to respond to changes in our business and to develop new ideas.

We believe that foreign nationals with diverse values, talents, and abilities will become increasingly important in the creation of new businesses on Awaji Island in Hyogo Prefecture under the theme of "Well-Being" in culture, art, food, health, and education, including the 2025 World Exposition (Expo 2025 Osaka, Kansai, Japan). To this end, we are actively recruiting new graduates for 2023, with 67, or approximately 20% of all new hires (314), being foreign nationals. The Awaji Youth Federation, a human resources development program launched in 2017 that aims to create new industries and realize regional development, has accepted 87 talented young people and social entrepreneurs from 42 countries and regions around the world to date. After completing the program, they continue to work on creating new innovations to solve local issues on Awaji Island.

• **Cultural Creation by Musicians**

In 2006, the Group launched "Music Mate," a program to support musicians in balancing music and artistic activities with work, and has been working to support the employment of musicians. From 2020, the "Music Island" project will be launched on Awaji Island, where musicians from all over Japan will practice a hybrid career of music activities and work, aiming to create local communities through music, and approximately 80 musicians are currently active in the project. In addition to performances at our group facilities, we are engaged in cultural creation projects to enrich people's minds and lives through music, such as planning music projects on the island.

• **Support for athletes to balance competition and work**

We support athletes and coaches, both active and retired, in achieving a hybrid career that balances athletic activities and work, as well as a second career. Approximately 50 athletes are currently active in the program.

• **Employment support for single-parent families**

In 2020, we launched a project on Awaji Island, Hyogo Prefecture, to provide total support for work, housing, and education for "single-parent families" facing difficulties in both employment and living conditions. As of the end of May 2023, 75 people from 32 families were living on Awaji Island, providing an environment where they can engage in work with peace of mind and receive a fulfilling education while growing and raising children in nature. The program also provides support for single mothers to create employment opportunities through relearning (reskilling) and to expand the possibilities of career choices. After providing career counseling, we offer course-specific skills education tailored to individual aptitudes and visions, and after completing the program, we provide employment support utilizing our group's nationwide network. To date, 1,515 people have participated in the program and taken on the challenge of a new career.



• Promotion of middle and senior human resources

Since the 1980s, the Group has promoted the creation of new employment infrastructures and skill development support for seniors with abundant experience and abilities. Currently, our Group has a 100% re-employment rate from the retirement age of 60, and approximately 10% of the Group's workforce (over 1,000 employees) is over the age of 60, of which approximately 500 are over the age of 65, making a large number of senior personnel active in the Group.

We believe that creating an environment in which senior employees can remain active and vigorous for a long time will lead to further growth of the company, and we provide comprehensive support for their career development, including a "Career Discovery Program" for employees in their 40s and 50s to reaffirm their own values and potential and to design their future career and way of life. We also provide support for comprehensive and continuous career development. Furthermore, in order to further enrich professional lives, which are becoming longer with the advent of a period in Japan where people commonly live to 100 years old, we have also established a benefit program that provides employees with cost subsidies and leaves of absence when they need recurrent education as they take stock of their careers.

Externally, by using accumulated expertise, we launched "Safe Placement Total Service" (introduced by approximately 730 companies) in 2021 to support autonomous career development for people in their 50s and beyond, and "Pasona Recurrent," a membership-based recurrent program service that provides learning opportunities suited to individual career and life plans in June 2022.

• Employment of disabled persons

We have also created an environment where people with disabilities that are willing to work but find it difficult to do so can work vigorously and a place of "symbiosis" where they can participate in society with able-bodied people, based on the concept of "Disability is Individuality, and Talent Knows No Handicap!" In addition to office work, we have created an "art village," where artist employees work in order to expand the field of employment through "art," and we have also established a professional agriculture business that produces safe and assured vegetables (using no agricultural chemicals) and organics. "Yume Farm" grows safe and assured vegetables, rice, and herbs using organic and nonagricultural methods, and the "Bakery" produces and sells additive-free bread and baked goods under the guidance of top-class craftsmen. The 571 members of Pasona Heartful, a special subsidiary, and other group companies are expanding their fields of activity by making the most of their individual abilities. In addition, we also focus on consulting and CSR activity support for companies that are proactive in employing people with disabilities, utilizing our accumulated know-how in various aspects of employment of people with disabilities.



• Basic approach to human rights policy

The Pasona Group Code of Conduct stipulates respect for human rights. With regard to human rights, we respect the International Bill of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and other international norms related to human rights in the conduct of our business activities. In addition to complying with the laws and regulations of each country where we do business, we will pursue ways to maximize respect for internationally recognized human rights to the greatest extent possible.

b. Sustainable/autonomous career development

The Group is committed to supporting career development not only for employees' autonomous growth but also for expert staff (dispatched staff) and those that wish to work, in order to shift from a society that has been dependent on corporations to one in which everyone can make full use of their talents and abilities and become self-reliant individuals. We also believe that the source of our group's growth is to continue to create new businesses that "solve society's problems" with employment as the theme, and we are working to develop strong individuals who can flexibly respond to changes in the social environment and foster human resources capable of solving social issues with new ideas.

• Corporate university "Pasona 'Kokorozashi' University"

We have systematized and implemented a training and education program for all Pasona Group employees via the "Pasona 'Kokorozashi' University," an in-house university. We offer a variety of education and training programs to support the autonomous career development of each employee, including the acquisition of abilities and expertise required for each grade, position, and function, selective training to maximize the talents and potential of each individual, diverse training to acquire digital skills, and the development of management personnel that will lead the next generation of the Group.

- Training cost per employee/person*1: ¥407 million/6,626 persons
- Average training hours per employee*1: 47.9 hours
- Number of participants in annual, position-, and function-specific training: 2,647 in total
- Number of participants in the next senior management development program 11 Deputy Board Members, 14 Junior Board Members, 21 CBO Board Members, and 14 Wonder Woman Trainings
- Social Contribution Committee to understand the corporate philosophy through experience 40 participants from domestic and overseas group companies

*1: Including personnel, utilities, transportation, and other expenses related to the implementation of the training

*2: Calculated for: The Company and its 28 domestic consolidated subsidiaries

パナソニックユニバーシティ

		階層・年次別研修	選抜研修・育成	共通研修	職種別研修
役職・年次	専門職・マネジメント層	マネージャー研修 シニアマネージャー研修 ディレクター研修	ジュニアボード ワンダーワーマン研修 副役員制度 エキスパート役員制度	Pasona Way Week・プロフェッショナルテスト 環境マネジメント勉強会・エコテスト パナシヤードキヤビネット大学院・チャレンジの日 ハルスケアプログラム・ダイバーシティ研修 コンプライアンス研修・情報セキュリティ研修ほか	コミュニケーション研修・アピランス研修・サービス基礎研修 リーダーシップ研修・マネジメント研修・ ファシリテーション研修・ビジネススキル研修・RPA研修 DX研修・エンジニア研修・語学研修ほか
	中堅・キャリア層	責任者着任時研修 キャリアアピスカバリープログラム シニアリーダー研修 リーダー研修	グローバルリーダー研修 リスキリングイニシアティブ研修 グロバールリーダー研修 C O E ボード C O E ボード		
	若手層	ハイブリットキャリアプログラム 年次別フォロー研修 新入社員研修／キャリア入社時研修	社会貢献委員 インストラクター C O B O ボード		
			Center of Excellence Committee Pasona Way Committee		

• **"Hybrid Career Program": Supporting "multilayered career building"**

In order to develop human resources that can contribute to society by acquiring the human ability to adapt flexibly to changes in the social environment, we have started the "Hybrid Career Program," starting with new graduates to be hired in April 2022.

We have created an environment where new employees can spend one day a week in a different job from the one to which they are assigned, such as "Sales x Agriculture," "Human Resources x New Business Startup," or "Corporate Planning x Entrepreneur," and 453 employees have so far taken up the program. This has led to opportunities to gain new perspectives and internal and external networks that cannot be obtained in the work to which they are originally assigned, and about 80% of all respondents answered that they were able to use their experience in hybrid work in their work, while about 90% of all respondents were very satisfied or satisfied with the program.

• **Developing DX human resources to create new added value**

In order to develop new solution businesses utilizing digital technology and to realize our management strategy of "Evolution to X-Tech BPO services," we are focusing on developing human resources that will lead the digital transformation (DX). In the fiscal year ended May 31, 2023, in addition to developing internal human resources through rank-based DX training and other programs to support inexperienced IT personnel in taking up the challenge of entering the field of digitalization, we began offering new programs for customers based on our internal training results, and we developed approximately 1,000 DX personnel. We are also working to improve productivity by automating operations through the use of low-code tools and have achieved a time reduction of approximately 17,000 hours in business operations—2.5 times that of the previous fiscal year. By the end of May 2024, we aim to create new added value in our services and to further enhance customer satisfaction by developing approximately 10,000 DX personnel internally and externally, including employees and expert staff.

- **Supporting Employees' Career Challenges**

In the fiscal year ended May 31, 2023, 65 employees took advantage of this system to take on new career challenges. In addition, since 1993, we have been supporting employees' autonomous career development through the "My Career Bank" program, which allows employees to report their own career plans directly to the Human Resources Department every year.

- **Developing human resources for regional development**

By concluding practical "Comprehensive Collaborative Agreements" on regional revitalization with local governments across Japan, the Company group will promote the attraction and exchange of human resources and companies that work to solve social issues in local communities, create new industries and jobs that are rooted in the community, and create cities where people can realize prosperous ways of living and working. Against this backdrop, the "Regional Co-Creation Project" was launched in July 2022.

In April 2023, we concluded a comprehensive collaboration agreement with Shimonoseki City, Yamaguchi Prefecture, Japan. Pasona Group employees who have been promoting regional development business in Awaji Island, Hyogo Prefecture, for more than 10 years were appointed as "regional revitalization entrepreneurs" to work on regional revitalization through the creation of a relevant population and promotion of local businesses. The new employees are working to revitalize the region by creating a new population and promoting local businesses while utilizing the Group's expertise in regional development projects. We will continue to promote our regional development business toward a sustainable society by expanding opportunities for human resources trained by the Group through our regional development business to work at local governments across Japan and to contribute to improving the attractiveness and value of local communities.



- **In-house venture program "Challenge Day"**

In order to carry on the spirit of the company's founding, which since its establishment has been committed to solving social issues through its business activities based on the corporate philosophy of "solving society's problems," the company has designated February 16, the anniversary of its founding, as "Challenge Day" since 1995, and solicits new business and business improvement proposals from all employees. We are promoting the creation of an autonomous organization for innovation creation, while providing opportunities for all employees to return to the spirit of our founding and realize the "dreams" and "aspirations" of each and every employee. In the fiscal year ended May 31, 2023, we received approximately 1,300 applications from new employees to employees of overseas subsidiaries.

- **Fostering a corporate culture of solving social issues "Pasona Shadow Cabinet"**

The "Social Issues Discussion Group" was established in 2007 as an internal organization for the purpose of having executives and employees of our group, regardless of their year of employment, discuss "social issues" and propose specific measures to society. The Group deepens discussions on various social issues that change with the times, and employees participating in the discussions vote on bills (new business proposals, social proposals, etc.). Under the theme of "Beyond SDGs," eight ministries and agencies are discussing and promoting institutionalization and commercialization, and in the fiscal year ended May 31, 2023, three new businesses (Japan Incubation Base, Online Health Promotion Office, regional development platform "Pasona Connect") have been born.

- **"Work-Life Facilitator" to support the "work" and "life" of workers**

Our nationally certified career consultants carefully identify the abilities and strengths of people who wish to work and support the career development of 215,000 people annually. Pasona also offers "Pasona Career College," which provides 8,800 specialized courses to help people improve their skills and acquire qualifications, and 430,000 people have taken these courses.

In order to further fulfill its role as a "Life Producer" for working people, the Pasona Group provides a wide range of services that address not only career-related issues but also childcare, nursing care, money planning, health, and other concerns, while offering "work-life planning" services that support each individual in building an autonomous career and life plan. In April 2022, we established a private qualification for "Work-Life Facilitators" to support each individual in building an autonomous career and designing a life plan. We intend to train 2,000 employees to become certified career consultants and work-life facilitators by the fiscal year ending May 31, 2025.



Level 1 career consulting technician : 13 persons
 Level Career Consulting Technician : 406 persons
 National Qualified Career Consultant : 455 persons
 Work-life facilitators : 209 persons
 Industrial counselor and other related qualifications : 329 persons

c. Well-Being: A truly rich way of life and work

With the mission to "harness the potential of the individual," the Group provides a variety of support services to help workers thrive. We believe that the employees who provide our services, in addition to their physical and mental health, should enjoy their work, lead fulfilling lives, and feel that they are contributing to society, thereby enhancing their sense of well-being (Well-Being) and leading to better services. We are actively working to improve the health of our employees and create a better working environment.

• **Health management promotion systems**

Under the top management's policy on health management, industrial physicians, the Health Promotion Office, and the Human Resources Department promote health management that enables employees to be active and vigorous based on periodic health checkup data and lifestyle surveys in the Group. In addition, together with public health nurses, nutritionists, sports trainers, and other specialists, we have developed unique programs to support employees' physical and mental health. The health committee members are located at each site and area throughout Japan.

• **Health management initiative policy**

The Group's policy on health promotion is set forth in the Pasona Group Health Declaration. The Group is promoting various measures in line with its five health management policies: "promotion of healthy behaviors," "fostering a common understanding of gender differences," "health support for those who are high risk" "mental health measures," and "promotion of a social work-life balance."

In addition, we have formulated a "strategy map" for health management to organize and understand the linkage between specific initiatives and expected effects and management issues to be resolved.

For more information, please refer to our website (URL <https://www.pasonagroup.co.jp/company/health.html>).



• **Conducting lifestyle surveys**

In addition to regular health checkups and stress checks, we conduct a unique "lifestyle survey" of all employees to score their lifestyle habits in the categories of exercise, diet, sleep, and preferences (drinking, snacking, smoking). By providing feedback on individual results and the position of one's own health within the entire company, we help employees review their lifestyle habits and improve the health literacy of each and every employee. In 2022, 7,000 employees from 30 Group companies responded to the lifestyle survey.

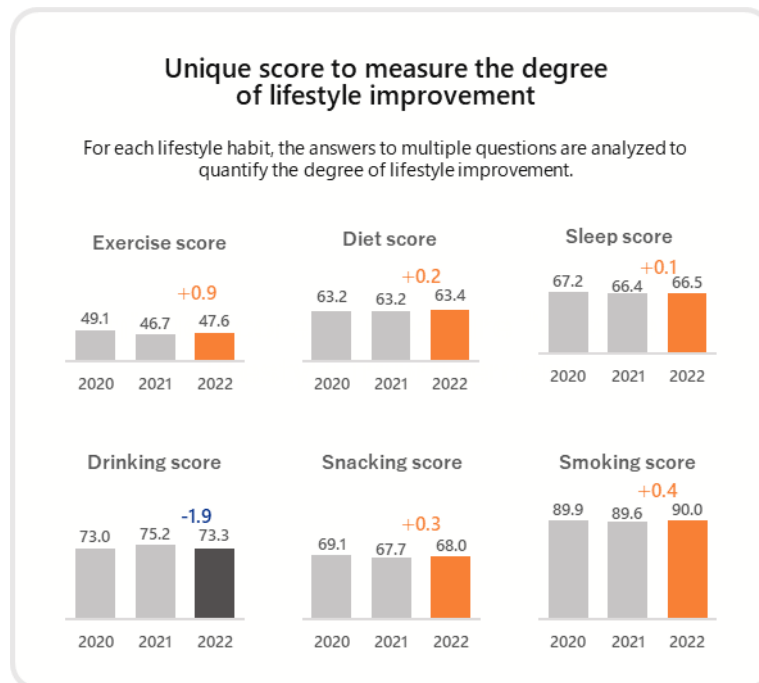
• **Promoting healthy behaviors to improve lifestyle**

The results of the lifestyle survey showed that approximately 60% of employees indicated that they needed to improve their lifestyles, with many employees facing particular challenges with exercise and diet. The survey results showed that the worse the lifestyle, the worse the job performance, indicating a correlation between "lifestyle" and "job performance." In order to improve their lifestyle, we made it mandatory for them to participate in training sessions to learn how to take action to improve their own health issues. We also implemented measures such as distributing health information via LINE through our independently developed "Online Health Promotion Office" and accepting consultations via chat, web, and telephone.



Training gym where you can work out in a suit for a short period of time.
(at PASONA SQUARE, Minato-ku, Tokyo).

As a result, the original score, which measures the degree of improvement in overall lifestyle habits such as exercise, diet, sleep, drinking, snacking, and smoking, improved by 1.3% from FY2021 to FY2022, with scores improving in all categories of each lifestyle habit except drinking. (Target companies: Pasona Group Inc. and Pasona Inc.) As a result of supporting the improvement of work performance through daily lifestyle improvements, there was an improvement trend in indicators such as presenteeism (a situation in which employees are at work but are unable to perform at full capacity due to health problems) and absenteeism (absenteeism due to injury or illness).



• **Promoting a common understanding of women's health**

According to an in-house survey on women's health, nearly 80% of the female employees who were going to work in good health had health issues specific to women, and only about half of them were using the full-cost assistance for breast and uterine cancer screening. To improve the health literacy of female employees and create an environment in which they can easily seek advice, we hold women's health lectures by obstetricians and gynecologists for all employees, including men as well as women, to foster a common understanding of women's health promotion in the workplace (seven times a year, 3,322 participants in total).

The Group's efforts have been highly evaluated externally, and the Company has been selected as one of the "2023 Certified Health & Productivity Management Outstanding Organizations" as a company that strategically addresses employee health management from a managerial perspective and has also been recognized as one of the "White 500" of excellent "health management corporations" for seven consecutive years.



- **Partial relocation of head office and headquarter functions to achieve a truly affluent way of living and working**

In order to solve various social issues caused by the concentration of operations in Tokyo and to realize a truly affluent lifestyle and work style for workers, we announced the partial relocation of our head office and headquarters functions to Awaji Island, Hyogo Prefecture in September 2020, where approximately 1,050 employees are currently engaged in work related to head office and headquarters functions. Many employees working on Awaji Island have commented that their lives are richer than before the move, including "I am glad to be able to raise my children in a rich natural environment" and "I am healthier than before the move due to the proximity of work and residence. In addition, many local residents have joined our group and are playing an active role in the community, contributing to the creation of local employment.



We will continue to attract diverse human resources and promote local development projects for a sustainable society by working to create an attractive environment for employees and workers alike, with the aim of creating a "Well-being Island Awaji Island" that realizes a truly affluent way of living and working.

- **Social contribution activities in which employees nationwide participate**

To clarify the Group's corporate stance, we established the "Social Contribution Office" in 2005. As a leadership role in the Group's social contribution activities, 40 "Social Contribution Committee members" have been appointed from Group companies in Japan and overseas. In the fiscal year ended May 31, 2023, approximately 16,600 employees participated in activities in each region.

3. Risk of business, etc.

In order to prevent crises that could have serious impact on management and to minimize losses in the event that such crises should occur, the Group has established Risk Management Regulations and a Risk Management Committee as organizations that oversees risk. The Risk Management Committee is in charge of each major risk and of predicting crises, including new risks, through continuous monitoring during normal times, and has established a system to take appropriate measures on a daily basis and in the event of an emergency, based on the Crisis Management Manual. In addition, the status of major activities of the committee is regularly reported to the Board of Directors to enable them to appropriately monitor the status of the Group and its response. In addition, day-to-day risks arising in the course of business operations are properly handled by the department in charge of compliance and reported at management meetings as appropriate, while the CIU Office and the Group Internal Audit Office monitor the day-to-day risk management status of each department through internal audits.

In the course of such risk management, the following are the major risks that management identifies as having the potential to materially affect the financial position, operating results, and cash flows of the consolidated companies, among the matters related to business and accounting conditions, etc., as described in the Annual Securities Report. In addition to the major crises and threats identified as important, risks as uncertainties related to the realization of management strategies and matters considered important for understanding the Group's business activities and management policies are also described.

Unless otherwise indicated, forward-looking statements in the text are based on our judgment as of the end of the current fiscal year and do not cover all risks associated with an investment in our shares.

(1) Impact of Economic Trends and Other Macroeconomic Conditions

The Group's businesses provide a variety of solution services related to the utilization of human resources by companies and organizations, as well as outsourcing services that contribute to improved productivity, and provide individuals with a work infrastructure that supports the way they work according to their individual lifestyles. These services are affected by changes in the business environment, such as economic fluctuations and technological innovations in Japan and overseas, as well as by regulations under labor-related laws and regulations.

The Group is building a business portfolio that is not biased toward any particular area by developing a comprehensive range of businesses, including temporary staffing, outsourcing, contracting, placement, outplacement, outsourcing, childcare & nursing care, and regional development, as well as expanding overseas. In addition, we have been actively engaged in the dissemination of information, proposals, and educational activities related to new work styles and work-life balance. However, should the market environment, employment situation, or customer demand change rapidly in the future due to various factors, the performance of each business and the earnings structure of our group could be affected.

In the long term, we anticipate further labor shortages or market contraction due to population changes in Japan. As part of efforts to achieve sustainable growth, the Group will continue to diversify risks by developing and expanding various new businesses and services based on its corporate philosophy of "solving society's problems," while constantly monitoring signs of social change and taking controllable risks.

(2) Legal Regulations

The work style reform promoted by the Japanese government has brought about significant changes in the legal and labor environment for both indefinite and fixed-term employees, including for maximum overtime work restrictions and mandatory use of annual paid leave as stipulated in Japan's revised Labor Standards Act, which took effect in April 2019, and in the clarification of equal and balanced treatment by employment category in the "equal pay for equal work" system, which took effect in April 2020, as well as in the obligation to correct any unreasonable differences in treatment if such differences exist. The laws and regulations surrounding both fixed-term and permanent employees and the labor environment are undergoing significant changes, such as in the introduction of a maximum overtime work regulation and an obligation to take annual paid leave. As a human resource services provider, our group employs a large number of indefinite and fixed-term workers, and there is a possibility that our cost-of-sales ratio and SG&A-expense ratio will increase or that our group will not be able to maintain and secure sufficient human resources due to changes in labor-related laws and regulations and in the labor environment.

Specifically, in our Expert Services business, for example, the Group is striving to conduct transactions at fair prices and to pay salaries at appropriate levels, and is negotiating with client companies to raise billing rates in response to increases in temporary staffing salary payments and social insurance premiums, but there is a possibility that the Group might be unable to maintain and recruit sufficient human resources due to changes in labor-related laws and regulations. However, there is the possibility that the increase in temporary staffing salaries and fees will not necessarily be synchronized with the increase in staffing salaries and fees due to the increase in staff salaries and other costs associated with welfare benefits such as the

cost of paid leave and medical examinations in accordance with revisions to labor-related laws and regulations. The rapid increase in the number of such projects and the prolonged period of time during which they are not synchronized could result in an increase in the cost ratio or a decrease in the use of temporary staffing services by companies that do not want to pay the increased costs of temporary staffing fees.

In response to this situation, we are clarifying the duties of each worker with different employment statuses, providing detailed explanations to client companies regarding temporary staffing, and revising our staffing fee rates. In addition, we will continue to make efforts to absorb cost increases by improving productivity and efficiency in our overall business.

In addition, Japan's Worker Dispatching Act and related laws and regulations are expected to be revised in the future in response to changes in the labor market, etc. Depending on the details of such changes and in the specific measures required by the law, the Group's business operations and performance could be affected to a considerable degree.

(3) Business Licensing and Continuation

The Group's Expert Services business is conducted mainly as a worker dispatching undertaking under a license obtained from Japan's Ministry of Health, Labour and Welfare in accordance with the "Act for Securing Proper Operation of Worker Dispatching Undertakings and Protecting Dispatched Workers" ("Worker Dispatching Act"). In order to ensure the proper operation of worker dispatching undertakings, the Worker Dispatching Act stipulates that if a person carrying out a dispatching undertaking (dispatching business operator) falls under any of the disqualifications for being a dispatching business operator or violates any laws and regulations, the license for the undertaking shall be revoked or the undertaking suspended. The Pasona Group has established guidelines for appropriate temporary staffing transactions under the leadership of the Corporate Governance Headquarters of Pasona Group Inc. and strives to thoroughly educate its employees. However, in the unlikely event of a serious violation of laws and regulations by our group companies or their Officers and employees, this could result in the revocation of our business license or an order to suspend our business, so we will take appropriate measures to prevent such violations.

In addition, our staffing agency business is a fee-charging employment agency licensed by Japan's Ministry of Health, Labour and Welfare under the Employment Security Act. Our placement & recruiting business is also a business that is licensed under the Employment Security Act. Similar to the temporary staffing business, if certain requirements are not met, measures such as revocation of the business license and suspension of the business could be taken.

The outplacement business is also a fee-charging employment placement business licensed by Japan's Ministry of Health, Labour and Welfare under the Employment Security Act. Although its revenue structure and business model are different from those of our Placement/Recruiting business, it is similar to our aforementioned Placement/Recruiting business in that it introduces job seekers to companies seeking to fill positions.

In the BPO service business, the Group provides services to a wide range of clients, including private companies, public offices, local governments, and various organizations, under contract for general affairs, accounting and finance, reception, sales administration and order placement, and personnel and labor services. In particular, in executing projects commissioned by public agencies and local governments, it is necessary to conduct appropriate business operations in accordance with the instructions of the commissioned parties. In recent years, these projects have become larger and more complex, and there has been an increase in the number of projects undertaken jointly with subcontractors in addition to the Group. The Group strives for proper business operations in accordance with guidelines such as compliance with relevant laws and regulations, thorough employee training, and the implementation of investigations related to the selection of subcontractors. However, in the event of a serious error, the Group's credibility and social credibility could be damaged, and its performance and financial position could be affected by the suspension of bidding or other disciplinary actions according to the rules of the outsourcing company.

(4) Management of Personal Information and Confidential Information

In the course of operating each of its businesses, the Group holds a large amount of personal and confidential information of temporary staffing registrants, job seekers, users of each service, client companies, employees, and other related parties. The handling of personal information by the Group is governed not only by the "Act on the Protection of Personal Information" in Japan, but also by the "European Union General Data Protection Regulation (GDPR)," which came into effect in May 2018, and other laws regarding personal information in the relevant countries. These laws and regulations tend to be applied across borders, and this could increase the costs of compliance and business operations.

The Group has established a personal information protection policy that also complies with the GDPR to ensure the appropriate acquisition, use, and provision of personal information and has taken necessary and appropriate security control measures in terms of technology and organization to prevent the leakage or loss of personal information. All officers and employees are thoroughly trained in the management of personal information protection.

In addition, the Company has established an information management system and management methods that should prevent the leakage of trade secrets and important information related to the Group and its business partners and strives to

thoroughly disseminate and implement such information management systems and methods. Specifically, the aforementioned various confidentiality obligations are stipulated in respective employment regulations and confidential information retention rules, and we implement technical measures to protect against information security threats such as ransomware and targeted attacks, as well as periodic training and drills for employees.

Despite the Group's efforts, in the event that personal or confidential information is leaked to external parties due to the intentional or negligent actions of employees or unforeseen circumstances, the Group's financial position and business performance could be significantly affected due to claims for damages or loss of public trust.

(5) Risk of System Failures and Cyber-Attacks

Our group's business, both in Japan and overseas, relies heavily on computer systems and related communication networks. In addition, we recognize that these risks have become even more significant in recent years due to the expansion of our group's remote work. In addition, a portion of the system infrastructure and its maintenance, etc., is outsourced to external vendors, including cloud system vendors. With the expansion of the scope of system use and the diversification of operation styles, the Company has been preparing for unforeseen circumstances. In response to the expansion of the scope of system use and the diversification of operation modes, we are taking various measures to prepare for unforeseen events, including the development of a system for failure, the strengthening of system security, and the enhancement of communication lines and hardware. In particular, in order to further strengthen company-wide information security systems, we have established PASONA-CSIRT in accordance with the cybersecurity guidelines set by Japan's Ministry of Economy, Trade and Industry. In spite of these measures, the Group's operations and services can be suspended due to the unavailability of computer systems and communication networks as a result of human error, cyber-attacks, extensive natural disasters, or problems with external vendors. If this situation persists for a prolonged period of time, it could have serious impact, such as a loss of confidence in our group.

(6) Business Investment

(i) Investment in Subsidiaries and Affiliates

The Group intends to continue to actively make business investments so as to expand its service areas to meet the diverse needs of companies and workers, as well as to solve social issues. New business investments might require a large amount of capital, and there is no guarantee that earnings will necessarily be as initially planned, and there is a possibility that the anticipated scale of earnings will not be secured. We are working to nurture the business in an early stage by monitoring its progress in a timely manner and utilizing our existing business infrastructure and sales network. However, if the business does not generate the expected earnings despite these efforts, our group's performance could be affected. In addition, depending on market trends and the business environment, the shares of affiliated companies held by the Company could be revalued, and this could affect the business performance and the amount of assets in the Company's non-consolidated financial statements.

(ii) Commercial Facilities Related to Regional Revitalization Business

In the Group's Regional Revitalization business, we operate several commercial facilities as bases for revitalizing rural areas and developing human resources and creating jobs, and we anticipate the following inherent risks. Currently, the Regional Revitalization Solutions segment continues to incur operating losses.

- Large-scale commercial facilities require a large amount of capital to open. There are also many fixed costs such as personnel expenses. The cost burden tends to precede the opening of new facilities until the number of users reaches a certain level, and this could put pressure on the Group's profits in the short term.
- Weather, disasters, pandemics, and other factors could cause a decrease in the number of users or force the suspension of operations. In addition, if measures to increase the appeal to users are insufficient, or if the number of users does not reach the plan due to lack of user satisfaction, revenues could fall below the plan or additional investment might be required.
- We pay sufficient attention to the safety management of attractions at our facilities and to quality control and food hygiene in serving meals and selling food products. However, in the unlikely event of an accident, the Group's credibility could be damaged, and lawsuits could result.

(iii) Corporate Acquisitions

The Group sometimes acquires companies as an effective means of strengthening and reinforcing its business. Such acquisitions can require a large amount of capital and amortization of goodwill. However, these acquisitions might not necessarily contribute to consolidated earnings or generate synergies as anticipated by the Group, and the Group might not be able to achieve its respective operating results as anticipated due to significant changes in the business environment or business conditions. If the respective business results do not progress as expected due to significant

changes in the business environment or business conditions, the Group's performance and financial position could be affected by impairment losses on goodwill or valuation losses on stocks.

(iv) Impairment Accounting

Our group owns tangible and intangible assets such as real estate, goodwill, and software for business use, including commercial facilities related to Regional Revitalization Solution projects, and these assets are recorded on the consolidated balance sheets. Such assets could be subject to impairment accounting depending on the future cash flows generated by such assets, and this could affect the financial position and operating results of the Group.

(7) Fund Procurement

The Group makes effective use of internal and external funds to secure stable funds necessary for the maintenance and expansion of business activities. Through the Group CMS (Cash Management System), the Company strives to effectively utilize funds among Group companies and to unify fund procurement and has established commitment lines with financial institutions. We hold a certain amount of cash and cash equivalents to balance our cost of capital with our ability to respond flexibly to capital needs. However, if the Group is unable to raise the necessary funds due to changes in business conditions, credit crunch, or financial conditions, the Group's business operations may be affected.

(8) Business continuity risk due to natural disasters, pandemics, etc.

The Group has group companies and sales offices throughout Japan. In the event of a major natural disaster such as earthquake or flood, pandemic, incident, accident, or other event that threatens the survival of the company, the Group has established measures in its crisis management manual to confirm the safety of employees and temporary staff and to ensure their safety. In addition, as measures for business continuity, the Company has formulated a BCP manual and has established a BCP for business sites and information. In addition, in September 2020, as part of BCP measures to cope with risks such as natural disasters in addition to countermeasures against infectious diseases, the Group began to decentralize its head office and headquarters functions and to relocate these to Awaji Island, Hyogo Prefecture, Japan, in stages. Although we intend to respond promptly and appropriately in the event of a crisis, natural disasters and other natural disasters on a much larger scale than anticipated could affect our group's business operations, financial condition, and earnings.

(9) Climate Change Risks

Climate change and other environmental problems are becoming more serious on a global scale. In 2005, the Group established the "Environmental Committee" consisting of executives and employees of each Group company, and has been working to create opportunities for each individual to act as a "social activist" as well as for environmental education for executives and employees in order to leave a healthy and beautiful planet for the next generation. In 2021, Pasona Group formulated the "Pasona Group Environmental Innovation Strategy" to communicate the Group's vision of sustainable management and to continue to be a long-selling company trusted by society, and in the same year, the Group announced its support for the Task Force on Climate-related Financial Disclosure (TCFD). In addition, we established our Environmental Management Promotion Council to analyze climate change scenarios and clarify business impact in terms of risks and opportunities caused by climate change. In 2023, we also established the Environmental Management Strategy Board to formulate strategies, policies, and targets in environmental management and climate change response.

For more information on business and other risks associated with climate change, please refer to "2. Approach to sustainability and initiatives (2) ESG and Sustainability Management" on page 15.

(10) Risks in the Childcare and Nursing Care Business

The Group operates childcare facilities such as local childcare facilities, in-house childcare facilities, and children's clubs, as well as nursing care services such as in-home nursing care (day service) and home-visit nursing care. Although we take every possible measure to ensure safety management in the operation of our facilities and businesses, there is still a possibility of unforeseen accidents that are unique to our business. In the unlikely event of such an accident, the Group's credibility could be damaged, and its business performance and financial position could be affected.

(11) Litigation, Scandals, and Reputation Risk

Although the Group conducts its business activities in compliance with laws and regulations, it might not be able to eliminate the risk of becoming a party to various lawsuits, disputes, or claims for damages, as well as scandals, slander, and other risks. The occurrence of such events could damage the Group's social credibility and corporate image, which could lead to a decrease in sales or otherwise affect the Group's operating results.

4. Analysis of financial position, operating results, and cash flow status by the management

The following is a summary of the status of the Group's financial position, operating results, and cash flows (hereinafter "Operating Results, etc.") during the current consolidated fiscal year, as well as the recognition, analysis, and discussion of the Group's operating results, etc., from the management perspective. Matters regarding the future described in this report are assessments of the Group as of the end of the current consolidated fiscal year.

(1) Business Results

(i) Business Results for the Current Fiscal Year

During the consolidated fiscal year under review, the Japanese economy continued its gradual recovery as the severe movement restrictions associated with the spread of COVID-19 infection eased toward the end of the fiscal year. On the other hand, the economic outlook remained uncertain due to global monetary tightening and rising prices.

As the social environment changed to a post-COVID situation, the BPO Services and Outsourcing business expanded in the Group, and sales of Regional Revitalization Solutions also grew as the number of tourists increased due to the end of COVID-19 infection. In addition, in overseas (Global Sourcing), due to a recovery in demand for human resources, the business grew at a double-digit rate, even excluding the boosting effect of exchange rate fluctuations. On the other hand, Expert Services remained below the previous year's level due to the earlier-than-expected completion of work related to infection control measures as COVID-19 infections were contained, as well as due to the lack of large-scale corporate structural reforms in the outplacement business of Career Solutions.

As a result, consolidated net sales for the fiscal year under review were ¥372,579 million (up 1.8% year-on-year), while gross profit was ¥91,525 million (up 2.1% year-on-year). SG&A expenses increased 14.1% year-on-year to ¥77,148 million, mainly due to duplicate costs in the process of integrating services of the former JTB BENEFIT in Outsourcing and expenses related to large-scale promotions, as well as one-time expenses associated with the relocation of the Tokyo Office in the first quarter. As a result, operating profit amounted to ¥14,377 million (down 34.9% year-on-year), ordinary profit amounted to ¥15,366 million (down 31.7% year-on-year), and profit attributable to owners of parent amounted to ¥6,099 million (down 29.3% year-on-year).

(Consolidated performance)

	FY2021 (Previous consolidated FY)	FY2022 (Current consolidated FY)	Percentage increase/decrease
Sales	¥366,096 million	¥372,579 million	+1.8%
Operating profit	¥22,083 million	¥14,377 million	(34.9)%
Ordinary profit	¥22,496 million	¥15,366 million	(31.7)%
Profit attributable to owners of the parent	¥8,621 million	¥6,099 million	(29.3)%

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

HR Solutions

Expert Services (Temporary Staffing), BPO Services (Contracting and outsourcing), Others

Net sales ¥307,687 million Operating profit ¥15,132 million

Expert Services Net sales: ¥147,188 million

In this business, the Group provides a wide range of human resource services, including office work support, clerical work, the provision of highly specialized skilled personnel, engineers, sales, and marketing personnel, and Expert Services (Temporary Staffing) for a wide range of age groups and job types, from young adults to senior citizens.

Amid a continuing moderate economic recovery, orders for temporary staffing services remained firm from a wide range of industries, including the financial sector, IT, and manufacturers. On the other hand, sales decreased to ¥147,188 million (down 3.2% year-on-year) as a result of a decrease in work related to response to COVID-19 infections, which had increased significantly in the previous year, as the pandemic subsided, and work was completed earlier than expected from the third quarter.

BPO Services Net sales: ¥141,906 million

In this business, the Group is entrusted with general affairs, accounting and finance, reception, sales administration and ordering, personnel and labor affairs, payroll, and other operations and provides BPO services, while Bewith, Inc., a consolidated subsidiary, provides contact center and BPO services using its own digital technology.

In BPO services, sales exceeded the previous fiscal year due to the accumulation of new projects and the expansion of service areas through cross-selling to existing clients. The negative impact of temporary special-demand projects in the previous fiscal year, such as work related to infection control measures for COVID-19 infections, was offset by new business wins from the public sector, such as job placement assistance and human resource development, along with new demand from private companies, such as outsourcing of operations and DX promotion for the purpose of improving productivity. As a result, net sales totaled ¥141,906 million (up 1.9% year-on-year).

HR Consulting, Education & Training, Others Net sales: ¥8,761 million

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

In the advisory consulting business, demand for recruitment consulting services expanded in response to companies' labor shortages. In the education and training business, the field of human capital management, such as training for next-generation leaders directly related to management and training for female managers, expanded.

As a result, net sales amounted to ¥8,761 million (up 4.1% year-on-year).

Global Sourcing Net sales: ¥9,831 million. Operating profit: ¥617 million

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

In the North America region, in addition to an increase in the unit price of placement and recruiting commissions and growth in executive-level contracts, BPO also saw an increase in outsourced operations in areas such as payroll and accounting. In the Asian region, sales increased due to high demand for human resources in the semiconductor manufacturing industry and peripheral businesses, especially in Taiwan. In addition, demand recovered in India, Thailand, and Malaysia, particularly from Japanese companies, and all of these locations recorded increased revenues from placement and other services.

As a result, net sales amounted to ¥9,831 million (up 17.9% year-on-year), while operating profit amounted to ¥617 million (up 38.0% year-on-year), due in part to the foreign exchange effects of the weaker yen.

Net sales for the segment consisting of the above businesses amounted to ¥307,687 million (down 0.1% year-on-year). In terms of profit, operating profit was ¥15,132 million (down 19.5% year-on-year), mainly due to a decrease in gross profit margins in Expert Services as a result of an increase in paid leave taken by active staff and social insurance premiums, as well as an increase in SG&A expenses such as personnel costs in BPO, HR consulting, and global business..

Career Solutions (Placement & Outplacement)

Net sales ¥13,923 million Operating profit: ¥4,089 million

This business segment provides the Placement/Recruiting business, which supports companies' mid-career recruitment activities and matches job-transfer candidates, and the Outplacement business, which supports companies' personnel transitions based on their human resource strategies.

In the Placement/Recruiting business, corporate demand for human resources remained brisk, and there continued to be a high level of willingness to recruit in the administrative and specialized job fields in which we are focusing our efforts. In our group, the number of contracts, mainly in the higher career areas, increased, and the unit price per contract also rose. In addition, as more and more companies promote human capital management such as involving diversity and inclusion, there is a growing need for hiring women managers in particular, and we will continue to promote business expansion in the area of women managers while leveraging our Group's track record and corporate brand.

In the outplacement business, demand continued to decline as companies settled down to review their business structures. Meanwhile, with the implementation of Japan's revised Act on Stabilization of Employment of Elderly Persons and growing awareness of human capital management, demand for Safe Placement Total Service, which combines career counseling and re-skilling for corporate employees, is steadily expanding, and we will continue to support employees' career development. We will continue to expand our business as a service that supports employee career development.

As a result, although the Placement/Recruiting business expanded, it was not enough to offset the decline in the Outplacement business, resulting in net sales of ¥13,923 million (down 5.3% year-on-year) and operating profit of ¥4,089 million (down 8.5% year-on-year).

Outsourcing

Net sales ¥42,376 million Operating profit ¥10,487 million

In this business, Benefit One Inc., a consolidated subsidiary of the Company, provides services mainly as an agent for companies, government agencies, and municipalities in the area of employee benefit programs.

In the welfare and benefit business, revenues increased due to the external growth effect of M&As implemented in the previous fiscal year, as well as due to the expansion of part-time employee membership in the Public Employees' Mutual Aid Association during the fiscal year. In addition, members' use of services, while slower than expected, showed a recovery trend, and subsidy expenditures related to this trend increased from the previous year.

In the healthcare business, we developed a business plan to anticipate the expansion of health management needs post-COVID-19 and conducted marketing such as commercials. While the number of contracts for vaccination support services for COVID-19 infection exceeded expectations, new orders and progress in the implementation of guidance in the health guidance business fell short of expectations.

In addition to marketing investments such as commercials, one-time costs associated with the relocation of the head office, duplicate costs in the process of integrating services after M&As, and IT costs due to system replacements were recorded as SG&A expenses during the period under review.

As a result, net sales amounted to ¥42,376 million (up 10.5% year-on-year), while operating profit amounted to ¥10,487 million (down 17.8% year-on-year).

Life Solutions

Net sales ¥8,200 million Operating profit ¥364 million

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

In the nursing care business, the dispatch of caregivers to residential care facilities for COVID-19 infections expanded through the third quarter, but demand began to decline in the fourth quarter as infections subsided.

In the life support business, such as housekeeping services, housekeeping services for child-rearing families commissioned by local governments are expanding, and new projects from new local governments have been acquired.

In the childcare business, the number of children accepted at licensed childcare facilities increased steadily, and the number of users of school-age children's clubs grew in line with the increase in the number of facilities operated, although the number of in-house childcare facilities has been shrinking due to the establishment of home-based workers.

As a result, net sales amounted to ¥8,200 million (up 14.6% year-on-year), while operating profit amounted to ¥364 million (up 57.0% year-on-year).

Regional Revitalization Solutions

Net sales ¥6,931 million Operating profit ¥(2,877) million

In this business, we are engaged in regional development projects to create new industries and employment in rural areas in cooperation and collaboration with local residents, local businesses, and local governments.

Awaji Island, Hyogo Prefecture, Japan, where the number of tourists, including inbound tourists, has increased due to the relaxation of behavioral restrictions associated with COVID-19 infections, has seen a recovery in the flow of people to attractions and food and beverage facilities. "Zenbo Seinei," which opened last April and which offers Zen, yoga, and other activities on a 100-meter-long wooden deck, and Haru-Sansan, which is a restaurant in a field that serves locally produced, locally consumed cuisine using regional ingredients, have attracted attention as facilities where visitors can fully enjoy the charms of nature. The restaurant has been featured in many media reports. In addition, the popular attraction of "Dragon Quest Island" at Hyogo Prefectural Awajishima Park Animation Park "Nijigen-no-Mori" underwent a full renovation this March, and the new attraction of "Dragon Quest Island: The Demon Gods of Inishie and the Guided Adventurers" opened. "Nijigen-no-mori" saw an increase in the number of inbound tourists as well as group tourists, as such tourists could enjoy multiple attractions featuring anime and characters popular both in Japan and abroad on the expansive park grounds.

Sales increased to ¥6,931 million (up 56.6% year-on-year) due to the opening of new facilities as well. At the same time, initial expenses for new facilities increased, resulting in an operating profit of ¥(2,877) million (operating profit of ¥(2,612) million in the previous period). In addition, during the fiscal year under review, the fiscal year-end of some subsidiaries was changed from March to May, resulting in a 14-month accounting period, which was added to the two-month results for the fiscal year under review.

Elimination/Corporate

Net sales ¥(6,539) million Operating profit ¥(12,819) million

This includes costs for eliminating intergroup transactions and maximizing group synergies, incubation costs for new businesses, and administrative costs as a holding company.

In the current consolidated fiscal year, the Company incurred one-time expenses such as moving and double rent during the relocation period in connection with office relocation to "PASONA SQUARE" in Minami Aoyama, Tokyo, which took place in the first quarter, as well as increased expenses related to the partial relocation of head office functions to Awaji Island, Hyogo Prefecture, Japan, and which is being carried out in stages.

As a result, net sales for the elimination of intergroup transactions amounted to ¥(6,539) million (¥(6,642) million in the previous fiscal year), while operating profit amounted to ¥(12,819) million (¥(11,566) million in the previous fiscal year).

Performance by Segment

Net sales

	FY May2021	FY May 2022	Percentage change
HR Solutions	¥361,154 million	¥363,987 million	+0.8 %
Expert Services (Temporary Staffing) BPO Services (Contracting & Outsourcing) and others	¥308,093 million	¥307,687 million	(0.1) %
Expert Services (Temporary Staffing)	¥152,067 million	¥147,188 million	(3.2) %
BPO Services (Contracting & Outsourcing)	¥139,272 million	¥141,906 million	+1.9 %
HR Consulting, Education & Training, Others	¥8,418 million	¥8,761 million	+4.1 %
Global Sourcing (Overseas staffing services)	¥8,335 million	¥9,831 million	+17.9 %
Career Solutions (Placement & Outplacement)	¥14,700 million	¥13,923 million	(5.3) %
Outsourcing	¥38,359 million	¥42,376 million	+10.5 %
Life Solutions	¥7,158 million	¥8,200 million	+14.6 %
Regional Revitalization Solutions	¥4,426 million	¥6,931 million	+56.6 %
Elimination/Corporate	¥(6,642) million	¥(6,539) million	-
Total	¥366,096 million	¥372,579 million	+1.8 %

Operating profit

	FY May 2021	FY May 2022	Percentage change
HR Solutions	¥36,030 million	¥29,709 million	(17.5) %
Expert Services (Temporary Staffing) BPO Services (Outsourcing & Contracting) and others	¥18,793 million	¥15,132 million	(19.5) %
Expert Services (Temporary Staffing)	¥18,345 million	¥14,515 million	(20.9) %
BPO Services (Contracting & Outsourcing)			
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas staffing services)	¥447 million	¥617 million	+38.0 %
Career Solutions (Placement & Outplacement)	¥4,470 million	¥4,089 million	(8.5) %
Outsourcing	¥12,765 million	¥10,487 million	(17.8) %
Life Solutions (Placement & Outplacement)	¥232 million	¥364 million	+57.0 %
Regional Revitalization Solutions	¥(2,612) million	¥(2,877) million	-
Elimination/Corporate	¥(11,566) million	¥(12,819) million	-
Total	¥22,083 million	¥14,377 million	(34.9) %

(2) Status of production, orders, and sales

(i) Production results

The Group is engaged in temporary staffing, outsourcing & contracting, placement & recruiting, outplacement, outsourcing, childcare & nursing care, and regional development, etc. Due to the nature of the services it provides, it is not appropriate to state production performance, and therefore such information is not provided.

(ii) Orders received

For the same reason as production, this item is omitted.

(iii) Sales

Sales results by segment for the current consolidated fiscal year are as follows.

Segment	Fiscal year ended May 31, 2023		
	Sales (millions of yen)	Composition (%)	Year-on-year change (%)
HR Solutions	358,837	96.3	100.9
Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing) others	303,164	81.4	99.7
Expert Services (Temporary Staffing)	146,655	39.4	96.8
BPO Services (Contracting & Outsourcing)	139,290	37.4	101.4
HR Consulting, Education & Training, Others	7,563	2.0	105.3
Global Sourcing (Overseas human resources services)	9,654	2.6	120.0
Career Solutions (Placement & Outplacement)	13,893	3.7	94.7
Outsourcing	41,779	11.2	112.8
Life Solutions	7,686	2.1	115.0
Regional Revitalization Solutions	6,055	1.6	166.4
Total	372,579	100.0	101.8

(Notes) Inter-segment transactions were offset and eliminated.

The table below shows net sales by region for the consolidated fiscal year under review as indicated above.

Classification	Fiscal year ended May 31, 2023		
	Sales (millions of yen)	Composition ratio (%)	Year-on-year change (%)
Hokkaido/Tohoku	14,063	3.8	94.9
Kanto (outside Tokyo)	41,257	11.1	102.9
Tokyo	177,992	47.8	103.9
Tokai/Hokushinetsu	20,324	5.5	95.5
Kansai	70,145	18.8	95.0
Chugoku/Shikoku/Kyushu	38,528	10.3	106.8
Overseas	10,265	2.7	118.1
Total	372,579	100.0	101.8

(3) Financial position

Assets, Liabilities, and Net Assets

Assets and liabilities as of May 31, 2023 included ¥74,869 million (¥10,123 million as of May 31, 2022) in temporary "deposits received" from customers related to contract projects for which use by the Group is restricted and a corresponding amount of "cash and deposits."

Total assets as of May 31, 2023, amounted to ¥275,504 million, an increase of ¥71,758 million or 35.2%, compared with May 31, 2022. This was mainly attributable to an increase of ¥56,116 million in above cash and deposits, an increase of ¥2,623 million in income taxes receivable, an increase of ¥6,389 million in property, plants, and equipment related to the Awaji Island regional development project and head office and headquarters functions, and an increase of ¥2,382 million in software due to system capital expenditures, etc.

Total liabilities as of May 31, 2023, amounted to ¥203,880 million, an increase of ¥67,281 million or 49.3%, compared with May 31, 2022. This was mainly attributable to an increase of ¥65,638 million in deposits received due to the above-mentioned commissioned projects, etc., and increase of ¥4,725 in long-term borrowings as a result of fundraising, a decrease of ¥1,308 million in accounts payable-trade due to advanced payments, and a decrease of ¥2,815 million in income taxes payable due to income tax payments, etc.

Net assets as of May 31, 2023, amounted to ¥71,624 million, an increase of ¥4,477 million or 6.7%, compared with May 31, 2022. This was mainly attributable to an increase of ¥4,703 million in retained earnings due to dividend payments of ¥1,396 million and a decreased ¥692 million in capital surplus due to the purchase of treasury stock by our consolidated subsidiary, Benefit One Inc., while profit attributable to owners of the parent amounted to ¥6,099 million.

As a result of the above, the equity ratio as of May 31, 2023 was 19.6% (24.5% as of May 31, 2022). Total assets, after deducting "cash and deposits" associated with "deposits received" for contracted projects, amounted to ¥200,634 million (¥193,622 million as of May 31, 2022), and the equity ratio was 26.9% (25.8% as of May 31, 2022).

(4) Cash flows

Cash and cash equivalents (hereinafter "net cash") decreased by ¥8,658 million from the end of the previous fiscal year to ¥47,919 million in the current fiscal year. "Net cash" does not include "cash and deposits" commensurate with temporary "deposits" from customers for contract projects.

(Cash flows from operating activities)

Net cash provided by operating activities decreased by ¥4,153 million, compared with the previous fiscal year, to ¥5,961 million (an increase of ¥10,115 million in the previous fiscal year).

Major cash inflows included profit before income taxes totaling ¥16,766 million (¥22,290 million in the previous fiscal year) and depreciation and amortization totaling ¥5,126 million (¥4,419 million in the previous fiscal year).

Major cash outflows included an increase in notes and accounts receivable-trade and contract assets totaling ¥1,188 million (an increase of ¥6,112 million in the previous fiscal year), an increase in accounts receivable-other included in the decrease (increase) in other assets totaling ¥2,093 million (an increase of ¥1,243 million in the previous fiscal year), and income taxes paid totaling ¥12,932 million (¥8,084 million yen in the previous fiscal year).

(Cash flows from Investing activities)

Net cash used in investing activities decreased by ¥17,122 million, compared with the previous fiscal year, to ¥12,502 million (a decrease of ¥29,624 million in the previous fiscal year).

Major cash inflows included proceeds from sales of investment securities totaling ¥1,790 million (¥95 million in the previous fiscal year) and proceeds from the collection of lease and guarantee deposits totaling ¥1,962 million (¥256 million in the previous fiscal year).

Major cash outflows included purchase of property, plants, and equipment totaling ¥9,029 million (¥11,632 million in the previous fiscal year) related to commercial facilities in the Regional Revitalizations Solutions business, purchase of intangible assets related to investment in system facilities totaling ¥4,591 million (¥4,683 million in the previous fiscal year), and the acquisition of shares in subsidiaries resulting in a change in scope of consolidation totaling ¥1,268 million (¥10,451 million in the previous fiscal year) related to the purchase of shares of Pasona Joinus Inc.

(Cash flows from financing activities)

Net cash used in financing activities decreased by ¥25,835 million, compared with the previous fiscal year, to ¥2,292 million (an increase of ¥23,543 million in the previous fiscal year).

Major cash inflows included proceeds from long-term loans payable totaling ¥15,727 million (¥29,129 million in the previous fiscal year) for the purpose of securing long-term working capital and funds for capital investment.

Major cash outflows included repayment of long-term loans payable totaling ¥10,339 million (¥11,098 million in the previous fiscal year), purchase of treasury stock of subsidiaries totaling ¥1,506 million (¥0 million in the previous fiscal year), and dividends paid totaling ¥5,169 million (¥3,584 million in the previous fiscal year).

(Reference) Trends in cash flow-related indicators

Item	May 2019	May 2020	May 2021	May 2022	May 2023
Capital adequacy ratio	23.7%	22.7%	25.2%	24.5%	19.6%
Equity ratio based on market value	54.8%	35.7%	49.0%	40.3%	24.7%
Cash flow to debt ratio	2.7 years	3.2 years	1.8 years	5.3 years	9.9years
Interest coverage ratio	41.9	57.9	64.5	35.4	15.9

Note 1: Shareholders' equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flows / Interest payments

Note 2: All figures are calculated based on consolidated financial figures.

Note 3: Market capitalization is calculated based on the number of shares issued excluding treasury stock.

Note 4: Cash flow is based on operating cash flow.

Note 5: Interest-bearing debt includes all liabilities on the consolidated balance sheets for which interest is paid.

Note 6: The equity ratio, which excludes temporary "deposits" from clients related to projects for which use by the Group is restricted and the corresponding "cash and deposits," is as described in the previous section "(3) Financial position Assets, Liabilities, and Net Assets," and the equity ratio based on market value is 33.9% (42.4% at the end of the previous fiscal year).

(5) An analysis of the financial resources for capital and the liquidity of funds

(i) Approach to Financial Strategy

The basic policy of the Group's financial strategy is to appropriately procure and allocate funds to enhance corporate value while strengthening its financial position and improving capital efficiency. The Group's priority strategies include capital investment in regional revitalization projects, IT-related investment to promote digitalization in the HR solutions area, and investments related to business locations. The Company efficiently secures funds necessary for the Group's growth and enhancement of corporate value, as well as recurring working capital. Furthermore, the Company has introduced a cash management system (CMS) with its group companies to effectively utilize surplus funds at each group company.

(ii) Basic Fund Procurement Policy

In order to secure stable and flexible funds necessary for the maintenance and expansion of the Group's business activities, the Company strives to effectively utilize internal and external funds. For short-term working capital needs during the month, we flexibly utilize commitment lines and overdraft facilities that we have established with financial institutions. For long-term borrowings, the Company formulates a funding plan for the fiscal year and procures funds from correspondent financial institutions, while taking into consideration contractual repayment amounts and investment plans. In procuring funds, we determine whether or not to do so while also paying attention to our financial strength and cost of capital. We strive to reduce the cost of capital and improve capital efficiency by effectively utilizing bank loans, bonds, and other liabilities, while keeping an eye on the capital adequacy ratio, EBITDA-to-debt ratio, and other factors.

(iii) Approach to fund allocation

Funds obtained by the Group as a whole are allocated to growth investments, shareholder returns, and cash-on-hand. With regard to growth investments, the Company makes decisions on whether or not to invest by examining the significance of the investment as a group in light of management strategies, the possibility of recovering invested funds, and the expected returns. Our basic policy is to return profits to shareholders in line with business performance, and our dividend policy is to maintain a consolidated dividend payout ratio of around 30%, while striving to maintain continuous and stable dividends. Regarding cash-on-hand, we are striving to improve the capital efficiency of the Group as a whole by utilizing commitment lines and other arrangements with financial institutions to keep it at an appropriate level.

(6) Material Accounting Estimates and Assumptions Used in Making Such Estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. The accounting policies used in the preparation of these consolidated financial statements are described in "I-5. Status of accounting, 1. Consolidated financial statements, etc., (1) Consolidated financial statements, Note to Material Matters, which serve as the basis for preparing consolidated financial statements," .

In preparing these consolidated financial statements, it is necessary to make estimates and judgments that affect the reported values of assets and liabilities at the balance sheet date and the reported values of revenues and expenses during the reporting period. Estimates and judgments are made based on various factors that are considered reasonable in light of past experience and current conditions. However, because of the uncertainties inherent in estimates, actual results might differ from these estimates.

Significant accounting estimates and assumptions used in the preparation of the consolidated financial statements are described in "I-5. Status of accounting, 1. Consolidated financial statements, etc., (1) Consolidated financial statements, Note to Material accounting estimates,".

5. Important business contracts, etc.

Not applicable.

6. R&D activities

There were no significant matters to be noted during the current fiscal year.

I-3. Status of equipment

1. Outline of capital investment, etc.

Capital expenditures totaled ¥13,747 million in the current fiscal year, which included commercial facilities in the Regional Revitalization Solutions segment, office facilities in the Corporate segment, and the development of business systems in each business.

(Millions of yen)

Segment	Buildings, Structure Lease assets	Land	Software	Total
Expert Services, BPO Services, etc.	832	-	593	1,426
Career Solutions	10	-	219	230
Outsourcing	318	-	3,267	3,586
Life Solutions	123	-	9	132
Regional Revitalization Solutions	2,340	-	178	2,518
Corporate	4,909	796	147	5,853
Total	8,534	796	4,416	13,747

2. Status of major equipment

Major equipment and employees of the Company as of May 31, 2023 are as follows:

(1) Reporting company

Business site (Location)	Segment	Equipment	Book value (millions of yen)						Number of employees (persons)
			Buildings & structures	Land	Leased assets	Software	Other	Total	
PASONA SQUARE (Minato-ku, Tokyo) and 3 other offices	Corporate	Business site equipment	154	-	2	474	53	684	314 (120)
GLOBAL HUB SQUARE (Awaji City, Hyogo Prefecture) and 9 other offices	Corporate	Business site equipment	3,996	133	-	6	407	4,543	348 (92)
ZENBO SEINEI (Awaji City, Hyogo Prefecture) and 9 other offices	Regional Revitalization Solution	Commercial facilities	4,758	149	-	4	937	5,849	-

Note 1: "Other" in book value includes structures, tools, furniture and fixtures, etc.

Note 2: The above amounts do not include consumption tax, etc.

Note 3: Currently, there is no idle equipment.

Note 4: The number in parentheses in the "Number of employees" column represents the average number of contract employees and part-timers during the year.

Note 5: In addition to the above table, there is a security deposit and guarantee money of ¥2,636 million.

(2) Subsidiaries in Japan

Company name (location)	Segment	Equipment	Book value (millions of yen)						Number of employees (persons)
			Buildings & structures	Land	Leased assets	Softwa re	Other	Total	
Benefit One Inc. (Shinjuku-ku, Tokyo)	Outsourcing	Business systems, etc.	654	602	144	7,176	173	8,751	1,173 (251)
Nijigenomori Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solution	Commercial facilities, etc.	2,062	-	155	360	3,405	5,983	14 (19)
Pasona Inc. (Minato-ku, Tokyo)	Expert Services, BPO Services, etc. Career Solution	Business- related systems, etc.	234	1	2	1,176	102	1,517	3,607 (6,852)
Pasona Smile Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solution	Commercial facilities, etc.	999	28	7	33	101	1,170	7 (9)
Bewith, Inc. (Shinjuku-ku, Tokyo)	Expert Services, BPO Services, etc.	Office facilities, etc.	644	-	-	211	276	1,132	756 (5,158)
Pasona Panasonic Business Service Co., Ltd. (Osaka City, Osaka)	BPO services	Office facilities	275	65	51	85	59	536	893 (679)
Pasona Foster Inc. (Minato-ku, Tokyo)	Life Solution	Office facilities, etc.	306	-	-	12	23	342	425 (316)
gotop Co., Ltd. (Matsuzaka City, Mie Prefecture)	BPO Services	Office facilities, etc.	3	217	-	5	28	254	170 (20)
Pasona Agri- Partners Inc. (Minato-ku, Tokyo)	Regional Revitalization Solution	Commercial facilities, etc.	166	-	-	1	32	200	14 (20)
Pasona JOB HUB Inc. (Minato-ku, Tokyo)	Expert Services, BPO Services, etc.	Office facilities, etc.	12	-	-	159	0	172	146 (30)
iBRID. Co., Ltd. (Shibuya-ku, Tokyo)	Expert Services, BPO Services, etc.	Office facilities, etc.	3	-	-	93	4	101	10 (-)

Note 1: "Other" in book value includes structures, vehicles, tools, furniture, and fixtures, telephone subscription rights, and construction in progress.

Note 2: Of the book value of Pasona Inc., ¥3 million is related to office facilities leased to the Company and its consolidated subsidiaries.

Note 3: In addition to the above table, there are lease and guarantee deposits totaling ¥4,878 million.

Note 4: The above amounts do not include consumption tax, etc.

Note 5: Currently, there is no idle equipment.

Note 6: The number in parentheses in the "Number of employees" column represents the average number of contract employees and part-timers during the year.

(3) Overseas subsidiaries

Company name (location)	Segment	Equipment	Book value (millions of yen)						Number of employees (persons)
			Buildings & structures	Land (Area in m ²)	Leased assets	Software	Other	Total	
Pasona NA, Inc. (New York, U.S.A.)	Global Sourcing	Office facilities, etc.	0	-	286	1	9	298	113 (1)
REWARDZ PRIVATE LIMITED (Vertex, Singapore)	Outsourcing	Business systems, etc.	-	-	0	200	1	202	8 (-)
PT. Dutagriya Sarana (Jakarta, Indonesia)	Global Sourcing	Office facilities, etc.	14	91	21	-	7	135	39 (31)

Note 1: "Other" in book value includes vehicles, tools, and other intangible assets.

Note 2: The above amounts do not include consumption tax, etc.

Note 3: Currently, there is no idle equipment.

Note 4: The number in parentheses in the "Number of employees" column represents the average number of contract employees and part-timers during the year.

3. Plans for new equipment, equipment retirement, etc.

(1) Important new equipment, etc.

Company name (location)	Segment	Equipment	Investment plan amount		Financing method
			Total amount (millions of yen)	Paid amount (millions of yen)	
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solutions	Commercial facilities	13,000 ~ 14,000	553	Borrowings and Funds on hand (planned)
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Corporate	Seawalls/ Land Improvement	4,200	1,943	Funds on hand
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solutions	Commercial facilities	2,300	91	Funds on hand
Benefit One Inc. (Shinjuku-ku, Tokyo)	Outsourcing	Business systems (Note 2)	8,600	7,000	Funds on hand

Note 1: The above amounts do not include consumption tax, etc.

Note 2: This includes hardware investment and long-term prepaid expenses related to business systems.

Note 3: The above investment plan amount includes a part of the amount that is not included in assets and will possibly be processed as an expense.

(2) Retirement of important equipment, etc.

There are no plans for retirement of important facilities, except for retirement related to the relocation of offices and layout changes.

I-4. Status of the reporting company

1. Status of shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of authorized shares
Common shares	150,000,000
Total	150,000,000

(ii) Issued shares

Class	Number of issued shares as of the end of the fiscal year (May 31, 2023)	Number of issued shares as of the date of submission (August 25, 2023)	Financial instruments exchange on which the shares are listed or the association of authorized financial instruments firms to which the shares are registered	Information on shares
Common shares	41,690,300	41,690,300	Prime Market, Tokyo Stock Exchange	The number of shares constituting one unit is 100 shares.
Total	41,690,300	41,690,300	-	-

(2) Status of share options, etc.

(i) Stock option plan

Not applicable

(ii) Rights plan

Not applicable

(iii) Status of other share options, etc.

Not applicable

(3) Status of exercise, etc., of corporate bond certificates, etc., with share options subject to exercise value change

Not applicable

(4) Transition of the total number of issued shares, share capital, etc.

Date	Increase/decrease in the total number of issued shares	Balance of the total number of issued shares	Increase/decrease in share capital (millions of yen)	Balance of share capital (millions of yen)	Increase/decrease in legal capital surplus (millions of yen)	Legal capital surplus balance (millions of yen)
December 1, 2013 (Note 1)	41,273,397	41,690,300	-	5,000	-	5,000

Note 1: One share was split into 100 shares for shareholders registered in the shareholder register as of December 1, 2013.

(5) Status of shares by shareholder

As of May 31, 2023

Category	Status of shares (1 unit = 100 shares)								Status of shares less than one unit (shares)
	Government and local public bodies	Financial institution	Financial instruments business operator	Other corporations	Foreign corporation, etc.		Individual & other	Total	
					Non-individual	Individual			
Number of shareholders (persons)	-	21	22	108	154	13	11,123	11,441	-
Number of shares held (unit)	-	53,030	3,961	47,842	90,971	71	220,748	416,623	28,000
Percentage of shares held (%)	-	12.73	0.95	11.48	21.83	0.02	52.99	100.00	-

Note 1: Of 1,793,144 treasury shares, 17,931 units are included in "Individual & other," while 44 shares are included in "Status of shares less than one unit."

Note 2: Of the 424,862 shares of the Company held by the Stock Benefit Trust (BBT), 424,800 shares (4,248 units) are included in "Financial Institutions," and 62 shares are included in "Status of Odd-lot Shares."
Of the 297,514 shares of the Company held by the Stock Benefit Trust (J-ESOP) 297,500 shares (2,975 units) are included in "Financial Institutions," and 14 shares are included in "Status of Odd-lot Shares."

(6) Status of major shareholders

As of May 31, 2023

Name	Address	Number of shares held	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
Yasuyuki Nambu	Awaji City, Hyogo Prefecture	14,763,200	37.00
Nambu Enterprise Co.	1-30, 3-chome, Minamiaoyama, Minato-ku, Tokyo	3,738,500	9.37
Master Trust Bank of Japan Ltd. (Trust account)	11-3, 2-chome, Hamamatsucho, Minato-ku, Tokyo	3,012,900	7.55
THE BANK OF NEW YORK MELON, 140040 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	240 Greenwich Street, New York, New York, 10286, USA (Shinagawa Intercity Tower A, 15-1, 2-chome, Konan, Minato-ku, Tokyo)	2,278,500	5.71
Custody Bank of Japan, Ltd. (Trust E account)	8-12, 1-chome, Harumi, Chuo-ku, Tokyo	876,500	2.20
AVI GLOBAL. TRUST PLC (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	51 New North Road, Exeter Devon, EX4 4EP, United Kingdom (Shinagawa Intercity Tower A, 15-1, 2-chome, Konan, Minato-ku, Tokyo)	837,700	2.10
CREDIT SUISSE AG HONG KONG TRUST ACCOUNT CLIENT (Standing proxy: MUFG Bank, Ltd.)	Level 88, International Commerce Center, 1 Austin Road, Kowloon, Hong Kong (7-1, 2-chome, Marunouchi, Chiyoda-ku, Tokyo)	782,800	1.96
INDUS SELECT MASTER FUND, LTD. (Standing proxy: Custody Business Department, Tokyo Branch, The Hong Kong and Shanghai Banking Corporation)	94 SOLARIS AVENUE, CAMANA BAY, PO BOX 1348, GRAND CAYMAN, KY1-1108, CAYMAN ISLAND (11-1, 3-chome, Nihonbashi, Chiyoda-ku, Tokyo)	737,100	1.85
Custody Bank of Japan, Ltd. (Trust account)	8-12, 1-chome, Harumi, Chuo-ku, Tokyo	722,376	1.81
JP MORGAN CHASE BANK 385632 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (Shinagawa Intercity Tower A, 15-1, 2-chome, Konan, Minato-ku, Tokyo)	618,601	1.55
Total	-	28,368,177	71.10

Note 1: In addition to the above, there are 1,793,144 shares of treasury stock in the name of the submitting company, but these shares do not have voting rights pursuant to Article 308, Paragraph 2 of Japan's *Companies Act*.

Note 2: The Company has introduced a stock benefit trust (BBT) and a stock benefit trust (J-ESOP), and the Custody Bank of Japan, Ltd. (Trust E account) ("Trust E account") holds 722,376 shares of the Company's shares. The Company shares held by Trust E account are not included in treasury stock.

Note 3: In a change report of the large-shareholding report made available for public inspection on January 18, 2022, Tempered Investment Management LTD. is stated to own the following shares as of January 11, 2022. Although Tempered Investment Management LTD. is listed as owning the following shares as of October 1, 2019, the Company is unable to confirm the actual number of shares owned as of May 31, 2023, and thus is not included in the above list of major shareholders.

The details of the change report of the large shareholding report are as follows.

Name or designation	Address	Number of shares held (shares)	Percentage of shares held (%)
Tempered Investment Management LTD.	Chadwick Court, North Vancouver, BC, Canada 220-145	2,406,300	5.77

(7) Status of voting rights

(i) Issued shares

As of May 31, 2023

Category	Number of shares	Number of voting rights	Information
Non-voting shares	-	-	-
Shares with restricted voting right (treasury shares, etc.)	-	-	-
Shares with restricted voting right (Other)	-	-	-
Shares with voting rights (treasury shares, etc.)	(Shares owned by the Company) Common shares 1,793,000	-	-
Shares with voting rights (Other)	Common shares 39,869,200	398,692	-
Shares less than one unit	Common shares 28,000	-	-
Total number of issued shares	41,690,300	-	-
Voting rights of all shareholders	-	398,692	-

Note 1: Common shares in the "Shares with voting rights (Other)" column include 424,800 shares of the Company (the number of voting rights: 4,248) held by the Board Benefit Trust (BBT) and 297,500 shares of the Company (the number of voting rights: 2,975) held by the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 2: Common shares in the "shares less than one unit" column includes 18 shares of treasury stock held by the Company, 62 shares held by the Stock Benefit Trust (BBT), and 14 shares held by the Stock Benefit Trust (J-ESOP).

(ii) Treasury shares, etc.

As of May 31, 2023

Name of the shareholder	Address of the shareholder	Number of treasury shares held	Number of non-treasury shares held	Total number of shares held	Percentage of shares held to the total number of issued shares (%)
Pasona Group Inc. (shares owned by the Company)	5-1, 1-chome, Marunouchi, Chiyoda-ku, Tokyo	1,793,100	-	1,793,100	4.30
Total	-	1,793,100	-	1,793,100	4.30

Note 1: 424,800 shares of the Company (1.02%) held by the Board Benefit Trust (BBT) and 297,500 shares of the Company (0.71%) held by the Japanese version of the Employee Stock Ownership Plan (J-ESOP) are not included in the above treasury shares.

Note 2: Other than the above, the Company holds 44 shares as treasury shares less than one unit.

(8) Information on the Officer/employee stock ownership plan

(i) Introduction of the Board Benefit Trust (BBT) for Directors

Based on the resolution at the General Meeting of Shareholders held on August 19, 2015, the Company introduced the Board Benefit Trust (BBT) (hereinafter, the "BBT scheme") on October 26, 2015, as a performance-linked stock-based remuneration system for Directors (excluding Directors that are members of the Audit and Supervisory Committee, Outside Directors, and non-Executive Directors) and Executive Officers with Executive titles (limited to those that were

Directors immediately prior to the transition to a company with an Audit and Supervisory Committee system) as of September 1 of the fiscal year subject to evaluation.

a. Outline of the BBT scheme

The Company established the Officer Stock Benefit Regulations when it introduced the BBT scheme. Based on the Officer Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire, in advance, shares to be allocated in the future, and trust banks acquired the Company's shares using the entrusted money.

In the BBT scheme, the Company grants points to Directors and Executive Officers and allocates shares to Directors and Executive Officers according to points as based on the Officer Stock Benefit Regulations.

b. Total number of shares to be allocated to Directors

601,862 shares (As of July 31, 2023)

c. Scope of persons that are entitled to beneficiary rights and other rights under the BBT scheme

Of those that have resigned from a Director or Executive Officer position, persons that satisfy the beneficiary requirements as specified in the Officer Stock Benefit Regulations

(ii) Introduction of the Japanese version of the Employee Stock Ownership Plan (J-ESOP) for employees

The Company introduced an incentive plan, the Japanese version of the Employee Stock Ownership Plan (J-ESOP) (hereinafter, the "J-ESOP scheme"), on October 26, 2015, for the purpose of enhancing employee motivation and morale for higher stock price and performance. In this scheme, treasury shares are allocated to employees of the Company and Officers and employees of the Company's subsidiaries (hereinafter, "Employees, etc.>").

a. Outline of the J-ESOP scheme

The Company established the Stock Benefit Regulations when it introduced the J-ESOP scheme. Based on the Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire, in advance, shares to be allocated in the future, and trust banks acquired the Company's shares using the entrusted money.

In the J-ESOP scheme, the Company grants points to Employees, etc., and allocates shares to Employees, etc., according to points as based on the Stock Benefit Regulations.

b. Total number of shares to be allocated to Employees, etc.

474,514 shares (As of July 31, 2023)

c. Scope of persons that are entitled to beneficiary rights and other rights under the J-ESOP scheme

Persons that satisfy the beneficiary requirements specified in the Stock Benefit Regulations

2. Status of the acquisition of treasury shares, etc.

Class of shares, etc.: Acquisition of common stock pursuant to Article 155-7 of the Companies Act

(1) Status of acquisition based on a resolution of the General Meeting of Shareholders

Not applicable

(2) Status of acquisition based on a resolution of the Board of Directors

Not applicable

(3) Acquisitions that are not based on a resolution of the General Meeting of Shareholders or the Board of Directors

Category	Number of shares (shares)	Total value (millions of yen)
Treasury stock acquired during the current fiscal year	26	0
Treasury stock acquired during the period	-	-

Note: Treasury stock acquired during the period does not include shares less than one unit purchased from August 1, 2023 to the date of submission of the Annual Securities Report.

(4) Status of disposal and holding of acquired treasury shares

Category	Current fiscal year		Current period	
	Number of shares (shares)	Total amount of disposal value (millions of yen)	Number of shares (shares)	Total amount of disposal value (millions of yen)
Acquired treasury shares offered to subscribers	-	-	-	-
Acquired treasury shares disposed of by amortization	-	-	-	-
Acquired treasury shares through mergers, share exchanges, and corporate divestitures	-	-	-	-
Other (Additional contribution to the Stock Benefit Trust (BBT) and the Stock Benefit Trust (J-ESOP))	-	-	354,000	597
Number of treasury shares held	1,793,144	-	1,439,144	-

Note 1: The 424,862 shares held by the Stock Benefit Trust (BBT) and the 297,514 shares held by the Stock Benefit Trust (J-ESOP) during the current fiscal year are not included in the number of treasury stock held above.

Note 2: The number of shares of treasury stock held during the period does not include the number of shares purchased from August 1, 2023 to the filing date of the securities report.

Note 3: Disposition of treasury stock acquired in the "Other" column during the period under review is a disposal through third-party allotment to Custody Bank of Japan, Ltd. (Trust E account), which is the trustee of the trust, Mizuho Trust & Banking Co. (Trust E account), which is the trustee of Mizuho Trust & Banking Co.

3. Dividend policy

In order to play a sufficient role as a company with sustainable growth, we aim to increase shareholder returns by improving corporate value while securing funds for growth, such as in new business investment and capital investment, and we are strengthening our management base and profitability. In line with our basic policy of returning profits to shareholders in line with business performance, we aim for a consolidated dividend payout ratio of 30% and strive to maintain continuous and stable dividends.

Although both sales and profits increased during the current fiscal year, the annual dividend for the fiscal year ended May 31, 2023 will be 35 yen per share, as forecasted at the beginning of the fiscal year, based on the resolution of the Board of Directors' meeting held on July 14, 2023. In addition, the start date of dividend payment (effective date) will be August 10, 2023.

Dividends of surplus for which the record date belongs to the current fiscal year are as follows.

Resolution date	Total amount of dividend (millions of yen)	Dividend per share (yen)
July 14, 2023: Resolution by the Board of Directors	1,396	35.0

4. Status of corporate governance, etc

(1) Outline of corporate governance

(i) Basic policy on corporate governance

Based on our corporate philosophy of "solving society's problems," which has remained unchanged since our founding, we, as a social solutions company, are committed to administering to all aspects of life for all those involved with us, as well as contributing to a sustainable society. We are working toward a society that can realize the "Smart Life Initiative," which aims to create a life that is rich in spirit and contentment for people.

It is our basic mission as a company to realize continuous enhancement of corporate value for our stakeholders, including our shareholders, who share our corporate philosophy and social mission as a company.

Our group must always be "a company that is needed" by society, "a company that proposes a true 'social work-life balance'" to its workers, "a company that earns the trust and confidence" of its clients, and "a company that allows its employees to take on challenges with confidence and pride." We must continue to be "a company that offers a true 'social work-life balance'" to our workers, "a company that our clients can trust and rely on," and "a company whose employees can take on challenges with confidence and pride."

To this end, we will promote the strengthening of corporate governance, and we are always aware of and implement management based on a spirit of legal compliance and high ethical standards.

We are convinced that our awareness as a leading company in the industry and our continued efforts to enhance the social credibility of our Group and the industry as a whole will fulfill our responsibilities to our stakeholders, while at the same time strengthening our business foundation and increasing our corporate value.

With regard to the status of corporate governance, the "Report on Corporate Governance" is posted on the listed stock exchange and on the Company's website for public disclosure, and the Company updates the contents of the report as needed.

(ii) Outline of the corporate governance system and reasons for adopting the system

The Company is a Company with an Audit and Supervisory Committee, aiming to strengthen the audit and supervisory functions of the Board of Directors, further increase the effectiveness of corporate governance, and improve the management efficiency by promoting prompt decision-making through authority delegation to Executive Directors.

Major internal control-related organizations of the Company are as follows:

a. Board of Directors

The Board of Directors is responsible for overall management supervision and makes decisions on important matters for the Company and its group companies, such as in M&As, organizational restructuring, the disposal or acquisition of important assets, and large investments and loans, in accordance with laws, regulations, the Articles of Incorporation, and the Board of Directors Regulations as established by a resolution of the Board of Directors. As of the date of submission of the Annual Securities Report, there are 5 directors (3 males and 2 females) that are not members of the Audit and Supervisory Committee and 4 independent outside directors out of 5 directors who are members of the Audit and Supervisory Committee (all males), thus strengthening the monitoring function of the Board of Directors by having 40% of the officers consist of independent outside directors.

The Board of Directors is chaired by the President and Representative Director.

(Selection Policy for Directors)

The Company's basic policy is to select candidates with outstanding character and insight, taking into consideration the balance and diversity of knowledge, experience, and abilities of the Board of Directors as a whole. The Company selects outside directors in particular who are knowledgeable not only in management, finance, accounting, law, etc., but also in the Group's business areas, in order to achieve sustainable growth and enhance corporate value over the medium-to-long term. The Nomination and Compensation Committee, composed of a majority of independent outside directors who meet the Company's criteria for independence, reports to the Board of Directors based on the above basic policy, and the selection of candidates for Directors is decided by a resolution of the Board of Directors.

(Skills Matrix of Directors)

Name		Knowledge, experience, and abilities possessed by director								
		Business Management	Human Resources Development	New Business, Business Development	Compliance, Risk Management	Financials, Accounting	Regional Creation, Culture, Arts	Sustainability ESG	Global	Well-being
Yasuyuki Nambu	Representative Director Group Representative and President	●	●	●			●	●	●	●
Junko Fukasawa	Director Executive Vice President	●	●				●	●		●
Kinuko Yamamoto	Director Deputy President and Executive Officer	●	●	●			●			●
Hiroataka Wakamoto	Director Deputy President and Executive Officer	●	●	●				●		
Makiya Nanbu	Director, Managing Executive Officer			●					●	
Kazufumii Nomura	Director (Full-time Audit and Supervisory Committee Member)	●			●					
Haruo Funabashi	Outside Director (Audit and Supervisory Committee Member)				●	●	●			
Kazuo Furukawa	Outside Director (Audit and Supervisory Committee Member)	●		●	●			●	●	
Ryohei Miyata	Outside Director (Audit and Supervisory Committee Member)		●				●			
Yutaka Atomi	Outside Director (Audit and Supervisory Committee Member)				●					●

(Activities of the Board of Directors)

The Company's directors hold regular meetings of the Board of Directors at least once a month and extraordinary meetings as necessary. The Board of Directors held 16 meetings during the fiscal year under review, and the attendance of each director was as follows.

Name	Position	Attendance
Yasuyuki Nambu	Representative Director, Group Representative and President	100% (16/16 times)
Junko Fukasawa	Director, Executive Vice President	100% (16/16 times)
Kinuko Yamamoto	Director, Executive Vice President	100% (16/16 times)
Hiroataka Wakamoto	Director, Executive Vice President	100% (16/16 times)
Makiya Nambu	Director, Executive Vice President	100%(13/13 times)
Kazufumi Nomura	Director (Full-time Audit and Supervisory Committee Member)	100% (16/16 times)
Haruo Funabashi	Outside Director (Member of the Audit and Supervisory Committee)	100% (16/16 times)
Kazuo Furukawa	Outside Director (Member of the Audit and Supervisory Committee)	100% (16/16 times)
Ryohei Miyata	Outside Director (Member of the Audit and Supervisory Committee)	100% (16/16 times)

(Matters to be deliberated and reported by the Board of Directors)

The specific matters to be deliberated and reported during the fiscal year under review are as follows:

- Group and operating company strategies
- New Business Strategies
- M&A and organizational restructuring
- Financial results, business performance, and financial strategies
- Budgetary control
- Acquisition of assets, investments (fixed assets, etc.)
- Risk management
- Compliance

(Evaluation of the Effectiveness of the Board of Directors)

Each year, the Company conducts a questionnaire survey of directors to evaluate the effectiveness of the Board of Directors as a whole. The results of the evaluation and analysis are reported to the Board of Directors, and the operation of the Board of Directors and other matters are reviewed as necessary to further enhance the effectiveness of the Board of Directors.

Summary of the evaluation of the effectiveness of the Board of Directors in fiscal 2022

In April 2023, we conducted a questionnaire survey of directors regarding the following items for fiscal 2022.

- (i) Matters related to the execution of duties by the directors themselves
- (ii) Matters related to the effectiveness of the Board of Directors as a whole
- (iii) Matters related to the composition of the Board of Directors
- (iv) Matters related to the operation of the Board of Directors
- (v) Matters related to deliberations of the Board of Directors
- (vi) Matters related to support for the Board of Directors

The results of the evaluation and analysis of the above questionnaire were reported to the Board of Directors meeting held in May of the same year, and future issues were discussed. At the Board of Directors' meeting, each Board member made comments and engaged in free and vigorous discussions in accordance with his/her area of expertise, and agenda items were deliberated appropriately, and the Company evaluates that the effectiveness of the Board of Directors is sufficiently ensured. The Company will continue to consider and implement necessary measures as appropriate to further enhance the effectiveness of the Board of Directors as a whole.

b. Audit and Supervisory Committee

The Audit and Supervisory Committee conducts audits of the execution of duties by directors and works closely with the accounting auditors and the internal audit division to ensure that audits are conducted effectively. As of the date of submission of the Annual Securities Report, the Audit and Supervisory Committee consists of one Full-time Internal Director (Mr. Kazushi Nomura) and four Outside Directors (Mr. Haruo Funabashi, Mr. Kazuo Furukawa, Mr. Ryohei Miyata, and Mr. Yutaka Atomi). All four Outside Directors are designated as independent directors, and the Audit and

Supervisory Committee is chaired by a Full-time Audit and Supervisory Committee member.

The activities of the Audit and Supervisory Committee are described in "4 Status of Corporate Governance, etc. (3) Status of audits (i) Status of audit by the Audit and Supervisory Committee" on page 58.

c. Nomination and Compensation Committee

The Nomination and Compensation Committee was established for the purpose of enhancing corporate governance by strengthening the fairness, transparency, and objectivity of procedures related to the nomination and compensation of Directors, etc. The committee deliberates on matters related to the election and dismissal of Directors, the selection and dismissal of Representative Directors, and the selection and dismissal of Directors in office, and reports to the Board of Directors. The Nomination and Compensation Committee deliberates and reports to the Board of Directors on matters relating to the election and dismissal of Directors, the selection and dismissal of Representative Directors, the selection and dismissal of Executive Directors, and decides on matters relating to individual fixed compensation for Directors that are not Audit and Supervisory Committee Members. The Nomination and Compensation Committee is composed of a majority of Independent Outside Directors that meet the Company's criteria for independence and consists of the following three members as of the date of submission of the Annual Securities Report.

The Nomination and Compensation Committee held one meeting during the fiscal year under review, and the attendance of each committee member was as follows

Name	Position and responsibility	Attendance
Yutaka Hori	Expert (Attorney-at-law)	100% (1/1 times)
Haruo Funabashi	Audit and Supervisory Committee Member (Independent Outside Director)	100% (1/1 times)
Kazuo Furukawa	Audit and Supervisory Committee Member (Independent Outside Director)	100% (1/1 times)

The Nomination and Compensation Committee is chaired by Yutaka Hori.

d. Management Meeting

As of the date of submission of the Annual Securities Report, the Management Meeting meets twice a month in principle for the purpose of prompt and efficient decision-making on important matters affecting the entire Company. The Management Meeting consists of five members (Mr. Yasuyuki Nambu, Ms. Junko Fukasawa, Ms. Kinuko Yamamoto, Mr. Hiroataka Wakamoto, Mr. Makiya Nambu), one Full-time Audit and Supervisory Committee member (Mr. Kazufumi Nomura), and 12 Executive Officers (Ms. Yuko Nakase, Mr. Akira Kamitomi, Mr. Hajime Kono, Mr. Shintaro Nakao, Mr. Takuji Matsumura, Ms. Kaori Shindo, Mr. Masato Ito, Ms. Yukari Ohinata, Mr. Motoyoshi Takagi, Ms. Mari Kanazawa, Ms. Misako Nakata and Ms. Azusa Mitsuda).

The Management Meeting is chaired by the President and Representative Director.

e. Internal Control Systems Committee and others

The following seven committees have been established under the Management Meeting and directly under the control of the Representative Director to implement specific measures for internal control, risk management, and improvement of customer satisfaction.

(i) Internal Control Systems Committee

(ii) Compliance Committee

(iii) Risk Management Committee

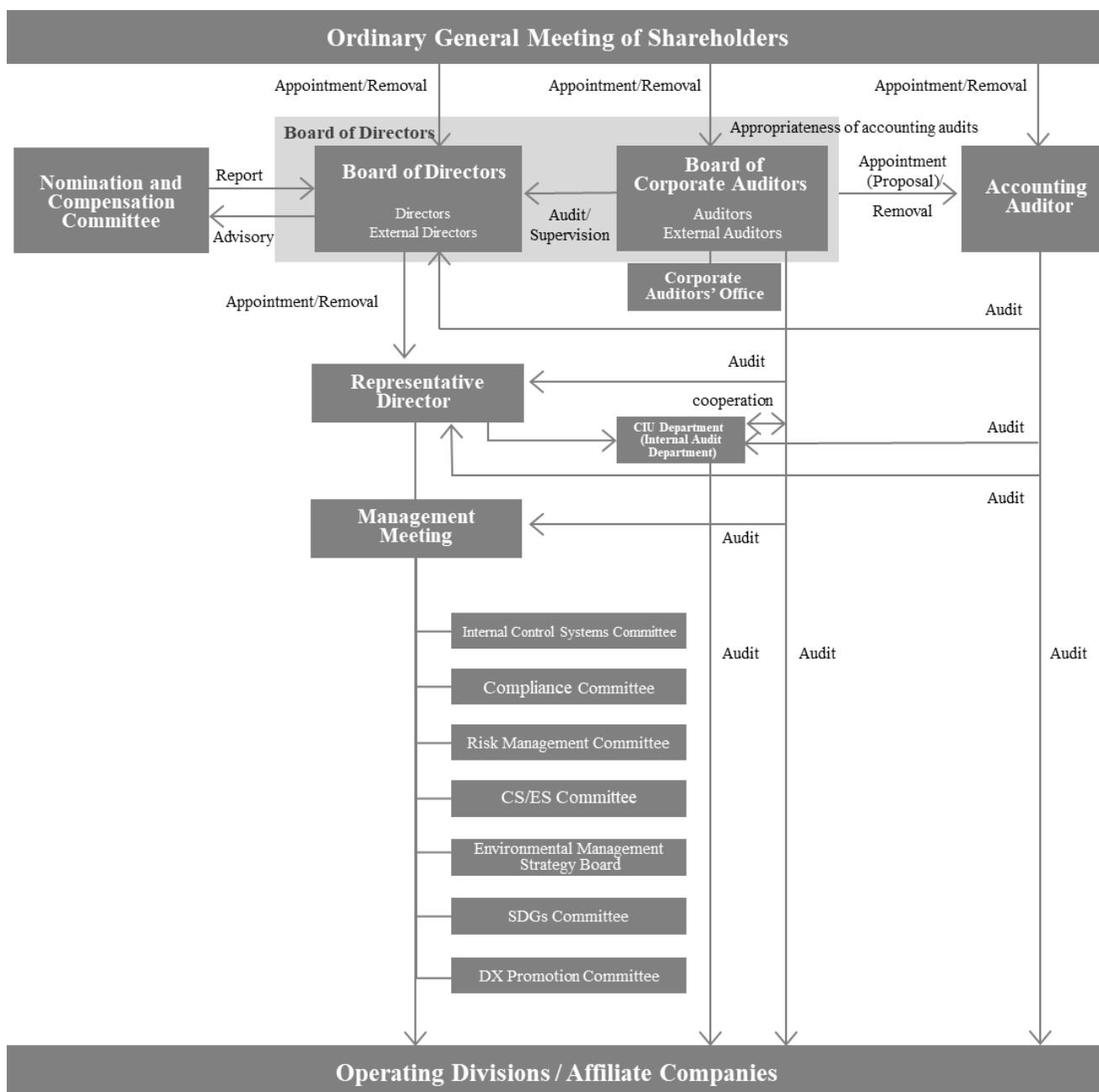
(iv) SDGs Committee

(v) Environmental Management Strategy Board

(vi) CS/ES Committee

(vii) DX Promotion Committee

Corporate Governance Structure



(iii) Other Matters Related to Corporate Governance

a. Status of internal control systems

(a) Systems to ensure that the execution of duties by Directors and employees of the Company and its subsidiaries is in compliance with laws, regulations, and the Articles of Incorporation

- 1) The Company shall establish a Charter of Corporate Behavior and ensure that the Officers and employees of the Company and its subsidiaries fully understand the fundamental principles of corporate activities as stipulated in the Charter of Corporate Behavior, thereby ensuring thorough awareness of the need to comply with laws and regulations, etc.
- 2) The Directors of the Company and its subsidiaries shall monitor and ensure, through the Board of Directors meetings and management meetings of each company, that the Directors of the Company and its subsidiaries comply with laws, regulations, and the Articles of Incorporation, and that they act in accordance with the corporate philosophy.
- 3) The Company shall establish basic standards of conduct to be observed by the Directors and employees of the Company and its subsidiaries in the course of their daily operations, and shall establish a Compliance Committee as an organization to carry out activities and controls to promote compliance by the Company and its subsidiaries. In addition, a summary of the activities of the Compliance Committee shall be regularly reported to the Board of Directors.

- 4) The Company shall establish a whistleblowing system covering the entire Pasona Group and shall establish internal and external contact points for whistleblowing to prevent and quickly identify material facts that may violate laws and regulations, either organizationally or individually, as reported by Pasona Group employees and other parties.
- 5) The CIU Office and the Group Internal Audit Office shall conduct internal audits of each Pasona Group company to audit the appropriateness, validity and legality of business execution and improve internal controls.
- 6) In accordance with the Charter of Corporate Behavior, Pasona Group shall take a resolute stance against antisocial forces and shall sever all relationships with them. In addition, the Company shall establish a department in charge of responding to unjustified demands, etc., and shall prepare rules and regulations concerning reporting and response in the event of an incident, and shall respond resolutely in cooperation with the police and other relevant organizations.
- 7) Ensure legality by appointing Outside Directors that have no vested interest in the Company and by strengthening the mutual monitoring and supervision of Directors.
- 8) Monitoring shall be conducted by Full-time Audit and Supervisory Committee Members and Outside Directors that are Audit and Supervisory Committee Members and have no vested interest in the Company.

(b) Systems for the storage and management of information related to the execution of duties by Directors

The Company shall ensure that important documents used for decision-making by Directors or reporting to Directors are prepared, stored, and disposed of in accordance with the established Document Management Regulations.

(c) Regulations and other systems for managing the risk of loss of the Company and its subsidiaries

- 1) The Company and its major subsidiaries shall manage risk management in accordance with the Risk Management Regulations, which stipulate risk management, and shall distribute a summary of the Risk Management Manual to all Officers and employees to ensure thorough implementation.
- 2) The Group Representative shall be the Chief Executive Officer of the risk management system. The Risk Management Committee established within the Company and major subsidiaries shall be responsible for the overall management of risks, and the Executive Officer in charge of the Corporate Governance Division shall be designated as the person responsible for overall risk management.
- 3) The Risk Management Committee shall assume and categorize specific risks in advance based on the Crisis Management Manual and shall maintain a system to ensure prompt and appropriate communication of information in case of emergency.
- 4) The Company's CIU Office and the Group Internal Audit Office shall conduct audits of the daily risk management status of each department of the Company and its subsidiaries.

(d) Systems to ensure that the Directors of the Company and its subsidiaries execute their duties efficiently

- 1) With respect to the execution of duties by the Directors of the Company and its subsidiaries, each company shall establish the division of duties and authority in accordance with its organizational rules, thereby clarifying their responsibilities and ensuring efficient execution of duties.
- 2) The Company shall hold a regular meeting of the Board of Directors once a month and extraordinary meetings of the Board of Directors as necessary. In addition, management issues related to business execution are deliberated at management meetings attended by Directors that are not members of the Audit and Supervisory Committee, Full-time Audit and Supervisory Committee Members, and Executive Officers.
- 3) The Board of Directors Regulations require subsidiaries to hold regular meetings of the Board of Directors at least once a month or at least once a quarter, depending on the size of the company, and the Company's Corporate Planning Department shall periodically confirm the status of such meetings. In addition, subsidiaries shall hold extraordinary meetings of the Board of Directors, as necessary.
- 4) The Board of Directors of the Company and its subsidiaries shall make decisions on management execution policies, matters stipulated by laws and regulations, and other important management matters, and supervise the execution of business operations.

(e) Systems to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries, in addition to the matters listed in (a) through (d) above

- 1) The Company shall dispatch Directors or Corporate Auditors of subsidiaries to the subsidiaries to monitor and supervise the management status through their attendance at Board of Directors meetings and audits by Corporate Auditors.
- 2) The Company shall enter into group management agreements with subsidiaries and shall establish a system under which the Company receives reports on important matters related to the execution of duties by directors and others.

- 3) The CIU Office and the Group Internal Audit Office of the Company shall conduct internal audits of the Company and its subsidiaries and report the results to the Internal Audit Report Meeting attended by Full-time Directors, Audit and Supervisory Committee Members, and Executive Officers, and conduct necessary management depending on the situation.
- 4) To ensure the appropriateness of financial reporting, the Internal Control Systems Committee of the Company shall formulate an internal control evaluation plan, monitor the internal control evaluation conducted by the Group Internal Audit Office, prepare an internal control report, and submit it to the Board of Directors in accordance with the Internal Control Systems Committee Rules.

(f) Matters concerning Directors and employees assisting the Audit and Supervisory Committee

The Audit and Supervisory Committee Office shall be established, and the personnel of the Audit and Supervisory Committee Office shall assist the duties of the Audit and Supervisory Committee as full-time assistant employees.

(g) Matters concerning the independence of the Directors and employees mentioned in the preceding item from other Directors (excluding Directors that are members of the Audit and Supervisory Committee) and the securing of the effectiveness of the Audit and Supervisory Committee's instructions to such Directors and employees

- 1) Employees assisting the Audit and Supervisory Committee shall not concurrently hold positions related to the execution of the Company's business, and shall perform their duties under the direction and orders of the Audit and Supervisory Committee.
- 2) Personnel transfers, evaluations, and disciplinary actions of employees assisting the Audit and Supervisory Committee shall be approved in advance by the Audit and Supervisory Committee.

(h) Systems for reporting to the Audit and Supervisory Committee by Directors and employees of the Company and its subsidiaries, and systems to ensure that those that report to the Audit and Supervisory Committee of the Company or the Corporate Auditors of its subsidiaries will not be disadvantaged for making such reports.

- 1) Directors and employees of the Company and its subsidiaries shall promptly report to the Audit and Supervisory Committee or Corporate Auditor of the company to which they belong if they discover any matter that could seriously damage the Company's credibility or significantly deteriorate its performance or any illegal or improper act by an Officer or employee. The Company shall ensure that such reporting is thoroughly implemented. When Auditors receive such reports from subsidiaries, they shall immediately report them to the Audit and Supervisory Committee of the Company. In addition, any report received by the Company or its subsidiaries through the internal reporting system shall be immediately reported to the Audit and Supervisory Committee of the Company.
- 2) The Compliance Hotline Regulations of the Company and its subsidiaries shall stipulate that no disadvantageous treatment will be accorded to any person that makes a report under the preceding paragraph for the reason of such report.

(i) Policies for handling expenses incurred in the performance of duties by Audit and Supervisory Committee Members and other systems to ensure the effective performance of audits by the Audit and Supervisory Committee

- 1) Procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Audit and Supervisory Committee Members and other expenses or liabilities incurred in the execution of such duties shall be appropriately handled based on applications from Audit and Supervisory Committee Members.
- 2) The Audit and Supervisory Committee shall strengthen cooperation with the President and Representative Director, the Accounting Auditor, the CIU Office, the Group Internal Audit Office, the Audit and Supervisory Committee Office, and the Auditors of subsidiaries, and shall hold meetings to exchange opinions as necessary from time to time.

b. Status of risk management systems

The Company has established the system described above in "a. Status of internal control systems" and in "c. Regulations and other systems for managing the risk of loss of the Company and its subsidiaries."

c. Exemption of Directors from liability

In accordance with Article 426, Paragraph 1, of the *Companies Act* of Japan, the Company has adopted a policy to exempt Directors (including those that were previously Directors) from liability for damages under Article 423, Paragraph 1, of the *Companies Act* of Japan, in order to enable them to fully fulfill the roles expected of them in the performance of their duties.

d. Outline of the contents of the liability limitation agreement

The Company has established provisions in its Articles of Incorporation regarding liability limitation contracts for Directors (excluding those that are Executive Directors, etc.).

Under such agreements, with respect to the liability stipulated in Article 423, Paragraph 1 of the Companies Act, if the Director has performed his duties in good faith and without gross negligence, the liability for damages shall be limited to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

e. Summary of the contents of the Directors' and Officers' liability insurance contract

Pasona Group has concluded a Directors' and Officers' liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the *Companies Act* of Japan, which insures Directors, Executive Officers, and Department Managers of Pasona Group Inc. and Directors, Corporate Auditors, and Executive Officers of Pasona Group domestic and overseas subsidiaries (with some exceptions).

Under the policy, in addition to the cost of compensation for securities damages, litigation costs, and internal investigation costs in the event of misconduct for which the Company is liable, the policy also provides that the insured shall be liable for any claims for damages arising from acts (including omissions) committed by the insured in their capacity as Directors, Corporate Auditors, or Executive Officers of the Company. In addition, the Company will be covered for damages and dispute expenses incurred by the insured due to claims for damages arising out of acts (including omissions) committed by the insured in his/her capacity as a Director, Officer, or other employee of the Company. However, there are certain exclusions, such as the insured being not covered for damages caused by an act committed with the insured's knowledge that the act was in violation of the law.

The premiums are borne entirely by the company, and there is virtually no premium burden on the insured.

f. Resolution requirements for the appointment of Directors

The Company's Articles of Incorporation stipulate that resolutions for the election of Directors shall be adopted by a majority of the votes of shareholders present at a meeting where shareholders holding one-third or more of the voting rights of shareholders that are entitled to exercise their voting rights are present. The Articles of Incorporation also stipulate that the election of Directors shall not be decided by cumulative voting.

g. Number of Directors

The Company's Articles of Incorporation stipulate that the Company shall have no more than 10 Directors that are not Audit and Supervisory Committee Members and no more than five Directors that are Audit and Supervisory Committee Members.

h. Special resolutions of the General Meeting of Shareholders

In order to ensure the smooth operation of the General Meeting of Shareholders, the Company stipulates in Article 309, Paragraph 2 of the *Companies Act* that resolutions of the General Meeting of Shareholders shall be adopted by two-thirds or more of the voting rights of shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders that are entitled to exercise their voting rights are present.

i. Organ to determine dividends from surplus, etc.

The Company's Articles of Incorporation stipulate that matters stipulated in Article 459, Paragraph 1 of the *Companies Act*, such as the distribution of surplus, shall be determined by a resolution of the Board of Directors, except as otherwise provided by law, so that the Company can implement a flexible capital and dividend policy.

(2) Officers

(i) List of Officers

Eight males and two females (Female officers: 20.0%)

Position	Name	Birth date	Biography		Term of office	Number of shares of the Company held
Group CEO & President, Pasona Group Inc.	Yasuyuki Nambu	Jan 5, 1952	Feb. 1976	Established Man Power Center Inc. (currently Nambu Enterprise Inc.), Senior Managing Director	(Note3)	14,763,200
			Apr. 1991	Representative Director, Man Power Center Inc.		
			Mar. 1992	Representative Director, Temporary Sunrise Inc. (currently Pasona Inc.)		
			Mar. 1996	Director, Business Coop Inc. (currently Benefit One Inc.)		
			Apr. 1999	President & CEO, Pasona Inc. (currently Nambu Enterprise Inc.)		
			Jun. 2000	Group CEO, Pasona Inc.		
			Aug. 2004	Group CEO & President, General Manager of the Sales and Marketing Headquarters, Pasona Inc.		
			Dec. 2007	Representative Director, Pasona Inc. Group CEO & President, Pasona Group Inc. (to present)		
			Jun. 2010	Chairman & Director, Benefit One Inc.		
			Aug. 2011	Chairman & Representative Director, Pasona Inc. (to present)		
Executive Officer & Vice President, General Manager of the Pasona Way Headquarters, responsible for the Social Contribution Department, Pasona Group Inc.	Junko Fukasawa	May 28, 1953	Apr. 1974	Joined Mitsui Toatsu Chemicals Inc. (currently Mitsui Chemicals, Inc.)	(Note 3)	194,700
			Jul. 1978	Joined DENTSU INC (currently Dentsu Group Inc.)		
			Sep. 1981	Joined Temporary Center Inc. (currently Nambu Enterprise Inc.)		
			Jan. 1990	Director, General Manager of the Public Relations Department, Temporary Center Inc.		
			Jun. 2000	Senior Managing Executive Officer, General Manager of the Human Resources & Planning Headquarters, Pasona Inc.		
			Apr. 2003	President & COO, Pasona Heartful Inc. (to present)		
			Dec. 2007	Senior Managing Director, responsible for the Human Resources Division, Public Relations and Advertising Department, General Manager of the Social Contribution Department, Pasona Group Inc.		
			Jun. 2015	Senior Managing Director, General Manager of the Human Resources & Planning Headquarters, responsible for the Social Contribution Department, Pasona Group Inc.		
			Jun. 2017	Chairman & Director, Benefit One Inc. (to present)		
			Aug. 2017	Executive Officer & Vice President, General Manager of the Human Resources & Planning Headquarters, responsible for the Social Contribution Department, Pasona Group Inc.		
			Aug. 2018	Executive Officer & Vice President, General Manager of the Pasona Way Headquarters, responsible for the Social Contribution Department, Pasona Group Inc. (to present)		

Executive Officer & Vice President, General Manager of the New Business Development Headquarters,	Kinuko Yamamoto	Nov 5, 1955	<p>Feb. 1979</p> <p>Jan. 1990</p> <p>Jun. 2000</p> <p>Jun. 2005</p> <p>Dec. 2007</p> <p>Sep. 2012</p> <p>Jun. 2015</p> <p>Dec. 2016</p> <p>Aug. 2017</p> <p>Sep. 2018</p> <p>Apr. 2020</p>	<p>Joined Man Power Center Inc. (currently Nambu Enterprise Inc.)</p> <p>Director, responsible for the Osaka Sales Headquarters, Man Power Center Inc.</p> <p>Managing Executive Officer, General Manager of the Employment Development Department, Pasona Inc.</p> <p>President & COO, Kansai Employment Creation Organization Inc. (currently Pasona Masters Inc.) Executive Officer, responsible for Corporate Incubation Inc.</p> <p>Senior Managing Director, responsible for the New Business Development Division, Pasona Group Inc.</p> <p>President & COO, Pasona Furusato Incubation Inc.</p> <p>Senior Managing Director, General Manager of the New Business Development Headquarters, Pasona Group Inc.</p> <p>President & COO, Nijigennomori Inc.</p> <p>Executive Officer & Vice President, General Manager of the New Business Development Headquarters, General Manager of the Smart Life Initiative Headquarters, Pasona Group Inc.</p> <p>Executive Officer & Vice President, General Manager of the New Business Development Headquarters, Pasona Group Inc. (to present)</p> <p>President & COO, Pasona Smile Inc. (to present)</p>	(Note 3)	143,200
Executive Officer & Vice President, General Manager of the Corporate Planning Headquarters,	Hirotaka Wakamoto	Nov 2, 1960	<p>Apr. 1984</p> <p>Jun. 1989</p> <p>Sep. 2006</p> <p>Dec. 2007</p> <p>Jun. 2010</p> <p>Jul. 2012</p> <p>Aug. 2017</p> <p>Aug. 2018</p> <p>Jun. 2019</p> <p>Aug. 2020</p> <p>Dec. 2021</p> <p>Feb 2023</p>	<p>Joined Saitama Bank, Limited (currently Resona Bank, Limited, Saitama Resona Bank, Limited)</p> <p>Joined Temporary Center Inc. (currently Nambu Enterprise Inc.)</p> <p>Managing Director, responsible for the Legal Department, Affiliated Company Department, and International Business Department, General Manager of the Corporate Planning Department, Pasona Inc.</p> <p>Managing Director, responsible for the CMO Department and the International Business Department, General Manager of the Corporate Planning Division, Pasona Group Inc.</p> <p>Director, Benefit One Inc.</p> <p>Senior Managing Director, responsible for the Corporate Planning Division, Pasona Group Inc.</p> <p>Senior Managing Director, General Manager of the Corporate Planning & Administration Headquarters, Pasona Group Inc.</p> <p>Executive Officer & Vice President, General Manager of the Corporate Planning & Administration Headquarters, Pasona Group Inc.</p> <p>President & CEO, Pasona Knowledge Partner Inc. (to present)</p> <p>Director, Bewith, Inc. (to present)</p> <p>Executive Officer & Vice President, General Manager of the Corporate Planning & the Growth Strategy Headquarters.</p> <p>President & COO, Pasona Force Inc. (to present)</p>	(Note 3)	44,100
Managing Executive Officer & General Manager of the International Business Headquarters & Deputy General Manager of the Corporate Planning Headquarters,	Makiya Nambu	Jul 31, 1984	<p>Apr. 2008</p> <p>Jun. 2013</p> <p>Sep. 2018</p> <p>Dec. 2018</p> <p>Sep. 2021</p> <p>Aug. 2022</p>	<p>Joined Mitsubishi Corporation</p> <p>Joined Pasona Inc.</p> <p>Executive Officer, General Manager of the Global Business Division, Pasona Inc.</p> <p>General Manager of the International Business Division, Pasona Group Inc. (to present)</p> <p>Managing Executive Officer, General Manager of the Global Business Division, Pasona Inc</p> <p>Managing Director & the General Manager of the Global Business Division, Pasona Inc. (to present)</p> <p>Managing Executive Officer & General Manager of the International Business Headquarters & Deputy General Manager of the Corporate Planning Headquarters, (to present)</p>	(Note 3)	0

Outside Director (Full-time Audit and Supervisory Committee Member)	Kazufumi Nomura	Mar 15, 1955	Apr. 1977 Apr. 1985 Jun. 2000 Jun. 2001 Apr. 2010 May 2013 Aug. 2013 Aug. 2019	Joined Man Power Center Inc. (currently Nambu Enterprise Inc.) Director, Man Power Center Inc. Managing Executive Officer, General Manager of Kanto Sales & Marketing Division, Pasona Inc. President & COO, NS Personnel Service Co., Ltd. Chairman & Representative Director, NS Personnel Service Co., Ltd. Senior Advisor, Pasona Inc. Full-time Audit & Supervisory Board Member, Pasona Inc Aug. 2019 Director & Full-time Audit and Supervisory Committee Member, Pasona Group Inc. (to present)	(Note 4)	45,700
Outside Director (Full-time Audit and Supervisory Committee Member)	Haruo Funabashi	Sep 19, 1946	Jul. 1969 Jun. 1988 May 1989 Jul. 1994 Mar. 1995 Jun. 1998 Jun. 2000 Jul. 2001 Jul. 2002 Feb. 2003 Mar. 2005 Jun. 2006 Dec 2007 Dec. 2011 Aug. 2019 Dec. 2019	Joined the Ministry of Finance Head of the International Tax Division, Tax Bureau, Ministry of Finance Councilor, Embassy of Japan in France, Ministry of Foreign Affairs Deputy Vice Minister of Finance, Ministry of Finance Tokyo Directors-General of Custom-Houses, Ministry of Finance Secretary-General, Securities and Exchange Surveillance Commission Director General & Chief Cabinet Secretary, National Land Agency (currently the Ministry of Land, Infrastructure and Transport) Deputy Director-General of Land, Infrastructure and Transport, Ministry of Land, Infrastructure and Transport Resigned from the Ministry of Land, Infrastructure and Transport Representative Director, Sirius Institute Ltd. (to present) Outside Audit & Supervisory Board Member, Kenedix, Inc. (to present) Outside Audit & Supervisory Board Member, Konoike Transport Co., Ltd. (to present) Outside Audit and Supervisory Committee Member, Pasona Group Inc, Outside Audit & Supervisory Board Member, EPS Corporation (currently EPS Holdings, Inc.) (to present) Outside Director & Audit and Supervisory Committee Member, Pasona Group Inc, (to present) Outside Director, EPS Holdings, Inc. (to present)	(Note 4)	15,000
Outside Director (Audit and Supervisory Committee Member)	Kazuo Furukawa	Nov 3, 1946	Apr. 1971 Apr. 2005 Apr. 2006 Jun. 2006 May 2007 Apr. 2009 Jun. 2009 Jun. 2011 Oct. 2011 Jun. 2019 Aug. 2019	Joined Hitachi, Ltd. Representative Executive Officer, Executive Vice President, General Manager and CEO of the Telecommunications Group, General Manager of Export Control, Hitachi, Ltd. Representative Executive Officer and President, Hitachi, Ltd. Director, Representative Executive Officer and President, Hitachi, Ltd. Vice President, Incorporated association Japan Business Federation (currently General incorporated association Japan Business Federation) Director, Representative Executive Officer and Vice Chairman of the Board, Hitachi, Ltd. Special Advisor, Hitachi, Ltd. Chairman, Information Processing Society of Japan Chairman, New Energy and Industrial Technology Development Organization (currently New Energy and Industrial Technology Development Organization, Japan) Outside Director of Nippon Insulators, Ltd. Outside Director and Audit and Supervisory Committee Member of the Company (to present)	(Note 4)	10,700
Outside Director (Audit and Supervisory Committee Member)	Ryohei Miyata	Jun 8, 1945	Apr. 1997 Apr. 2004 Dec. 2005 Feb. 2016 Apr. 2016	Professor, Faculty of Fine Arts, Tokyo University of the Arts Director & Vice-President, Tokyo University of the Arts President, Tokyo University of the Arts Commissioner, Agency of Cultural Affairs, Ministry of Education, Culture, Sports, Science and Technology Professor Emeritus & Advisor, Tokyo University	(Note 4)	300

			Jul. 2021	of the Arts (to present)		
			Aug. 2021	Guest Professor, Nagaoka Institute of Design (to present)		
			May 2022	Outside Director and Audit and Supervisory Committee Member Pasona Group Inc. (to present)		
				Chairman of the Board of Directors, Public Interest Incorporated Association: Nitten (to present)		
Outside Director (Audit and Supervisory Committee Member)	Yutaka Atomi	Dec 5, 1944	Apr. 1970	Intern Doctor, First Department of Surgery, Faculty of Medicine, University of Tokyo	(Note 4)	0
			Jun. 1988	Visiting Researcher, Department of Surgery, University of California, San Francisco		
			Jul. 1992	Lecturer, First Department of Surgery, Faculty of Medicine, University of Tokyo		
			Oct. 1992	Professor, First Department of Surgery, Faculty of Medicine, Kyorin University		
			Apr. 2004	Dean, Faculty of Medicine, Kyorin University		
			Apr. 2010	President, Kyorin University		
			Apr. 2018	President Emeritus, Kyorin University (to present)		
			Jun. 2018	President, Pancreas Research Foundation of Japan		
			Apr. 2019	President, International Medical Research Foundation (currently International Medical Research Foundation) (to present)		
			Jun. 2019	External Audit & Supervisory Board Member, SANKI ENGINEERING CO., LTD. (to present)		
			Jun. 2022	Outside Director, JCR Pharmaceuticals Co., Ltd. (to present)		
			Jun. 2023	President, Japan China Medical Association (to present)		
			Aug. 2023	President, Atomi Gakuen (to present) Outside Director and Audit and Supervisory Committee Member of the Company (to present)		
Total						15,216,900

Note 1: Directors Haruo Funabashi, Kazuo Furukawa, Ryohei Miyata and Yutaka Atomi are Outside Directors.

Note 2: The Company has submitted a Notice of Independent Director to Tokyo Stock Exchange, Inc., stating that Mr. Haruo Funabashi, Mr. Kazuo Furukawa, Mr. Ryohei Miyata and Mr. Yutaka Atomi as Independent Directors.

Note 3: The term of office of Directors that are not members of the Audit and Supervisory Committee starts at the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended May 31, 2023 and will expire at the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending May 31, 2024.

Note 4: The term of office of Directors that are members of the Audit and Supervisory Committee started at the close of the Ordinary General Meeting of Shareholders for the fiscal year ended May 31, 2023 and will expire at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending May 31, 2025.

Note 5: Makiya Nambu, Director and Managing Executive Officer, is the eldest son of Yasuyuki Nambu, Group CEO and President.

Note 6: The Company has introduced an Executive Officer system to respond to changes in the business environment promptly and appropriately and to accelerate and strengthen the function of the execution of operations.

(ii) Status of Outside Directors

As of the date of submission of the Annual Securities Report, the Company has four Outside Directors, and 40% of the Board of Directors consists of Outside Directors.

There are no personal, capital, business, or other interests between the Outside Directors and the Company. All of them are appointed as members of the Audit and Supervisory Committee in order to conduct appropriate audits and supervision of business execution from an independent standpoint based on an objective viewpoint that differs from that of Directors from within the Company.

The Company's Outside Directors and candidates for Outside Directors satisfy the following criteria for independence as determined by the Company, and Mr. Haruo Funabashi, Mr. Kazuo Furukawa, Mr. Ryohei Miyata, and Mr. Yutaka Atomi are Independent Directors.

- Relatives within the second degree of kinship must not currently or in the past be an Executive Director of the Company or its subsidiaries.
- In the event that the Company's group has transactions with a company in which they are currently employed as Executive Officers or employees, the amount of such transactions must not have exceeded 2% of the Company's consolidated net sales in the past three fiscal years.
- In the past three fiscal years, the Outside Director must not have received remuneration exceeding ¥10 million per year directly from the Company or its subsidiaries as a legal, accounting, or tax specialist or consultant (excluding remuneration as an Officer of the Company and remuneration paid to the organization or firm to which the Outside Director belongs).
- The Outside Director must not be an executive of an organization that has received donations, etc., exceeding ¥10

million per year from the Company or its subsidiaries in the past three fiscal years.

(iii) Mutual coordination among supervision or audit by Outside Directors, internal audit, audit by the Audit and Supervisory Committee, and accounting audit, and the relationship with the internal control department

In principle, the Company's Outside Directors monitor the Company's overall internal control system and provide advice on more-efficient operation through the monthly meetings of the Audit and Supervisory Committee and through interactive information exchange with the Accounting Auditor, CIU Office, Group Internal Audit Office, and other internal control-related organizations, as necessary. The Company monitors the Company's internal control system in general and provides advice on more-efficient operation of the system.

(3) Status of audit

(i) Status of audit by the Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of four members: one Full-time Internal Director and three External Directors. In addition, in order to enhance the effectiveness of audits by the Audit and Supervisory Committee, the Company has established an Audit and Supervisory Committee Office (two staff members).

Haruo Funabashi, an Outside Director, has considerable knowledge of finance and accounting, having worked for the Ministry of Finance and the National Tax Agency, as well as for many years as an auditor at several companies.

In principle, the Audit and Supervisory Committee meetings were held once a month during the fiscal year under review, and the meetings were held 14 times during the year. The attendance status of each member is shown below.

Name	Number of meetings	Attendance
Kazufumi Nomura	14	14
Haruo Funaashi	14	14
Kazuo Furukawa	14	14
Ryohei Miyata	14	14

At the meetings, the Audit and Supervisory Committee mainly discusses the formulation of audit plans, preparation of audit reports, evaluation and reappointment of Accounting Auditors, agreement on compensation for Accounting Auditors, establishment and operation of internal control systems, and risk management systems for the entire Group.

Each Audit and Supervisory Committee Member attends meetings of the Board of Directors, receives business reports from Directors, audits the content of resolutions and other matters, and expresses opinions, as necessary. In addition to the above, the Full-time Audit and Supervisory Committee Member audits the overall status of business execution by attending important meetings such as the Management Meeting and Compliance Committee, visiting affiliated companies, inspecting important approval documents, and exchanging opinions regularly with the Accounting Auditors, CIU Office, and Group Internal Audit Office. The Audit and Supervisory Committee reports audit results to the Board of Directors orally or in writing and provides advice, as necessary.

(ii) Status of internal audits

The CIU Office (three staff members) and the Group Internal Audit Office (nine staff members) monitor compliance with laws, regulations, and internal company rules in accordance with the Internal Audit Regulations and the Internal Audit Regulations of Affiliated Companies, preventing unforeseen situations due to operational irregularities and errors and improving operations and management efficiency. The Company conducts internal audits for the purpose of preventing the occurrence of unforeseen events due to operational irregularities and errors, improving operations, and enhancing management efficiency. In addition, the Group Internal Audit Office and the Internal Control Systems Committee check the establishment and operation of the internal control system.

The Full-time Audit and Supervisory Committee Members receive reports on the results of internal audits in the form of individual internal audit reports, attend internal audit report meetings held quarterly (in principle) to receive reports from the General Manager of the CIU Office and the General Manager of the Group Internal Audit Office, and separately hold a regular monthly information exchange meeting with the General Manager of the CIU Office and the General Manager of the Group Internal Audit Office. In addition, a regular information exchange meeting is held once a month with the General Manager of the CIU Office and the General Manager of the Group Internal Audit Office to confirm the appropriateness of internal operations and compliance status, to improve operations, and to share matters requiring guidance. In addition, the Company closely exchanges information on the Audit and Supervisory Committee's audit policy plan and internal audit policy, etc.

(iii) Status of accounting audit

a. Name of the auditing firm

Deloitte Touche Tohmatsu LLC

b. Continuous audit period

16 years

c. Name of the certified public accountants that performed the duties

Designated limited liability partner, engagement partner: Takuya Nagashima, Yoshihiro Ishida

d. Assistants for audit operations, etc.

The composition of assistants for auditing services is determined in accordance with the audit plan of the audit corporation, which consists of 18 certified public accountants and 21 other audit personnel.

e. Policies and reasons for choosing the auditing firm

The Company's Audit and Supervisory Committee confirms, based on the Practical Guidelines for Company Auditors, etc., on the Evaluation of Financial Auditors and the Development of Selection Criteria published by the Japan Audit & Supervisory Board Members Association, the status of quality management by Financial Auditors, independence and expertise, properly developed audit systems, and the reasonableness and suitability of the specific audit plan and audit fees. The committee comprehensively assesses Financial Auditors based on their audit performance in the past, etc., and makes a judgment on the selection.

If Financial Auditors are recognized as falling under any item of Article 340, Paragraph 1 of the *Companies Act*, the Audit and Supervisory Committee will dismiss them with the consent of all members of the committee. If there is any problem in the execution of the duties of Financial Auditors or if it is judged as necessary, the Audit and Supervisory Committee will propose the dismissal or refusal of re-election of Financial Auditors to the General Meeting of Shareholders.

f. Assessment of the auditing firm by the Audit and Supervisory Committee

As a result of assessing Financial Auditors based on the Company's selection policy items, including the quality management system, independence, and communication with the management, Audit and Supervisory Committee Members, and the finance and accounting department, the Company's Audit and Supervisory Committee made a comprehensive judgment that the accounting audit was properly conducted.

(iv) Audit fees, etc.

a. Remuneration for certified public accountants, etc., involved in audits

(Millions of yen)

Category	Previous consolidated FY		Current consolidated FY	
	Remuneration based on audit and attestation services	Remuneration based on non-audit operations	Remuneration based on audit and attestation services	Remuneration based on non-audit operations
Reporting company	69	-	80	0
Consolidated subsidiary	108	3	103	-
Total	177	3	183	0

Non-audit services of consolidated subsidiaries in the previous fiscal year consisted of various advisory and other services.

Non-audit services of consolidated subsidiaries in the current consolidated fiscal year consisted of comfort letter preparation services for a new listing.

Non-audit services of the submitting company in the current consolidated fiscal year consisted of fees for the Tohmatsu School Seminar.

b. Remuneration for organizations that belong to the same network as the certified public accountants, etc., involved in the audit (excluding 1) (Millions of yen)

Category	Previous consolidated FY		Current consolidated FY	
	Remuneration based on audit and attestation services	Remuneration based on non-audit operations	Remuneration based on audit and attestation services	Remuneration based on non-audit operations
Reporting company	-	-	-	-
Consolidated subsidiary	1	-	2	-
Total	1	-	2	-

c. Remuneration based on other important audit and attestation services

Previous consolidated fiscal year

There are no notable matters.

Current consolidated fiscal year

There are no notable matters.

d. Policy for deciding audit fees

The Company appropriately decides the amount of audit fees in sufficient consideration of the audit plan and audit details of the certified public accountant, etc., time required for the audit, etc.

e. Reasons why the Audit and Supervisory Committee agreed on the remuneration for Financial Auditors, etc.

The Company's Audit and Supervisory Committee confirmed the audit time by audit item, the transition of audit fees, and the audit plan and results in past years and examined the adequacy of the audit time and remuneration estimates for the current fiscal year based on the Practical Guidelines on the Collaboration with Financial Auditors published by the Japan Audit & Supervisory Board Members Association. As a result, the committee gave the consent specified in Article 399, Paragraphs 1 and 3 of the *Companies Act* regarding the remuneration, etc., for Financial Auditors.

(4) Remuneration for Officers, etc.

(i) Matters regarding the policy on the decision of the amount of remuneration, etc., for Officers or the method used to calculate the amount

a. Method of determining the policy for determining the details of compensation, etc., for each Individual Director

At a meeting of the Board of Directors held on February 26, 2021, the Company resolved to adopt a policy for determining the content of remuneration, etc., for each individual Director (hereinafter referred to as the "Determination Policy"). At the Board of Directors meeting held on June 30, 2021, the Company resolved to revise said Determination Policy in accordance with the establishment of the Nomination and Compensation Committee.

b. Summary of decision-making policy

The maximum amount of remuneration for Directors was determined by a resolution of the 10th Annual General Meeting of Shareholders held on August 18, 2017.

Remuneration for Directors (excluding Directors that are members of the Audit and Supervisory Committee, Outside Directors, and Non-Executive Directors)

The compensation for Directors (excluding members of the Audit and Supervisory Committee, Outside Directors, and non-Executive Directors) consists of base compensation, which is fixed compensation, and performance-linked stock compensation, which is designed to raise awareness of the need to contribute to medium- to long-term business performance and the enhancement of corporate value. In principle, the ratio of performance-linked stock compensation to total compensation is designed to be approximately 0% to 30% when the performance targets are achieved. On the other hand, remuneration for other Directors consists only of fixed remuneration, taking into consideration that they are in a position to supervise Directors that execute business operations.

Fixed remuneration for Directors that are not members of the Audit and Supervisory Committee is determined within the total amount of remuneration for Directors approved at the General Meeting of Shareholders by the Nomination and Compensation Committee, which is composed of a majority of Independent Outside Directors that meet the Company's criteria for independence, taking into consideration their position, position, role, contribution to the Company, and other factors. On the other hand, fixed remuneration for Directors that are members of the Audit and Supervisory Committee is determined through discussions among the Directors that are members of the Audit and Supervisory Committee within the total amount of remuneration approved at the General Meeting of Shareholders.

Performance-linked stock compensation is provided through a stock benefit trust (BBT) and is determined based on the achievement of performance targets for each fiscal year and other factors based on the basic coefficient for each Director (excluding Directors that are members of the Audit and Supervisory Committee, Outside Directors, and non-Executive Directors) according to his or her position in the Company. The evaluation index is determined by a method determined by the Board of Directors based on the basic coefficient in accordance with the position of each Director (excluding members of the Audit and Supervisory Committee, Outside Directors, and non-Executive Directors). The Company uses consolidated operating profit and profit attributable to shareholders of the parent company, which are the results of business activities, as the evaluation indexes, and sets specific maximum amounts to enhance transparency and objectivity.

Fixed remuneration is determined as an annual amount, one-twelfth of which is given monthly starting in September, and shares related to the performance-linked stock-based remuneration, the Stock Benefit Trust (BBT), are in principle delivered upon retirement.

c. Reasons why the Board of Directors determined that the details of individual remuneration, etc., of Directors for the current fiscal year are in line with the decision-making policy

In determining the details of fixed remuneration, etc. for each individual director for the current fiscal year, the Nomination and Compensation Committee, consisting of a majority of independent outside directors who meet the Company's criteria for independence, made the decision, and the Company believes that it is in line with the decision-making policy.

Performance-linked stock compensation is determined in accordance with the Directors' Stock Benefit Regulations established by the Board of Directors and is judged to be in line with the decision-making policy.

(ii) Matters regarding the General Meeting of Shareholders' resolution on Directors' remuneration, etc.

The amount of monetary compensation for the Company's Directors (excluding Directors that are members of the Audit and Supervisory Committee) was approved at the 10th Ordinary General Meeting of Shareholders held on August 18, 2017 as an annual amount of ¥600 million or less (including an amount of ¥50 million or less per year for Outside Directors). The number of Directors (excluding Directors that are members of the Audit and Supervisory Committee) as of the conclusion of said Annual General Meeting of Shareholders was five (of which zero are Outside Directors).

In 2015, the Company introduced a performance-linked stock compensation plan for Directors separate from said monetary compensation, and at said Ordinary General Meeting of Shareholders, the maximum amount of compensation for Directors (excluding Directors that are Audit & Supervisory Committee Members and Outside Directors) was approved as the amount of compensation for Directors (excluding Directors that are Audit & Supervisory Committee Members and Outside Directors) when the Company changed from a company with a Board of Corporate Auditors to a company with an Audit & Supervisory Committee. At said Ordinary General Meeting of Shareholders, the Company decided to limit the amount of compensation to Directors (excluding Directors that are members of the Audit and Supervisory Committee and Outside Directors) to ¥800 million over five fiscal years (the amount of money to be contributed to the Trust as a source of funds for share acquisition) and the number of points to be granted (converted into one share/point in principle at the time of payment). The maximum number of points to be granted is 260,000 points per fiscal year. The number of Directors (excluding Directors that are members of the Audit and Supervisory Committee) as of the conclusion of the Ordinary General Meeting of Shareholders is five.

The amount of monetary remuneration for Directors that are members of the Audit and Supervisory Committee was approved at the Ordinary General Meeting of Shareholders as an annual amount not exceeding ¥100 million. The number of Directors that are members of the Audit and Supervisory Committee as of the conclusion of the Ordinary General Meeting of Shareholders is four.

(iii) Matters regarding delegation related to the decision on the remuneration, etc., of individual Directors

With respect to fixed remuneration for directors, the Company has resolved to delegate the authority to the Nomination and Compensation Committee, which is composed of a majority of independent outside directors who meet the Company's criteria for independence, to determine the specific details of the amount of remuneration for each individual director. To ensure that this authority is properly exercised, the Nomination and Compensation Committee is composed of a majority of independent outside directors who meet the Company's criteria for independence. The Company has delegated this authority to the Nomination and Compensation Committee because it believes that decisions made by the Nomination and Compensation Committee will be more fair, transparent, and objective. The positions and responsibilities of the members of the Nomination and Compensation Committee are as follows.

Name	Position and responsibility
Yutaka Hori	Expert (Attorney-at-law)
Haruo Funabashi	Audit and Supervisory Committee Member (Independent Outside Director)
Kazuo Furukawa	Audit and Supervisory Committee Member (Independent Outside Director)

The activities of the Board of Directors and the relevant Nominating and Compensation Committee in the process of determining the amount of remuneration, etc., of Directors for the current fiscal year are as follows.

a. Board of Directors

June 30, 2021: Policy for Determining Individual Remuneration, etc., of Directors

b. Nomination and Compensation Committee

July 6, 2021: To determine the remuneration of Directors after the conclusion of the 14th Annual General Meeting of Shareholders

July 1, 2022: To determine the remuneration of Directors after the conclusion of the 15th Annual General Meeting of Shareholders

(iv) Matters regarding performance-linked remuneration, etc., in the current fiscal year

The Company has adopted a stock benefit trust (BBT) as a performance-linked stock-based compensation plan to clarify the linkage between the compensation of directors and the Company's business performance and stock value, and to increase their awareness of the need to contribute to the Company's medium- to long-term performance and enhancement of its corporate value.

The performance-linked share remuneration is based on a basic coefficient according to the position of each director (excluding Directors that are members of the Audit and Supervisory Committee and non-Executive Directors) in accordance with the degree of achievement of performance targets, etc., for each fiscal year. The performance-linked stock compensation is determined by a method determined by the Board of Directors based on the basic coefficient in accordance with the position of each Director (excluding Directors that are members of the Audit and Supervisory Committee and non-Executive Directors) according to the degree of achievement of performance targets for each fiscal year. The Company uses consolidated operating profit and profit attributable to shareholders of the parent company as the evaluation indexes and sets specific maximum amounts to enhance transparency and objectivity. The specific calculation method is as follows.

The reason for selecting these performance indicators is that the Company believes it is appropriate to use consolidated operating profit and profit attributable to shareholders of the parent company, as the profit/loss figures are clear in considering the contribution of a single fiscal year to the Company's performance.

a. Target

As of September 1 of the fiscal year under evaluation, Directors (excluding Directors that are members of the Audit and Supervisory Committee, Outside Directors, and non-Executive Directors) and Executive Officers (limited to those that were Directors immediately prior to the transition to a company with an Audit and Supervisory Committee system) ("Directors, etc.").

b. Assets to be paid as performance-linked stock-based compensation

Common stock of the Company

c. Calculation method for the total number of points to be paid as stock-based compensation

Smallest of the following amounts x 30% / Accounting book value per share in the trust of the Company's shares scheduled to be granted

- i) Excess of consolidated operating profit target
- ii) Excess of profit attributable to shareholders of the parent company over target
- iii) ¥400 million

d. Calculation method of the number of points to be paid individually

Total number of points paid x (Basic coefficient by individual / Total basic coefficient)

e. List of basic coefficients by position

Role	Basic factor per capita	Year ended May 31, 2023		Year ending May 31, 2024 (planned)	
		Number of persons	Maximum points per person	Number of persons	Maximum points per person
Group Representative and President	300	1	95,100	1	95,100
Executive Vice Presidents	80	3	25,300	3	25,300
Senior Managing Executive Officers	80	2	25,300	2	25,300
Managing Executive Officers	60	2	19,000	2	19,000
Total	-	8	-	8	-

Note 1: Directors, etc., subject to performance-based stock compensation are "Executive Officers" as defined in Article 34, Paragraph 1, Item 3 of the *Corporation Tax Act*.

Note 2: i) and ii) above are calculated by subtracting "the target value of consolidated business performance (operating profit or profit attributable to owners of the parent company) disclosed in the financial statements for the previous fiscal year, which is disclosed at the beginning of the fiscal year subject to evaluation," from "consolidated business performance (operating profit or profit attributable to owners of the parent company) for the fiscal year subject to evaluation. If the target value of consolidated performance was not disclosed in the relevant financial report, the amount in excess of the target shall be ¥0.

Note 3: "Consolidated business results (operating profit or profit attributable to owners of the parent) for the fiscal year subject to evaluation" shall be the amount before subtracting "expenses (stock benefit expenses)" to be recorded in accordance with the provisions of the stock benefit regulations stipulated for the relevant performance-linked stock compensation plan and stock benefit trust for employees.

Note 4: The amount obtained by multiplying the smallest of i) through iii) above by 30% shall be rounded down to the nearest ¥1 million.

Note 5: Points will not be granted if the smallest amount of i) through iii) above is less than ¥20 million.

Note 6: The annual limit on the total number of points to be granted is 260,000 points.

Note 7: Each point will be converted into one share when the Company's shares are delivered.

f. Reference: Targets and results of indicators related to performance-linked stock compensation in the current fiscal year:

Indicators	Fiscal year ended	Fiscal year ended	Reference: Fiscal year
	May 31, 2023 Target	May 31, 2023 Actual (before subtraction)	ending May 31, 2024 Target
Consolidated operating profit	22,300	14,377	16,000
Profit attributable to owners of the parent	8,700	6,099	5,000

Note: No stock benefit expenses were recorded in the current fiscal year.

g. Reference: Resolutions of the 10th Ordinary General Meeting of Shareholders (held on August 18, 2017)

(a) Overview

The performance-linked stock compensation plan (hereinafter referred to as the "Plan") is a performance-linked stock compensation plan under which the Company contributes cash (hereinafter referred to as "Stock Benefit Expense"). The Company's shares will be acquired through a Trust funded by money to be contributed by the Company (the maximum amount is as described in "b." below) and will be distributed to Directors (excluding Directors that are members of the Audit and Supervisory Committee, Outside Directors, and non-Executive Directors; the same shall apply in "g." below). The Company's shares shall be acquired through the Trust. The Company's shares and money equivalent to the amount obtained by converting the Company's shares to market value (hereinafter referred to as the "Company's shares, etc.") are delivered to the Directors (excluding Directors that are members of the Audit and Supervisory Committee, Outside Directors, and non-Executive Directors) through the Trust in accordance with the Directors' Share Payment Regulations as established by the Board of Directors. The Company's Directors are entitled to receive the Company's shares and money equivalent to the market value of the Company's shares ("the Company's shares, etc.") through the Trust in accordance with the Directors' Share Benefit Regulations as established by the Board of Directors. In principle, the Company's Directors will receive the Company's shares, etc., at the time of their retirement. As of the date of the resolution of said General Meeting of Shareholders, the number of Directors pertaining to this provision is five.

(b) Maximum amount of contributions by the Company (amount of compensation, etc.)

The Company has adopted this plan (hereinafter referred to as the "Plan") for the five (5) fiscal years ending May 31, 2016 through the fiscal year ended May 31, 2020 and each subsequent covered period. The initial eligibility period of such five (5) fiscal years and the period for each of the five (5) fiscal years commencing after the expiration of such five (5) fiscal years are each referred to as the "Relevant Period". As funds for the acquisition of shares to be delivered to the Company's Directors under the Plan with respect to the initial Relevant Period, the Company has contributed up to 800 million yen and established a trust (hereinafter referred to as the "Trust"), the beneficiaries of which are Directors who satisfy the requirements for beneficiaries. Upon the transition to a company with an Audit and Supervisory Committee, the Trust will continue to exist as a trust whose beneficiaries will be those who have retired as Directors and meet the requirements for beneficiaries.

Even after the elapse of the applicable period, the Company will make additional contributions of up to 800 million yen for each applicable period until the termination of the Plan. However, in the event of such additional contribution, if there are any shares (Company's shares equivalent to the number of points described in "c" below that have been granted to Directors, excluding shares that have not yet been delivered to Directors.) of the Company's shares or money (hereinafter referred to as the "Residual Shares, etc.") remaining in the trust assets at the end of the Relevant Period immediately preceding the Relevant Period during which such additional contribution is to be made, the total amount of the Residual Shares, etc. (for the Company's shares, it shall be the book value as of the end of the immediately preceding subject period) and the additional money to be contributed shall be within the maximum amount approved at such annual shareholders meeting. If the Company decides to make an additional contribution, it will be disclosed in a timely and appropriate manner.

(c) Specific details of the Company's shares to be delivered to Directors

With respect to each fiscal year, the Company shall grant to each Director a number of points calculated by taking into consideration the degree of achievement of consolidated performance targets based on a basic coefficient to be granted in accordance with the duties and responsibilities of each Director. The total number of points to be granted to Directors per fiscal year shall be up to 260,000 points (equivalent to 260,000 shares of common stock of the Company).

Each point granted to a director will be converted into one share of the Company's common stock when the Company's shares, etc., are delivered as described in "d." below. (However, in the event of a stock split, the gratis allotment of shares or reverse stock split of the Company's shares, the conversion ratio will be reasonably adjusted in accordance with the ratio, etc.)

(d) Timing of Delivery to Directors

In the event that a Director retires and satisfies the requirements for beneficiaries as stipulated in the Regulations on Directors' Share Benefits, such Director shall, in principle, receive from the Trust the Company shares corresponding to the accumulated number of points granted by the time of his/her retirement by completing the prescribed procedures to determine beneficiaries. However, if the requirements stipulated in the Rules on Directors' Stock Benefits are met, a certain percentage of shares of the Company may be delivered in cash at market value instead of shares of the Company.

In some cases, the Trust may sell the Company's shares in order to deliver cash.

(e). Voting rights pertaining to shares in the Trust

Voting rights pertaining to the Company's shares in the Trust shall not be exercised uniformly in accordance with the instructions of the Trust Manager. By using this method, the Company intends to ensure neutrality toward the Company's management with respect to the exercise of voting rights pertaining to the Company's shares in the Trust.

(v) Details of non-monetary compensation, etc.

The Company has adopted a stock benefit trust (BBT). Details are described in "4. Status of Corporate Governance, etc., (4) Compensation, etc., of Directors and Corporate Auditors (iv) Matters related to performance-linked compensation, etc."

(vi) Total amount of remuneration, etc., by Officer category, total amount of remuneration, etc., by type of remuneration, and the number of eligible Directors

Executive classification	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc. By type (millions of yen)		Number of eligible Officers (persons)
		Fixed remuneration	Performance-linked remuneration	
Directors not serving as Audit and Supervisory Committee Members (excluding Outside Directors)	276	276	-	6
Directors serving as Audit and Supervisory Committee Members (excluding Outside Directors)	16	16	-	1
Outside Officers	36	36	-	3

Notes 1: The maximum amount of remuneration for Directors that are not members of the Audit and Supervisory Committee was resolved at the 10th Ordinary General Meeting of Shareholders held on August 18, 2017 to be no more than 600 million yen per year (of which, the amount for Outside Directors is no more than 50 million yen per year). As of the date of the resolution, the number of Directors related to this provision was five. In addition, a separate resolution was passed on August 18, 2017, such that the number of Directors (excluding Directors that are members of the Audit and Supervisory Committee, Outside Directors, and non-Executive Directors) shall be limited to five. With respect to the above, a stock benefit trust (BBT) was resolved as a performance-linked stock compensation plan at the 10th Ordinary General Meeting of Shareholders held on August 18, 2017, and the amount of provision for stock benefit reserve recorded for the current fiscal year is shown above.

Note 2: The maximum amount of remuneration for Directors that are members of the Audit and Supervisory Committee was resolved at the 10th Ordinary General Meeting of Shareholders held on August 18, 2017 to be no more than ¥100 million per year. As of the date of such resolution, the number of Directors pertaining to such stipulation was four (including three Outside Directors).

Note 3: As of the end of the current fiscal year, the number of Directors is five Directors that are not Audit and Supervisory Committee Members and four Directors that are Audit and Supervisory Committee Members (including three Outside Directors).

(vii) Total amount of consolidated remuneration, etc., for each Director/Officer

Name	Total amount of Amount Consolidated remuneration (millions of yen)	Classification of Officers	Classification of company	Consolidated remuneration, etc., by type (millions of yen)	
				Fixed remuneration	Performance-linked remuneration
Yasuyuki Nambu	178	Representative Director	Submitting company	124	-
		Representative Director	Pasona Inc.	53	-

(Note) The above figures are limited to those in which the total amount of consolidated remuneration, etc., is ¥100 million or more.

(viii) Employee salaries of Directors and Corporate Auditors concurrently serving as employees
Not applicable

(5) Status of shareholding

(i) Criteria and Policy for Classification of Investment Stocks

The Company classifies investment shares held for purposes other than pure investment into those held exclusively for the purpose of receiving profits from changes in the value of the shares or dividends related to the shares and those held for purposes other than pure investment into those held for the purpose of contributing to the Company's medium- to long-term growth and improvement of corporate value, in addition to those purposes. Investment shares for purposes other than pure investment are classified as shares held for the purpose of contributing to the medium- to long-term growth of the Company and improvement of its corporate value, in addition to those purposes.

(ii) Status of Shareholdings in the Submitting Company

The following is a summary of the Company's shareholdings in the Submitting Company.

a. Shares held by the Company for purposes other than pure investment

(a). Method of verifying holding policy and rationality of holding, and the details of verification by the Board of Directors, etc., regarding appropriateness of holding individual stocks

The Company holds investment shares for purposes other than pure investment when it is possible to judge that business benefits can be obtained through the expansion of transactions and collaboration with customers and business partners, while strengthening and maintaining relationships of trust with them in order to enhance the Company's corporate value from a medium- to long-term perspective.

In addition, we will hold investment shares for purposes other than pure investment (however, limited to listed shares). The Board of Directors will determine the appropriateness of continuing to hold the shares after examining whether these purposes have been achieved and whether the business benefits can be obtained. If it is determined that the holding is no longer reasonable, the shares will be sold.

In exercising voting rights for shares held by the Company, the Board of Directors will determine whether the proposals are in line with the Company's holding policy and whether they contribute to the development of the issuing company, the enhancement of shareholder profits, and the interests of the Company's shareholders and investors, before exercising voting rights in an appropriate manner.

(b) Number of issues and balance sheet amount

	Number of stocks (issue)	Total amount on balance sheet (millions of yen)
Unlisted stocks	10	1,248
Stocks other than unlisted stocks	2	2

(Issues for which the number of shares increased in the current fiscal year)

	Number of stocks (issue)	Total acquisition cost related to increase in number of shares (millions of yen)	Reason for increase in number of shares
Unlisted stocks	2	83	Strengthening product capabilities and expanding the client base through capital and business alliance Investment in funds
Stock other than unlisted stocks	-	-	-

(Issues for which the number of shares decreased in the current fiscal year)

	Number of stocks (issue)	Total sales price related to the decrease in the number of shares (millions of yen)
Unlisted stocks	-	-
Stock other than unlisted stocks	-	-

(c) Information on the number of shares, balance sheet amount, etc., of specified investment shares and deemed investment shares by issue

Specified investment stocks

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business alliance, quantitative effect of holding, and reasons for increase in number of shares	Number of shares of the company's stock shareholding
	Number of shares	Number of shares		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Recruit Holdings Co.	300	300	(Purpose of holding) Business research and information gathering (Note)	None
	1	1		
Persol Holding Co.	300	300	(Purpose of holding) Business research and information gathering (Note)	None
	0	0		

Note: Quantitative holding effects are not measured because the purpose of holding is to gather information. The Company judges the reasonableness of its holdings after verifying that the risks and costs associated with the holdings are not material.

Deemed holding shares
Not applicable

b. Investment stocks held for pure investment purposes

Not applicable

c. Investment stocks for which the purpose of holding changed from pure investment to other than pure investment during the current fiscal year

Not applicable

d. Investment stocks for which the purpose of holding was changed from pure investment to other than pure investment during the fiscal year

Not applicable

(iii) Shareholdings in Benefit One Inc.

The Company and its consolidated subsidiaries hold the largest amount of investment shares on the balance sheet (investment shares) of Benefit One Inc. The following is a summary of the Company's holdings of investment securities.

a. Investment shares held for purposes other than pure investment

(a) Method to verify the shareholding policy and the rationality of holding, along with the content of verification of the appropriateness of holding individual stock names by the Board of Directors, etc.

The Company holds investment shares for purposes other than pure investment (hereinafter, "Strategic Shares") to complement its services more efficiently than building a business on its own by collaborating with companies having business assets that the Company does not and to enhance the medium- to long-term corporate value such as via maintaining and strengthening the relationship of trust with customers and business partners and expanding business through business alliance.

Of the Strategic Shares, listed shares are verified every year regarding matters such as whether the purpose of holding each stock name is appropriate and whether the benefits and risk of holding the shares are worth the cost of capital, and the Board of Directors judges the appropriateness of continuously holding the shares. In the current fiscal year, the Company's Board of Directors meeting held in March 2023 comprehensively verified the results of collaboration in sales activities, outlook for the future, etc., in addition to industry trends, performance trends, and financial position, and judged that continuous holding is reasonable.

(b) Number of stock names and the amount reported in the balance sheet

	Number of stock names	Total amount reported in the balance sheet (millions of yen)
Unlisted shares	5	117
Shares other than unlisted shares	4	2,529

Note: The number of unlisted stocks and the balance sheet amount of unlisted stocks decreased due to the sale of all shares of one unlisted stock held in the previous fiscal year in the current fiscal year.

(Stock names of which the number of shares increased in the current fiscal year)

Not applicable

(Stock names of which number of shares decreased in the current fiscal year)

	Number of stock names	Total acquisition value resulted from the increase in the number of shares (millions of yen)
Unlisted shares	1	13
Shares other than unlisted shares	1	688

(c) Number of specified equity securities held and deemed holdings of equity securities by stock name, along with information on the amount reported in the balance sheet, etc.

Specified equity securities held

Stock name	Current FY	Previous FY	Purpose of holding, Outline of Business Alliance, etc. quantitative effect of holding, and reason for the increased number of shares	Holding of Company's shares
	Number of shares	Number of shares		
	Amount reported in the balance sheet (millions of yen)	Amount reported in the balance sheet (millions of yen)		
Data Horizon Corporation	436,900	750,000	(Purpose of holding shares) The Company intends to improve/expand its BPO service menu and expects the successful results of collaboration in sales activities through business alliance in the field close to the Company's Healthcare business.	No
	1,222	1,489	(Outline of business alliance, etc.) Customer referrals, etc. to efficiently expand the customer base in the healthcare field. (Quantitative effect of holding) The Company verifies annual results of collaboration in sales activities, such as the status of joint proposal, the status of customer introduction, and the effectiveness of alliance in the industry, as well as outlook for the future, and judges the rationality of holding. (Reason for increase in number of shares) Increase due to stock split	
SUNNEXTA GROUP Inc.	778,000	778,000	(Purpose of holding shares) The Company intends to improve/expand its BPO service menu and expects the successful results of collaboration in sales activities through business alliance in the field close to the Company's Employee Benefit Service business.	No
	798	869	(Outline of business alliance, etc.) Joint proposals, customer referrals, etc. to efficiently promote and expand services of both companies, such as employee benefits and company housing management. (Quantitative effect of holding) The Company verifies annual results of collaboration in sales activities, such as the status of joint proposal, the status of customer introduction, and the effectiveness of alliance in the industry, as well as outlook for the future, and judges the rationality of holding.	
LIBERO Corporation	455,000	455,000	(Purpose of holding shares) The Company intends to improve/expand its BPO service menu and expects the successful results of collaboration in sales activities through business alliance in the field close to the Company's Employee Benefit Service business.	No
	505	926	(Outline of business alliance, etc.) Joint proposals, customer referrals, etc. to efficiently promote and expand services of both companies, such as employee benefits and company housing management. (Quantitative effect of holding) The Company verifies annual results of collaboration in sales activities, such as the status of joint proposal, the status of customer introduction, and the effectiveness of alliance in	

			the industry, as well as outlook for the future, and judges the rationality of holding. (Reason for increase in number of shares) Increase due to stock split	
Relo Group, Inc.	2,000	2,000	(Purpose of holding shares) Collecting information on industry trends	No
	4	3	(Quantitative effect of holding) The Company holds the shares to collect industry information. The Company verifies that the risk and cost of holding is less important and judges the rationality of holding.	

Deemed holdings of equity securities

Not applicable

b. Investment shares held for the purpose of pure investment

Not applicable

c. Investment shares of which the purpose of holding was changed from pure investment to purposes other than pure investment during the current fiscal year

Not applicable

d. Investment shares of which the purpose of holding was changed from purposes other than pure investment to pure investment during the current fiscal year

Not applicable

I-5. Status of accounting

1. Method to prepare consolidated financial statements and financial statements

(1) The Company's consolidated financial statements are prepared based on the *Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements* (Law number: Ministry of Finance Order No. 28 of 1976).

(2) The Company's financial statements are prepared based on the *Regulation on Terminology, Forms, and Preparation Methods of Financial Statements* (Law number: Ministry of Finance Order No. 59 of 1963; hereinafter, the "Regulation on Financial Statements, etc.").

The Company is a special company submitting financial statements and prepares its financial statements based on the provisions of Article 127 of the *Regulation on Financial Statements, etc.*

2. Audit attestation

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law, the consolidated financial statements for the consolidated fiscal year (June 1, 2022 to May 31, 2023) and the business year (June 1, 2022 to May 31, 2023) were audited by Deloitte Touche Tohmatsu LLC.

3. Special efforts for ensuring the appropriateness of consolidated financial statements

The Company takes special measures to ensure the appropriateness of its consolidated financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation (FASF) in order to appropriately understand the content of accounting standards, etc., and to develop a system that can accurately respond to changes in accounting standards, etc. In addition, the Company participates in training sessions conducted by the organization, collects information in a timely and appropriate manner, and shares it with its Group companies.

1. Consolidated financial statements., etc.

(1) Consolidated financial statements

(i) Consolidated balance sheet

(Millions of yen)

	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Assets		
Current assets		
Cash and deposits	*1 66,951	*1 123,067
Notes and accounts receivable – trade Note	*2 101	*2 73
Accounts receivable - trade	*2 40,872	*2 40,973
Contract assets	10,008	11,577
Inventories	*3 3,560	*3 3,365
Income taxes receivable	70	2,693
Other	9,648	12,643
Allowance for doubtful accounts	(89)	(121)
Total current assets	131,123	194,275
Non-current assets		
Property, plants, and equipment		
Buildings	*4.5 19,410	*4.5 23,179
Accumulated depreciation	(7,201)	(7,798)
Buildings (net)	12,208	15,381
Structures	4,431	4,894
Accumulated depreciation	(791)	(1,083)
Structures (net)	3,639	3,810
Land	*5 7,308	*5 8,063
Leased assets	3,256	2,306
Accumulated depreciation	(2,505)	(1,171)
Leased assets (net)	751	1,134
Construction in progress	1,605	3,353
Other	*4 7,982	*4 8,109
Accumulated depreciation	(6,160)	(6,127)
Other (net)	1,821	1,981
Total property, plants, and equipment	27,336	33,725
Intangible assets		
Goodwill	6,833	7,353
Software	*4 7,644	*4 10,027
Leased assets	18	7
Customer relationship asset	8,581	9,067
Other	116	126
Total intangible assets	23,195	26,582
Investments and other assets		
Investment securities	*6 6,938	*6 6,586
Long-term loans receivable	39	34
Assets for retirement benefits	1,942	2,245
Deferred tax assets	2,720	2,909
Lease and guarantee deposits	9,063	7,773
Other	1,247	1,248
Allowance for doubtful accounts	(10)	(7)
Total investments and other assets	21,941	20,791
Total non-current assets	72,473	81,099
Deferred assets		
Bond issuance costs	149	130

(Millions of yen)

	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Total deferred assets	149	130
Total assets	203,746	275,504

(Millions of yen)

	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	8,735	7,427
Short-term borrowings	*5 9,611	*5 10,296
Lease obligations	411	383
Accounts payable - other	10,523	10,334
Accrued expenses	16,016	17,009
Income taxes payable	5,877	3,061
Accrued consumption tax	5,250	4,482
Contract liabilities	8,453	7,488
Deposits received	*1 13,051	*1 78,690
Provision for employee's bonuses	4,741	4,667
Provision for Directors' bonuses	19	26
Assets retirement obligations	43	17
Other	819	897
Total current liabilities	83,555	144,783
Non-current liabilities		
Bonds payable	3,810	3,224
Long-term borrowings	*5 38,779	*5 43,505
Lease obligations	554	924
Provision for share awards for Directors (and other Officers)	598	600
Provision for employee stock ownership plan	571	566
Liabilities for retirement benefits	2,300	2,409
Deferred tax liabilities	3,506	2,366
Asset retirement obligations	2,280	2,554
Other	643	2,945
Total non-current liabilities	53,044	59,096
Total liabilities	136,599	203,880
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	17,786	17,094
Retained earnings	28,238	32,941
Treasury shares	(2,378)	(2,378)
Total shareholders' equity	48,646	52,658
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,131	853
Foreign currency translation adjustment	197	348
Accumulated retirement benefit adjustments	10	138
Total accumulated other comprehensive income	1,339	1,340
Share warrant	4	2
Non-controlling interests	17,155	17,622
Total net assets	67,146	71,624
Total liabilities and net assets	203,746	275,504

(ii) Consolidated profit and loss statement and consolidated statement of comprehensive income

Consolidated profit & loss statement

	(Millions of yen)	
	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to March 31, 2023)
Sales	366,096	372,579
Cost of sales	276,424	281,053
Gross profit	89,671	91,525
Selling, general, and administrative expenses	*2 67,588	*2 77,148
Operating profit	22,083	14,377
Non-operating profit		
Interest income	28	41
Equity in earnings of affiliates	142	153
Subsidy income	720	968
Real estate rent	735	185
Other	363	440
Total non-operating profit	1,991	1,788
Non-operating expenses		
Interest expenses	293	393
Commitment fee	460	60
Real estate rental expense	611	141
Other	212	203
Total non-operating expenses	1,578	798
Ordinary profit	22,496	15,366
Extraordinary profit		
Gain on sales of non-current assets	*3 4	*3 33
Gain on sales of investment securities	-	1,267
Gain on sales of shares of subsidiaries and associates	24	17
Gain on change in equity	-	213
Total extraordinary profit	28	1,530
Extraordinary losses		
Loss on retirement of non-current assets	*4 80	*4 131
Impairment loss	*5 132	-
Loss on sales of investment securities	2	-
Loss on valuation of shares of investment securities	19	-
Loss on valuation of shares of subsidiaries and associates	0	-
Total extraordinary losses	234	131
Profit before income taxes	22,290	16,766
Income taxes - current	8,826	7,508
Income taxes - deferred	69	(1,450)
Total income taxes	8,895	6,058
Profit	13,394	10,707
Profit attributable to non-controlling interests (Δ)	4,773	4,608
Profit income attributable to owners of parent	8,621	6,099

Consolidated statement of comprehensive income

(Millions of yen)

	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Profit	13,394	10,707
Other comprehensive income		
Valuation difference on available-for-sale securities	867	(534)
Foreign currency translation adjustment	198	162
Adjustment for retirement benefits	(28)	132
Share of other comprehensive income of affiliates accounted for by the equity method	(0)	0
Total other comprehensive income	*1 1,038	*1 (239)
Comprehensive income	14,433	10,468
(Breakdown)		
Comprehensive income attributable to owners of parent	9,219	6,099
Comprehensive income attributable to non-controlling interests	5,213	4,368

(iii) Consolidated statements of changes in net assets

Previous consolidated fiscal year (June 1, 2021 to May 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance, beginning of period	5,000	14,029	20,801	(2,417)	37,413
Cumulative effect of a change in accounting policy			12		12
Balance, beginning of the year reflecting change in accounting policy	5,000	14,029	20,813	(2,417)	37,425
Changes during the period					
Dividends of surplus			(1,196)		(1,196)
Profit attributable to owners of the parent			8,621		8,621
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock by stock benefit trust				39	39
Changes in the parent company's interest in transactions with non-controlling shareholders		2,993			2,993
Changes in equity due to capital increase of consolidated subsidiaries		763			763
Net changes of items other than shareholders' equity					-
Total changes during the period	-	3,757	7,424	39	11,220
Balance, end of period	5,000	17,786	28,238	(2,378)	48,646

	Accumulated other comprehensive income				Subscription warrant	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated retirement benefits	Total accumulated other comprehensive income			
Balance, beginning of period	694	10	36	741	4	11,619	49,779
Cumulative effect of a change in accounting policy							12
Balance, beginning of the year reflecting change in accounting policy	694	10	36	741	4	11,619	49,792
Changes during the period							
Dividends of surplus				-			(1,196)
Profit attributable to owners of the parent				-			8,621
Acquisition of treasury stock				-			(0)
Disposal of treasury stock by stock benefit trust				-			39
Changes in the parent company's interest in transactions with non-controlling shareholders				-			2,993
Changes in equity due to the capita				-			763

increase of consolidated subsidiaries							
Net changes of items other than shareholders' equity	436	187	(26)	597	-	5,535	6,133
Total changes during the period	436	187	(26)	597	-	5,535	17,354
Balance, end of period	1,131	197	10	1,339	4	11,619	67,146

Current consolidated fiscal year (June 1, 2022 to May 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance, beginning of period	5,000	17,786	28,238	(2,378)	48,646
Changes during the period					
Dividends of surplus			(1,396)		(1,396)
Profit attributable to owners of the parent			6,099		6,099
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock by stock benefit trust				0	0
Changes in parent company's interest in transactions with non-controlling shareholders		(688)			(688)
Changes in equity due to capital increase of consolidated subsidiaries		(3)			(3)
Net changes of items other than shareholders' equity					-
Total changes during the period	-	(692)	4,703	0	4,011
Balance, end of period	5,000	17,094	32,941	(2,378)	52,658

	Accumulated other comprehensive income				Subscription warrant	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated retirement benefits	Total accumulated other comprehensive income			
Balance, beginning of period	1,131	197	10	1,339	4	17,155	67,146
Changes during the period							
Dividends of surplus				-			(1,396)
Profit attributable to owners of the parent				-			6,099
Acquisition of treasury stock				-			(0)
Disposal of treasury stock by stock benefit trust				-			0
Changes in the parent company's interest in transactions with non-controlling shareholders				-			(688)
Changes in equity due to capital increase of consolidated subsidiaries				-			(3)
Net changes of items other than shareholders' equity	(278)	150	127	0	(1)	467	465
Total changes during the period	(278)	150	127	0	(1)	467	4,477
Balance, end of period	853	348	138	1,340	2	17,622	71,624

(iv) Consolidated statements of cash flows

(Millions of yen)

	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Cash flows from operating activities		
Profit before income taxes	22,290	16,766
Depreciation	4,419	5,126
Impairment loss	132	-
Amortization of goodwill	709	721
Increase (decrease) in allowance for doubtful accounts () indicates decrease	20	62
Increase (decrease) in provision for bonuses	153	(96)
Increase (decrease) in net defined benefit liability () indicates decrease	(41)	(0)
Decrease (increase) in net defined benefit asset () indicates increase	(629)	(120)
Increase (decrease) in provision for Directors' stock benefit	171	2
Increase (decrease) in provision for employees' stock grant	138	(5)
Interest and dividends income		(82)
Loss on valuation of shares of subsidiaries and associates	(71)	
Interest expenses		
Loss (gain) on sales of shares of subsidiaries and associates	293	393
Subsidy income	(720)	(968)
Share of loss (profit) of entities accounted for using equity method	(142)	(153)
Loss on sale and retirement of non-current assets	76	97
Loss (gain) on sales of investment securities () indicates gain	2	(1,267)
Loss (gain) on valuation of investment securities	19	-
Decrease (increase) in notes, accounts receivable-trade and contract assets () indicates increase	(6,112)	(1,188)
Decrease (increase) in inventories () indicates increase	(315)	199
Decrease (increase) in other assets () indicates increase	(1,907)	(3,023)
Increase (decrease) in operating debt () indicates decrease	2,823	(901)
Increase (decrease) in accrued consumption tax () indicates decrease	(862)	39
Increase (decrease) in deposits received () indicates decrease	(1,201)	1,061
Increase (decrease) in other liabilities () indicates decrease	(1,669)	1,717
Other	104	(178)
Subtotal	17,679	18,202
Interest and dividends income received	86	98
Interest expenses paid	(286)	(374)
Proceeds from subsidy	720	968
Income taxes paid	(8,084)	(12,932)
Net cash provided by operating activities	10,115	5,961

(Millions of yen)

	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Cash flows from investment activities		
Decrease (increase) in time deposits	10	(21)
Purchase of property, plants, and equipment	(11,632)	(9,029)
Proceeds from sales of property, plants, and equipment	13	99
Purchase of intangible assets	(4,683)	(4,591)
Purchase of investment securities	(744)	(595)
Proceeds from sales of investment securities	95	1,790
Purchase of shares subsidiaries resulting in charge in scope of consolidation	*2 (10,451)	*2 (1,268)
Payments of loans receivable	(7)	(10)
Collection of loans receivable	11	20
Payments of lease and guarantee deposits	(2,493)	(638)
Proceeds from collection of lease and guarantee deposits	256	1,962
Payments for asset retirement obligation	(50)	(79)
Other	52	(140)
Net cash used in investment activities	(29,624)	(12,502)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings () indicates decrease	(61)	(14)
Proceeds from long-term borrowings	29,129	15,727
Repayments of long-term borrowings	(11,098)	(10,339)
Proceeds from sale and leaseback	257	-
Repayments of finance lease obligations	(686)	(448)
Proceeds from issuance of bonds	2,500	-
Redemption of bonds	(586)	(586)
Proceeds from payments from non-controlling interests	1,171	201
Purchase of treasury shares	(0)	(0)
Purchase of treasury shares of subsidiaries	(0)	(1,506)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(0)	(162)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	6,523	5
Cash dividends paid	(1,194)	(1,392)
Dividends paid to non-controlling interests	(2,390)	(3,776)
Other	(20)	-
Net cash provided by (used in) financing activities	23,543	(2,292)
Effect of exchange rate change on cash and cash equivalents	244	174
Net increase (decrease) in cash and cash equivalents (△ indicates a decrease.)	4,278	(8,658)
Cash and cash equivalents at the beginning of the period	52,298	56,578
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	1	-
Cash and cash equivalents at the end of the period	*1 56,578	*1 47,919

Notes

(Matters regarding going concern assumptions)

Not applicable

(Material matters that serve as the basis for preparing consolidated financial statements)

1. Matters regarding the scope of consolidation

(1) Consolidated subsidiary

(i) Number of consolidated subsidiaries

69 companies

(ii) Names of major consolidated subsidiaries

Pasona Inc.

Benefit One Inc.

Bewith, Inc.

Pasona Panasonic Business Service Co., Ltd.

Nijigennomori Inc.

(iii) Newly consolidated subsidiaries

Four companies

Establishment:

Awaji Nature Farm Inc.

Share acquisition:

Doinet Co., Ltd.

Pasona Joinus Inc. (Note 1)

Change from equity method affiliates:

Profelier, Inc. (Note 2)

(iv) Subsidiaries excluded from consolidation

One Company

JTB BENEFIT SERVICE, Inc. (Note 3)

Note 1: The trade name was changed from KANDEN JOINUS Co., Ltd..

Note 2: Transferred from an equity method affiliated company due to an increase in materiality

Note 3: Merged with Benefit One Inc., a consolidated subsidiary of the Company, and was dissolved

(2) Non-consolidated subsidiaries

(i) Number of non-consolidated subsidiaries

Five companies

(ii) Names of major non-consolidated subsidiaries

Pasona Force Inc.

(iii) Reasons for excluding a subsidiary from the scope of consolidation

A non-consolidated subsidiary can be excluded from the scope of consolidation because it is a small-sized company and because its total assets, net sales, profit/loss (the amount corresponding to equity), and retained earnings (the amount corresponding to equity), etc., do not have significant impact on the Company's consolidated financial statements.

2. Matters regarding the application of the equity method

(1) Equity method affiliates

(i) Number of affiliated companies to which the equity method has been applied

Five companies

(ii) Names of major companies to which the equity method has been applied

e-staffing Co., Ltd.

National Examination Center Inc.

circlace Inc.

(iii) Excluded affiliated companies to which the equity method has been applied

Four companies

VISIT Tohoku Inc. (Note 1)

GM7 Inc. (Note 1)

Bridge Force Inc. (Note 2)

Profelier, Inc. (Note 3)

Note 1: As a result of the sale of all shares of VISIT Tohoku Inc. held by the Company, VISIT Tohoku Inc. and its subsidiary, GM7 Inc., were excluded from the scope of application of the equity method.

Note 2: Excluded from equity-method affiliates due to the completion of liquidation

Note 3: Transferred to consolidated subsidiary due to an increase in materiality

(2) Names, etc., of non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

(i) Number of non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

Six companies

(ii) Names of major non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

Pasona Force Inc.

(iii) Reason for not applying the equity method

The companies to which the equity method is not applied are excluded from the scope of the application of the equity method because they have only a minor impact on the Company's consolidated financial statements if they are excluded from the scope of the equity method in terms of profit/loss (the amount corresponding to equity), retained earnings (the amount corresponding to equity), etc., and because they are less important as a whole.

3. Matters regarding the consolidated subsidiaries' fiscal years, etc.

The fiscal year end of Pasona Inc., Bewith, Inc. and 18 other companies is the same as the consolidated fiscal year end. For Nijigennomori Inc. and Pasona Furusato Incubation Inc., the closing date was changed from the last day of March to the last day of May, which is the same as the consolidated closing date, due to their joining the group totalization system upon becoming wholly owned subsidiaries. As a result of this change in fiscal year end, Nijigennomori Inc. and Pasona Furusato Incubation Inc.'s accounting period for the current fiscal year was 14 months.

The fiscal year end of Pasona Human Resources (Shanghai) Co., Ltd., PT. Dutagriya Sarana and 9 other companies is December 31. In preparing the consolidated financial statements, the Company uses financial statements based on a provisional settlement of accounts conducted as of the end of March.

The fiscal year end of 38 other consolidated subsidiaries is March 31, and their financial statements as of that date are used in preparing the consolidated financial statements.

For significant transactions that occurred between the end of the fiscal year of these subsidiaries and the end of the consolidated fiscal year, necessary adjustments have been made in the consolidated financial statements.

4. Matters regarding accounting policies

(1) Valuation criteria and valuation method for material assets

(i) Valuation criteria and valuation method for securities

Other securities

Stocks and other securities without market quotations: Market value method

(Unrealized gains or losses are directly charged or credited to net assets, and cost of sales is determined by the moving-average method.)

Non-marketable equity securities, etc.: Cost method based on the moving average method

For investments in limited liability investment partnerships and similar partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the most recent financial statements available as of the reporting date stipulated in the partnership agreement are used as the basis for calculating the net amount of the Company's equity interest. The net amount equivalent to the Company's equity interest in the partnership is taken into account in the financial statements.

(ii) Valuation standards and methods for derivatives

Market value method

(iii) Valuation criteria and method for Inventories

The valuation criteria are based on the cost method. (Balance sheet amounts are calculated by the book value devaluation method due to a decline in profitability.)

Merchandise: Moving average method

Supplies: Last purchase price method

- (2) Method of depreciation of material depreciable assets
- (i) Property, plants, and equipment (excluding leased assets)
 - Buildings (including facilities attached to buildings) and structures: Straight-line method
(However, the Company uses the declining balance method for facilities attached to buildings and structures acquired on or before March 31, 2016.)
 - Other property, plants, and equipment : mainly Declining balance method
 - (ii) Intangible assets (excluding leased assets)
 - Software: Straight-line method based on the usable period in the Company (within 10 years)
 - Customer relationship asset : Straight-line method based on the period over which the effect is realized (within nine to 22 years)
 - (iii) Leased assets
 - Leased assets related to finance lease transactions that transfer ownership
 - Depreciation is computed by the same method as that applied to non-current assets owned by the Company.
 - Leased assets related to non-ownership-transfer lease transactions
 - Depreciated using the straight-line method regarding the lease period as the useful life and assuming the residual value as zero.
- (3) Treatment of material deferred assets
- Bond issuance cost: Amortized by the straight-line method over the period until redemption of bonds.
- (4) Recording criteria for important allowances
- (i) Allowance for doubtful accounts
 - To prepare for losses due to bad debts, the Company reports the expected non-collectable amount using the loan loss ratio for general claims and individually examining the collectability of claims with a possibility of default and bankruptcy or reorganization claims.
 - (ii) Provision for bonuses
 - To provide for the payment of bonuses to employees based on the estimated amount of payment.
 - (iii) Provision for bonuses to Directors and Corporate Auditors
 - To provide for the payment of bonuses for Directors and Corporate Auditors based on the estimated amount of bonus payments to Directors and Corporate Auditors.
 - (iv) Provision for share awards for Directors (and other Officers)
 - To prepare for the provision of the Company's shares to Directors based on the Officer Stock Benefit Regulations, etc., the Company recorded the provision based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.
 - (v) Provision for employee stock ownership plan
 - To prepare for the provision of the Company's shares to employees, etc., based on the Stock Benefit Regulations, the Company recorded the provision based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.
- (5) Basis for Recognition of Significant Revenue and Expense
- The Company and its consolidated subsidiaries recognize revenue from contracts with customers based on the following five-step approach.
- Step 1: Identify the contract with the customer.
 - Step 2: Identify the performance obligations in the contract.
 - Step 3: Calculate the transaction price.
 - Step 4: Allocate the transaction price to the performance obligations in the contract.
 - Step 5: Recognize revenue when (or as) the performance obligation is satisfied.
- The details of the main performance obligations in the Group's main businesses related to revenue from contracts with customers and the usual time at which these performance obligations are described in "Notes (Revenue recognition related)".
- (6) Accounting for Retirement Benefits
- To provide for the payment of retirement benefits to employees, the Company records an amount based on projected benefit obligations and pension assets at the end of the current fiscal year.
- (i) Method of attributing estimated retirement benefits to periods
 - The estimated amount of retirement benefits is attributed to the period until the end of the current consolidated fiscal

year based on the benefit calculation method.

(ii) Method of amortizing actuarial gains and losses

Actuarial gains and losses are charged to income in a lump sum in the fiscal year following the year in which they arise.

(iii) Adoption of the simplified method for small companies, etc.

Certain consolidated subsidiaries apply the simplified method to calculate liabilities for retirement benefits and retirement benefit expenses, using the amount payable at the end of the fiscal year as the liability for retirement benefits.

(7) Matters regarding the amortization method and period of goodwill

Goodwill is amortized over an estimated period (five to 20 years) in which its effects will be realized, using the straight-line method. Goodwill that is immaterial in amount is amortized at once when it arises.

(8) Scope of funds in the consolidated statements of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows consist of cash-on-hand, deposits that can be withdrawn at any time, and short-term investments that are easily converted into cash, risk averse to value fluctuations, and redeemable within three months from the date of acquisition.

(9) Other material matters for preparing consolidated financial statements

(i) Material hedge accounting methods

a. Hedge accounting method

In principle, deferred hedge accounting is applied. Interest rate swaps that meet the requirements for special treatment are accounted for using the special treatment.

b. Hedging instruments and hedged items

Hedging instrument: Interest rate swaps

Hedged items: Borrowings

c. Hedging policy

The Company enters into derivatives transactions to reduce the risk of market fluctuations in interest rates, etc., reduce financing costs, or optimize future cash flows. The Company's policy is not to enter into derivatives transactions for the purpose of earning short-term trading margins or for speculative purposes.

d. Evaluation of hedge effectiveness

The Company compares the market fluctuations of hedged items and hedging instruments semiannually and evaluates the effectiveness of hedging based on the amount of fluctuation of both. The assessment of hedge effectiveness is omitted because the interest rate swaps meet the requirements for special treatment.

(ii) Application of Consolidated Tax Payment System

The Company and some of its consolidated subsidiaries apply the consolidated tax payment system.

(iii) Application of tax effect accounting for the transition from the consolidated tax payment system to the group totalization system

The Company and some of its domestic consolidated subsidiaries will shift from a consolidated tax payment system to a group totalization system from the following fiscal year. However, the Company and some of its domestic consolidated subsidiaries will be subject to the group taxation system established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020). The items that have been revised in conjunction with the transition to the group-totaling system and the transition to the group-totaling system are described in "Treatment of Application of Tax Effect Accounting for Transition from Consolidated Taxation System to Group Taxation System" (PITF No. 39, March 2020). The provisions of Paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) are not applied, and the amounts of deferred tax assets and liabilities are calculated based on the tax law before the revision.

In addition, from the beginning of the next consolidated fiscal year, the accounting treatment of corporate and local income taxes and the tax effect accounting in the case where the group totalization system is applied, as well as the accounting treatment of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision. The Company plans to apply the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 42, August 12, 2021).

(Material accounting estimates)

1. Valuation of non-current assets belonging to the Regional Revitalization Solution segment

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

(Millions of yen)

	Account title	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Property, plants, and equipment	Buildings (net)	6,936	7,996
	Structures (net)	3,433	3,579
	Land	183	183
	Leased assets (net)	247	165
	Construction in progress	23	140
	Other (net)	857	909
Total property, plants, and equipment		11,682	12,974
Intangible assets	Software	337	400
	Leased assets	4	0
	Other	4	5
Total intangible assets		347	405
Investments and other assets	Other	92	86
Total investments and other assets		92	86
Total non-current assets		12,121	13,466
Impairment loss		132	-

(2) Information that contributes to an understanding of the nature of material accounting estimates related to the identified items

Of the total ¥61,031 million in property, plant and equipment, intangible assets, etc. recorded in the consolidated financial statements for the current fiscal year, ¥13,466 million are fixed assets related to several commercial facility management businesses that belong to the Regional Revitalization Solutions segment.

For this segment, each commercial facility is primarily considered as an asset grouping unit. This segment recorded an operating loss of ¥2,877 million for the fiscal year ended March 31, 2023, and signs of impairment have been identified for certain asset groups. In determining whether to recognize impairment losses on fixed assets, the Company calculates undiscounted future cash flows based on the business plan for each cash-generating unit approved by management.

A key assumption in estimating undiscounted future cash flows is growth in the number of users in the business plan. This segment continues to incur operating losses due to a large number of fixed costs such as personnel expenses and other expenses that are incurred in the period after the opening of a commercial facility until the number of users reaches a certain level, which is ahead of the cost burden. In addition, the number of users may fall below expectations due to the possibility of a decrease in the number of users caused by weather, disasters, or other factors, or in the event that measures to increase the appeal of the facility to users are inadequate or fail to achieve a high level of user satisfaction. This segment, which operates food & beverage, amusement, and lodging businesses, has been affected by the shrinking demand for travel and leisure due to the spread of COVID-19, but even in this environment, the Group has been aggressively opening new facilities with an eye to the post-COVID-19 era. During the period under review, the number of domestic tourists has been increasing, and the number of foreign visitors to Japan has also increased due to the recent easing of entry restrictions from various countries, while further growth in the number of visitors is expected in the future.

Accounting estimates, such as impairment accounting for fixed assets, are based on the current business conditions and information available at the time of the preparation of the consolidated financial statements, assuming further revitalization of domestic travel, an increase in overseas tourists, and spillover effects and synergistic effects from Expo 2025 Osaka, Kansai, Japan, in which we plan to have a pavilion. The Company's estimate is based on the assumption that the Company will exhibit at a pavilion at Expo 2025 Osaka, Kansai, Japan.

Because of the uncertainties involved in accounting estimates, including the outlook for domestic leisure demand and inbound demand, changes in the assumptions used for accounting for impairment of fixed assets may necessitate the

recording of impairment losses on fixed assets in the next consolidated fiscal year.

2. Valuation of intangible assets and goodwill related to the former JTB BENEFIT SERVICE, Inc.

Benefit One Inc. ("Benefit One"), a consolidated subsidiary, had customer relationship assets of ¥7,961 million and goodwill of ¥5,529 million on its consolidated balance sheet as of the end of the current fiscal year. This amount was generated when the Company acquired JTB BENEFIT SERVICE, Inc. (formerly "JTB BENEFIT") on October 29, 2021. As stated in "(Material matters that serve as the basis for preparing consolidated financial statements) 4. Matters regarding accounting policies," customer relationship assets and goodwill are amortized on a straight-line basis over the periods of 22 years and 20 years, respectively, during which the effects of the assets are expected to be realized, but when there is an indication of impairment, it is necessary to determine whether an impairment loss should be recognized. If an impairment loss is deemed necessary, the carrying amount of the asset is reduced to its recoverable amount, and the amount of reduction is recognized as an impairment loss.

In the future cash flow projections based on the business plan used to calculate the customer relationship assets and goodwill for the acquisition of the former JTB BENEFIT, the discount rate and the decay rate of existing customers in the future cash flow projections were determined to be significant assumptions. If the decay rate of existing customers deviates downward from the original projection, the business plan at the time of the acquisition of the former JTB BENEFIT would not be achieved, and the value of customer relationship assets and goodwill would be impaired. Benefit One is in the process of integrating "Eraberu Club" into "Benefit Station" in the current fiscal year, and the members transferred to "Benefit Station" as a result of the integration are also considered as the number of former JTB BENEFIT welfare program members.

(Unapplied accounting standards, etc.)

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

The tax treatment of income taxes on sales of shares of subsidiaries and other securities in the case where other comprehensive income is subject to taxation and group corporate taxation is applied.

(2) Scheduled effective date

It will be applied from the beginning of the fiscal year ending May 31, 2025.

(3) Effect of adoption of this accounting standard

The impact on the consolidated financial statements is currently being evaluated.

(Additional Information)

1. The Company's Stock Benefit Trust

(1) Board Benefit Trust (BBT)

Based on the resolution at the General Meeting of Shareholders held on August 19, 2015, the Company introduced the Board Benefit Trust (BBT) (hereinafter, the "BBT scheme") on October 26, 2015 as a performance-linked stock-based remuneration system for Directors (excluding Directors that are members of the Audit and Supervisory Committee, Outside Directors, and non-Executive Directors) and Executive Officers with Executive titles (limited to those that were Directors immediately prior to the transition to a company with an Audit and Supervisory Committee system) as of September 1 of the fiscal year subject to evaluation (hereinafter "Directors, etc.").

(i) Outline of transactions

The Company established the Officer Stock Benefit Regulations when it introduced the BBT scheme. Based on the Officer Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire, in advance, shares to be allocated in the future, and trust banks acquired the Company's shares using the entrusted money.

In the BBT scheme, the Company grants points to Directors, etc., and allocates shares to Directors, etc., according to their points based on the Officer Stock Benefit Regulations.

In reference to the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc., through Trust (PITF No. 30, March 26, 2015) published by the Accounting Standards Board of Japan, the Company applies the practical solution to Directors, etc., and uses the gross price method in which trust assets and liabilities are

recorded as the enterprise's assets and liabilities on the balance sheet as accounts processing related to the BBT scheme.

To prepare for the provision of the Company's shares to Directors, etc., based on the Officer Stock Benefit Regulations, the Company recorded "Provision for share awards for Directors (and other Officers)" based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

(ii) Treasury shares remaining in trust

The Company recorded its treasury shares remaining in trust as treasury shares under net assets, using the book value in trust (excluding the amount of incidental costs). The book value and the number of these treasury shares were ¥544 million and 424,862 shares at the end of the current consolidated fiscal year.

(iii) Book value of the borrowings recorded by applying the gross price method

Not applicable.

(2) Japanese version of Employee Stock Ownership Plan (J-ESOP)

The Company introduced an incentive plan, the Japanese version of the Employee Stock Ownership Plan (J-ESOP) (hereinafter, the "J-ESOP scheme"), on October 26, 2015 for the purpose of enhancing employees' motivation and morale for higher stock price and performance. In this scheme, treasury shares are allocated to employees of the Company and Officers and employees of the Company's subsidiaries (hereinafter, "Employees, etc.").

(i) Outline of transactions

The Company established the Stock Benefit Regulations when it introduced the J-ESOP scheme. Based on the Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire, in advance, shares to be allocated in the future, and trust banks acquired the Company's shares using the entrusted money.

In the J-ESOP scheme, the Company grants points to Employees, etc., and allocates shares to Employees, etc., according to points as based on the Stock Benefit Regulations.

Applying the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc., through Trust (Practical Issue Task Force (PITF) No. 30, March 26, 2015) published by the Accounting Standards Board of Japan (ASBJ), the Company uses the gross price method in which trust assets and liabilities are recorded as the enterprise's assets and liabilities on the balance sheet as accounts processing related to the J-ESOP scheme.

To prepare for the provision of the Company's shares to employees, etc., based on the Stock Benefit Regulations, the Company recorded "Provision for employee stock ownership plan" based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

(ii) Treasury shares remaining in trust

The Company recorded its treasury shares remaining in trust as treasury shares under net assets, using the book value in trust (excluding the amount of incidental costs). The book value and the number of these treasury shares were ¥379 million and 297,514 shares at the end of the current consolidated fiscal year.

(iii) Book value of the borrowings recorded by applying the gross price method

Not applicable.

2. Stock Benefit Trust of Consolidated Subsidiaries

(1) Board Benefit Trust (BBT)

Based on the resolution at the General Meeting of Shareholders held on June 29, 2016, the Company's consolidated subsidiary Benefit One, Inc. (hereinafter "Benefit One") introduced the Board Benefit Trust (BBT) (hereinafter, the "BBT scheme") on September 2, 2016 as a performance-linked stock-based remuneration system for Directors (limited to Executive Directors, the same applies hereinafter).

In addition, Benefit One, at the General Meeting of Shareholders held on June 25, 2019, resolved to abolish the previous compensation quota for the BBT system for Directors in a company with a Board of Auditors, mainly due to the transition to a company with an audit and supervisory committee, and to establish a new remuneration framework for performance-linked stock compensation for Directors (excluding Directors that are Audit and Supervisory Committee Members but limited to Executive Directors; the same shall apply hereinafter).

At the general meeting of shareholders held on June 24, 2021, Benefit One Corporation passed a renewed resolution to establish a remuneration framework for performance-linked stock-based compensation for directors in accordance with the Law Partially Amending the Companies Act (Law No. 70 of 2021), which came into effect on March 1, 2021.

(i) Outline of transactions

Benefit One Inc. established the Officer Stock Benefit Regulations when it introduced the BBT scheme. Based on the Officer Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire, in advance, shares to be allocated in the future, and trust banks acquired Benefit One's shares using the entrusted money.

In the BBT scheme, Benefit One Inc. grants points to Directors and allocates shares to Directors according to points as based on the Officer Stock Benefit Regulations.

In reference to the Practical Solution on Transactions of Delivering Benefit One's Own Stock to Employees etc., through Trust (PITF No. 30, March 26, 2015) published by the Accounting Standards Board of Japan, the Company applies the practical solution to Directors and uses the gross price method in which trust assets and liabilities are recorded as the enterprise's assets and liabilities on the balance sheet as accounts processing related to the BBT scheme.

To prepare for the provision of Benefit One Inc.'s shares to Directors based on the Officer Stock Benefit Regulations, Benefit One recorded "provision for share awards for Directors (and other Officers)" based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

(ii) Book value of the borrowings recorded by applying the gross price method

Not applicable.

(2) Japanese version of Employee Stock Ownership Plan (J-ESOP)

Based on the resolution at the Board of Directors meeting held on July 28, 2016, Benefit One introduced an incentive plan, the Japanese version of the Employee Stock Ownership Plan (J-ESOP) (hereinafter, the "J-ESOP scheme"), on September 2, 2016 for the purpose of enhancing employees' motivation and morale for higher stock price and performance. In this scheme, treasury shares are allocated to employees of the Company and Officers and employees of the Company's subsidiaries (hereinafter, "Employees, etc.").

(i) Outline of transactions

Benefit One established the Stock Benefit Regulations when it introduced the J-ESOP scheme. Based on the Stock Benefit Regulations, Benefit One entrusted money to trust banks in order to acquire, in advance, shares to be allocated in the future, and trust banks acquired Benefit One's shares using the entrusted money.

In the J-ESOP scheme, Benefit One grants points to Employees, etc., and allocates shares to Employees, etc., according to points as based on the Stock Benefit Regulations.

Applying the Practical Solution on Transactions of Delivering Benefit One's Own Stock to Employees etc., through Trust (Practical Issue Task Force (PITF) No. 30, March 26, 2015) published by the Accounting Standards Board of Japan (ASBJ), Benefit One uses the gross price method in which trust assets and liabilities are recorded as the enterprise's assets and liabilities on the balance sheet as accounts processing related to the J-ESOP scheme.

To prepare for the provision of Benefit One's shares to employees, etc., based on the Stock Benefit Regulations, Benefit One recorded "Provision for employee stock ownership plan" based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

(ii) Book value of the borrowings recorded by applying the gross price method

Not applicable.

(Matters related to the consolidated balance sheet)

*1: Cash and deposits:

“Cash and deposits” include temporary deposits from customers for projects that are restricted as to use by the group. The following corresponding obligations are included in “deposits received.”

	(Millions of yen)	
	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Deposits received	10,123	74,869

*2: Receivables from contracts with customers

All “notes receivable – trade” and “accounts receivable – trade” are amounts receivable from contracts with customers and do not include receivables other than those arising from contracts with customers.

*3: Inventory breakdown is as follows:

	(Millions of yen)	
	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Merchandise	2,824	2,539
Supplies	208	300
Work in process	99	79
Finished goods	109	93
Raw materials	319	351

*4: The amount and breakdown of reduction entry of non-current assets deducted as a result of accepting national subsidies, etc., is/are as follows:

	(Millions of yen)	
	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Amount of reduction entry	72	57
(Of which, buildings)	8	8
(Of which, other property, plants, and equipment)	64	49
(Of which, software)	0	0

*5: Assets pledged as collateral and liabilities related to collateral are as follows:

(1) Assets pledged as collateral

	(Millions of yen)	
	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Buildings	488	474
Land	25	25
Total	513	499

(2) Liabilities related to collateral (Millions of yen)

	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Short-term borrowings	90	90
Long-term borrowings	1,395	1,305
Total	1,485	1,395

*6: The amounts due to unconsolidated subsidiaries and affiliated companies are as follows: (Millions of yen)

	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Investment securities (stocks)	1,300	1,528

(Matters related to the consolidated profit & loss statement)

*1: Revenue from contracts with customers

Net sales are the amount of revenues from contracts with customers and do not include revenues other than revenues from contracts with customers.

*2: Major expense items and amounts of selling, general, and administrative expenses are as follows:

	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Salaries and bonuses	27,759	30,426
Provision for employee bonuses	3,116	3,031
Provision for Director bonuses	18	26
Retirement payments	414	607
Provision for share awards for Directors (and other Officers)	171	2
Provision for employee stock ownership plans	154	23
Rent expenses on land and buildings	4,771	6,308
Depreciation	2,614	2,872
Allowance for doubtful accounts	32	35
Amortization of goodwill	709	721

*3: The breakdown of gain on sale of non-current asset is as follows: (Millions of yen)

	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Gain on sales	4	33
Land	-	27
Other property, plants, and equipment	4	6

*4: The breakdown of loss on sales and disposal of non-current assets is as follows: (Millions of yen)

	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Loss on disposal	80	131
Buildings	30	79
Other property, plants, and equipment	31	39
Software	18	12
Loss on sales	-	0
Other property, plants, and equipment	-	0

*5: The breakdown of impairment loss is as follows:

Previous consolidated fiscal year (June 1, 2021 to May 31, 2022)

(1) Summary of major asset groups with impairment loss

Location	Usage	Type
Awaji City, Hyogo Prefecture, etc.	For commercial use	Buildings and structures, etc.

(2) Main background leading to impairment loss

As a result of reviewing the future business plan of a consolidated subsidiary, taking into account the current business performance and impact of COVID-19 infections, the book value was reduced to the recoverable amount because the recoverable amount fell below the book value. In addition, as a result of reviewing the future business plan for some of the Company's commercial assets, following the decision to change their use to also be used as headquarters-related assets, the recoverable amount fell below the book value, and the entire book value was recorded as an impairment loss.

(3) Amount of impairment loss (Millions of yen)

Type	Amount
Buildings	98
Structures	23
Tools, furniture, and fixtures (Note)	4
Land	4
Intangible fixed assets, etc. (Note)	0

Note: "Tools, furniture, and fixtures" is included in "Other" under tangible fixed assets and "Intangible fixed assets, etc." is included in "Other" under intangible fixed assets in the consolidated balance sheets.

(4) Asset grouping method

In principle, the Group groups its assets as the smallest unit that generates independent cash flow, mainly by using the corporation as the basic unit, but in some cases, assets are grouped according to the business classification adopted for internal management purposes.

(5) Calculation method of recoverable amount

The recoverable amount of the above asset group is measured by value in use, which is zero because no future cash flows are expected.

Current consolidated fiscal year (June 1, 2022 to May 31, 2023)

Not applicable.

(Matters related to the consolidated statement of comprehensive income)

* Amount of reclassification adjustment and tax effect amount relating to other comprehensive income

	(Millions of yen)	
	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Valuation difference on available-for-sale securities		
Amount generated in the period	1,252	(58)
Amount of reclassification adjustment	(2)	(711)
Before tax effect adjustment	1,249	(769)
Tax effect amount	(381)	235
Valuation difference on available-or-sale securities	867	(534)
Foreign currency translation adjustment		
Amount generated in the period	198	162
Amount of reclassification adjustment	-	-
Before tax effect adjustment	198	162
Tax effect amount	-	-
Foreign currency translation adjustment	198	162
Adjustment for retirement benefits		
Amount generated in the period	2	208
Amount of reclassification adjustment	(50)	(2)
Before tax effect adjustment	(48)	205
Tax effect amount	20	(73)
Adjustment for retirement benefits	(28)	132
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount generated in the period	(0)	0
Total other comprehensive income	1,038	(239)

(Matters related to the consolidated statements of changes in net assets)

Previous consolidated fiscal year (June 1, 2021 to May 31, 2022)

1. Matters regarding issued shares

Class of shares	Beginning of consolidated FY	Increase	Decrease	End of current consolidated FY
Common shares (shares)	41,690,300	-	-	41,690,300

2. Matters regarding treasury shares

Class of shares	Beginning of consolidated FY	Increase	Decrease	End of current consolidated FY
Common shares (shares)	2,550,899	71	34,876	2,516,094

Note 1: Treasury shares (common shares) at the beginning of the current consolidated fiscal year include 452,100 shares of the Company held by trust banks based on the Board Benefit Trust (BBT) and 305,752 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 2: Treasury shares (common shares) at the end of the current consolidated fiscal year include 424,862 shares of the Company held by trust banks based on the Board Benefit Trust (BBT) and 298,114 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 3 The increase of 71 shares in the number of treasury stock (common stock) is due to the purchase of odd-lot shares.

Note 4: The decrease of 34,876 shares in the number of treasury stock (common stock) was due to the decrease of 27,238 shares from trust banks based on the Board Benefit Trust (BBT) and the decrease of 7,638 shares from trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

3. Matters regarding share options, etc.

Company name	Breakdown	Type of shares To be issued	Number of shares to be issued (shares)				Balance at the end of current consolidated fiscal year
			Beginning of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year	
Reporting Company	-	-	-	-	-	-	-
Consolidated subsidiaries	Stock acquisition rights as stock options	-	-	-	-	-	¥4 million
Total			-	-	-	-	¥4 million

4. Matters regarding dividends

(1) Dividend payment amount

Resolution	Class of shares	Total amount of dividend (millions of yen)	Dividend per share (Yen)	Reference date	Effective date
July 15, 2021 Board of Directors	Common shares	1,196	30.0	May 31, 2021	August 6, 2021

Note: The total amount of dividend includes a total dividend of ¥22 million to the shares of the Company held by trust banks as of the reference date based on the Board Benefit Trust (BBT) and the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

(2) Dividend with a reference date belonging to the current consolidated fiscal year and with an effective date belonging to the following consolidated fiscal year

Resolution	Class of shares	Dividend's financial source	Total amount of dividend (millions of yen)	Dividend per share (Yen)	Reference date	Effective date
July 15, 2022 Board of Directors	Common shares	Retained earnings	1,396	35.0	May 31, 2022	August 5, 2022

Note 1: The total amount of dividend includes a total dividend of ¥25 million to the shares of the Company held by trust banks as of the reference date based on the Board Benefit Trust (BBT) and the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 2: Dividend per share includes a special dividend of ¥5.0 per share.

Current consolidated fiscal year (June 1, 2022 to May 31, 2023)

1. Matters regarding issued shares

Class of shares	Beginning of consolidated FY	Increase	Decrease	End of current consolidated FY
Common shares (shares)	41,690,300	-	-	41,690,300

2. Matters regarding treasury shares

Shares	Beginning of consolidated FY	Increase	Decrease	End of current consolidated FY
Common shares (shares)	2,516,094	26	600	2,515,520

Note 1: Treasury shares (common shares) at the beginning of the current consolidated fiscal year include 424,862 shares of the Company held by trust banks based on the Board Benefit Trust (BBT) and 298,114 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 2: Treasury shares (common shares) at the end of the current consolidated fiscal year include 424,862 shares of the Company held by trust banks based on the Board Benefit Trust (BBT) and 297,514 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 3: The increase of 26 shares in treasury stock (common stock) is due to the purchase of shares less than one unit.

Note 4: The decrease of 600 shares in the number of treasury stock (common stock) is due to the decrease in the number of shares transferred by the Stock Benefit Trust (J-ESOP).

3. Matters regarding share options, etc.

Company name	Breakdown	Type of shares	Number of shares to be issued (shares)				Balance at the end of current consolidated fiscal year
			Beginning of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year	
Reporting Company	-	-	-	-	-	-	
Consolidated subsidiaries	Stock acquisition rights as stock option	-	-	-	-	-	¥2 million
Total			-	-	-	-	¥2 million

4. Matters regarding dividends

(1) Dividend payment amount

Resolution	Class of shares	Total amount of dividend	Dividend per share	Reference date	Effective date
July 15, 2022 Board of Directors	Common shares	¥1,396 million	¥35.0	May 31, 2022	Aug 5, 2022

Note 1: The total amount of dividend includes a total dividend of ¥25 million to the shares of the Company held by trust banks as of the reference date based on the Board Benefit Trust (BBT) and the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 2: Dividend per share includes a special dividend of ¥5.0 per share.

(2) Dividend with a reference date belonging to the current consolidated fiscal year and with an effective date belonging to the following consolidated fiscal year

Resolution	Class of shares	Dividend's financial source	Total amount of dividend	Dividend per share	Reference date	Effective date
July 15, 2022 Board of Directors	Common shares	Retained earnings	¥1,396 million	¥35.0	May 31, 2022	Aug 10, 2022

Note: The total amount of dividend includes a total dividend of ¥25 million to the shares of the Company held by trust banks as of the reference date based on the Board Benefit Trust (BBT) and the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

(Matters related to the consolidated cash flow statement)

*1: The relationship between the balance of cash and cash equivalents at the end of the year and the amount stipulated in account titles in the consolidated balance sheet is as follows:

	(Millions of yen)	
	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Cash and deposits	66,951	123,067
Time deposits with a deposit term exceeding three months	(246)	(277)
Account dedicated to insurance agencies	(3)	(1)
Deposits from customers	(10,123)	(74,869)
Cash and cash equivalents	56,578	47,919

*2: Major breakdown of assets and liabilities of the company newly consolidated as a result of stock acquisition:

Previous consolidated fiscal year (June 1, 2021 to May 31, 2022)

Breakdown of assets and liabilities of JTB BENEFIT SERVICE, Inc. at the time of its consolidation as a result of the acquisition of its shares, along with the relationship between the acquisition price of JTB BENEFIT SERVICE, Inc. shares and the net amount paid for the acquisition.

Current assets	¥3,183 million
Non-current assets	¥9,054 million
Goodwill	¥5,898 million
Current liabilities	¥(3,253) million
Long-term liabilities	¥(2,706) million
Acquisition cost of stock	¥12,177 million
Cash and cash equivalents	¥(1,725) million
Difference: Expenditures for acquisition	¥10,451 million

Current consolidated fiscal year (June 1, 2022 to May 31, 2023)

The information is omitted due to a lack of materiality.

(Matters related to lease transactions)

1. Finance lease transactions (lessee side)

(1) Ownership-transfer finance lease transactions

Not applicable.

(2) Non-ownership-transfer finance lease transactions

(i) Content of leased assets

Property, plants, and equipment

Mainly buildings (including attached facilities)

(ii) Method of depreciation of leased assets

The method is described in "Notes (Material matters that serve as the basis for preparing consolidated financial statements) 4. Matters regarding accounting policies (2) Method of depreciation of material depreciable assets".

1. Operating lease transactions (lessee side)

Future lease payments in non-cancelable operating lease transactions

(Millions of yen)

	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Within one year	2,957	3,967
Over one year	2,056	14,900
Total	5,013	18,868

(Matters related to financial instruments)

1. Matters regarding the status of financial instruments

(1) Policy on financial instruments

For fund procurement, the Group makes effective use of group funds through the group CMS (Cash Management System) while borrowing from financial institutions and issuing bonds. Fund management is limited to short-term, highly secure deposits with sufficient liquidity. Derivatives transactions are used to avoid the risks described below, and the Company's policy is not to engage in speculative transactions.

(2) Content and risk of financial instruments

"Notes and accounts payable - trade," which are trade receivables, are exposed to customers' credit risk.

"Investment securities" are the shares, etc., of enterprises having a business relationship with the Group and are exposed to market price fluctuation risk.

Most of "accounts payable - trade" and "accrued expenses," which are trade payables, have a payment date within one month.

Borrowings, bonds, and lease obligations related to finance lease transactions are aimed primarily at procuring funds required for working capital and capital investment.

Derivatives transactions are interest rate swaps to hedge against the risk of fluctuations in interest rates payable on borrowings. The assessment of hedge effectiveness is omitted because the interest rate swaps meet the requirements for special treatment.

(3) Risk management system related to financial instruments

(i) Management of credit risk

The credit risks associated with trade receivables are screened while due date and balance controls are conducted in accordance with each company's internal rules. The credit status of customers with credit collection concerns is monitored at monthly credit meetings.

(ii) Management of market risk

The Company's Finance and Accounting Department manages the risk of interest rate fluctuations on long-term borrowings by mitigating the impact of such fluctuations through installment repayments.

Derivatives transactions are executed and managed in accordance with internal rules that stipulate transaction authority.

The Company assesses the market value of listed stocks on a quarterly basis and reviews its holdings of unlisted stocks by assessing the financial condition of the issuing company and taking into consideration its relationship with the company with which it does business.

(iii) Management of liquidity risk related to fund procurement

The Finance and Accounting Department of the Company receives monthly deposit balance reports of the Group and manages the liquidity risk of each company as needed through the Group CMS.

(4) Supplementary explanation on matters regarding the fair value, etc., of financial instruments

The fair value of financial instruments includes not only the value based on market prices but also the reasonably calculated value if financial instruments have no market price. In the calculation of such value, variable factors are incorporated, and the value could change by adopting different preconditions, etc.

2. Matters regarding the fair value, etc., of financial instruments

The amount recorded in the consolidated balance sheet, the fair value, and their differences are presented below.

Previous consolidated fiscal year (May 31, 2022)

(Millions of yen)

	Amount recorded in the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Investment securities	3,997	3,997	-
Lease and guarantee deposits	9,063	8,999	(63)
Total assets	13,060	12,997	(63)
Bonds payable	4,396	4,353	(42)
Long-term borrowings	38,779	38,329	(449)
Lease obligations	966	960	(6)
Total liabilities	44,142	43,643	(498)
Derivatives transactions (*2)	-	-	-

*1: The fair values of cash and deposits, notes receivable - trade, accounts receivable - trade, income taxes refund receivable, accounts payable - trade, short-term borrowings, accounts payable - other, accrued expenses, income taxes payable, accrued consumption taxes, and deposits received are not stated because they are cash and their fair values approximate their book values due to their short maturities.

*2: The fair value of interest rate swaps that qualify for hedge accounting is included in the fair value of the relevant long-term borrowings because they are accounted for as an integral part of long-term borrowings that are hedged.

*3: Stocks and other securities without market quotations are not included in "investment securities." The carrying amounts of such financial instruments on the consolidated balance sheets are as follows. The amount of impairment loss on unlisted stocks was ¥19 million for the current fiscal year.

(Millions of yen)

Category	Consolidated balance sheet amount
Unlisted stocks	2,931

*4: Investments in partnerships and other similar entities in which the Company's equity interest is recorded on the consolidated balance sheets as a net amount are omitted. The amount of such investments in the balance sheet was ¥9 million.

Current consolidated FY (May 31, 2023)

(Millions of yen)

	Amount recorded in the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Investment securities	3,232	3,232	-
Lease and guarantee deposits	7,773	7,644	(128)
Total assets	11,006	10,877	(128)
Bonds payable	3,810	3,756	(53)
Long-term borrowings	43,505	43,121	(384)
Lease obligations	1,307	1,294	(13)
Total liabilities	48,623	48,171	(451)
Derivatives transactions (*2)	-	-	-

*1: The fair values of cash and deposits, notes receivable - trade, accounts receivable - trade, income taxes refund receivable, short-term borrowings, accounts payable - other, accrued expenses, income taxes payable, accrued consumption taxes, and deposits received are not stated because they are cash and their fair values approximate their book values due to their short maturities.

*2: The fair value of interest rate swaps that qualify for hedge accounting is included in the fair value of the relevant long-term borrowings because they are accounted for as an integral part of long-term borrowings that are hedged.

*3: Stocks and other securities without market quotations are not included in "investment securities." The carrying amounts of such financial instruments on the consolidated balance sheets are as follows.

Category	Consolidated balance sheet amount
Unlisted shares	¥3,207 million

*4: Investments in partnerships and other similar entities in which the Company's equity interest is recorded on the consolidated balance sheets as a net amount are omitted. The amount of such investments in the balance sheet was ¥146 million.

Note 1: Amount of monetary claims and securities with a maturity to be redeemed after the consolidated closing date
Previous consolidated fiscal year (May 31, 2022)

(Millions of yen)

Subject	Within one year	Over one year and within five years	Over five years and within 10 years	Over 10 years
Cash and deposits	66,951	-	-	-
Notes	101	-	-	-
accounts receivable- trade	40,872	-	-	-
Investment securities Available-for-sale securities with maturity dates (bonds)	244	-	-	173
Lease and guarantee deposits	3,112	2,140	3,475	334
Total	111,282	2,140	3,475	508

Current consolidated FY (May 31, 2023)

(Millions of yen)

Subject	Within one year	Over one year and within five years	Over five years and within 10 years	Over 10 years
Cash and deposits	123,067	-	-	-
Notes	73	-	-	-
Accounts receivable - trade	40,973	-	-	-
Investment securities Available-for-sale securities with maturity dates (bonds)	-	-	-	456
Lease and guarantee deposits	1,691	1,065	4,656	360
Total	165,806	1,065	4,656	817

Note 2: Amount of long-term borrowings, bonds paid, and other interest-bearing liabilities to be repaid after the consolidated closing date

Previous consolidated fiscal year (May 31, 2022)

(Millions of yen)

Subject	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term borrowings	110	-	-	-	-	-
Bonds paid	586	586	594	530	530	1,570
Long-term borrowings	9,500	8,473	7,889	4,567	3,791	14,057
Lease obligations	411	214	159	118	34	28
Total	10,608	9,273	8,642	5,215	4,356	15,656

Current consolidated FY (May 31, 2023)

(Millions of yen)

Subject	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term borrowings	102	-	-	-	-	-
Bonds paid	586	594	530	530	530	1,040
Long-term Borrowings	10,194	9,608	6,285	5,510	6,000	16,099
Lease obligations	383	329	221	166	205	-
Total	11,266	10,532	7,037	6,207	6,736	17,139

3. Breakdown of Fair Value of Financial Instruments by Level:

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated based on unadjusted quoted market prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using significant unobservable inputs

When multiple inputs that have a significant effect on fair value are used, fair value is classified into the level with the lowest priority in the fair value calculation among the levels to which those inputs belong.

(1) Financial assets and financial liabilities with fair value

Previous fiscal year (May 31, 2022)

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	3,572	-	-	3,572
Bonds payable	-	424	-	424
Total assets	3,572	424	-	3,997

Current fiscal year (May 31, 2023)

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	2,801	-	-	2,801
Bonds payable	-	430	-	430
Total assets	2,801	430	-	3,232

(2) Financial assets and liabilities that do not have fair value on the consolidated balance sheet

Previous fiscal year (May 31, 2022)

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Lease and guarantee deposits	-	8,999	-	8,999
Total assets	-	8,999	-	8,999
Bonds payable	-	4,353	-	4,353
Long-term borrowings	-	38,329	-	38,329
Lease obligations	-	960	-	960
Total liabilities	-	43,643	-	43,643

Current fiscal year (May 31, 2023)

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Lease and guarantee deposits	-	7,644	-	7,644
Total assets	-	7,644	-	7,644
Bonds payable	-	3,756	-	3,756
Long-term borrowings	-	43,121	-	43,121
Lease obligations	-	1,294	-	1,294
Total liabilities	-	48,171	-	48,171

(Note) Description of Valuation Techniques and Inputs Used in Calculating Fair Value

Investment securities

Listed stocks and bonds are valued using quoted market prices. Because listed stocks are traded in active markets, their fair value is classified as Level 1 fair value. On the other hand, corporate bonds held by the Group are classified as Level 2 fair value because they are traded infrequently in the market and are not considered quoted prices in an active market.

Lease and guarantee deposits

Lease and guarantee deposits, which are mainly deposited when offices are leased, are classified as Level 2 fair value, as they are estimated to be redeemable and calculated using the discounted present value method based on the yields of long-term, highly secure bonds.

Bonds payable and lease obligations

The fair value of these is calculated using the discounted present value method based on the total amount of principal and interest and the interest rate that takes into account the remaining period of the relevant debt and credit risk, and is classified as Level 2 fair value.

Long-term borrowings

The discounted present value method is used based on the sum of the principal interest rate and the interest rate that takes into account the remaining period of the relevant debt and credit risk. Long-term borrowings with floating interest rates are subject to special treatment as interest rate swaps and are calculated using the discounted present value method based on the sum of the principal interest rate, which is accounted for as an integral part of the interest rate swap, and an interest rate that takes into account the remaining period of the relevant debt and credit risk. These are classified as Level 2 fair value.

(Matters related to securities)

1. Other securities

Previous consolidated fiscal year (May 31, 2022)

(Millions of yen)

Category	Type	Amount recorded in the consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities of which the amount reported in the consolidated balance sheet exceeds the acquisition cost	Stock	3,572	595	2,977
	Bond	245	193	52
	Subtotal	3,818	601	1,784
Securities of which the amount reported in the consolidated balance sheet does not exceed the acquisition cost	Stock	-	-	-
	Bond	179	197	(17)
	Subtotal	179	197	(17)
Total		3,997	985	3,011

Note: Unlisted stocks (consolidated balance sheet amount: ¥2,931 million) and investments in investment limited partnerships (consolidated balance sheet amount: ¥9 million) are not included in the table above because they do not have market prices and because it is extremely difficult to determine their fair value.

Current consolidated FY (May 31, 2023)

(Millions of yen)

Category	Type	Amount recorded in the consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities of which the amount reported in the consolidated balance sheet exceeds the acquisition cost	Stock	2,801	520	2,280
	Bond	-	-	-
	Subtotal	2,801	520	2,280
Securities of which the amount reported in the consolidated balance sheet does not exceed the acquisition cost	Stock	-	-	-
	Bond	430	466	(35)
	Subtotal	430	466	(35)
Total		3,232	987	2,245

Note: Unlisted stocks (consolidated balance sheet amount: ¥3,207 million) and investments in investment limited partnerships (consolidated balance sheet amount: ¥146 million) are not included in the table above because they do not have market prices and because it is extremely difficult to determine their fair value.

2. Other securities sold during the consolidated fiscal year

Previous consolidated fiscal year (From June 1, 2021 to May 31, 2022)

(Millions of yen)

Category	Amount of sale	Total gain on sale	Total loss on sale
Bonds	95	-	2
Total	95	-	2

Current consolidated fiscal year (From June 1, 2022 to May 31, 2023)

(Millions of yen)

Category	Amount of sale	Total gain on sale	Total loss on sale
Stock	1,445	1,170	-
Bonds	297	96	-
Total	1,742	1,267	-

3. Securities for which impairment losses were recognized

Previous consolidated fiscal year (From June 1, 2021 to May 31, 2022)

Impairment loss of ¥19 million (¥19 million for other securities and ¥0 million for shares of subsidiaries and associates) was recognized in the current consolidated fiscal year.

Current consolidated fiscal year (From June 1, 2022 to May 31, 2023)

Not applicable.

(Matters related to derivatives transactions)

1. Derivatives transactions for which hedge accounting is applied

(1) Interest rate related

Previous consolidated fiscal year (May 31, 2022)

(Millions of yen)

Method of hedge accounting	Type of derivatives transaction, etc.	Main hedged items	Contract amount, etc.	Contract amount over 1 year	Market value
Special treatment of interest rate swaps	Interest rate swaps Fixed payment/Variable receipt	Long-term borrowings	8,500	2,085	(Note)

Note: The fair value of interest rate swaps that qualify for hedge accounting and that are accounted for as an integral part of long-term borrowings that are hedged is included in the fair value of the relevant long-term borrowings.

Current consolidated fiscal year (May 31, 2023)

(Millions of yen)

Method of hedge accounting	Type of derivatives transactions, etc.	Main hedged items	Contract amount, etc.	Contract amount Over 1 year	Market value
Special treatment of interest rate swaps	Interest rate swaps Fixed payment/Variable receipt	Long-term borrowings	5,500	1,042	(Note)

Note: The fair value of interest rate swaps that qualify for hedge accounting and that are accounted for as an integral part of long-term borrowings that are hedged is included in the fair value of the relevant long-term borrowings.

(Matters related to retirement benefits)

1. Outline of Retirement Benefit Plans Adopted

The Company and some of its domestic consolidated subsidiaries have defined benefit pension plans and lump-sum payment plans. Certain domestic consolidated subsidiaries have a defined contribution pension plan or are members of the Smaller Enterprise Retirement Allowance Mutual Aid System. Certain overseas consolidated subsidiaries have defined benefit plans.

In some cases, premium severance pay may be paid to employees for retirement or other reasons that are not covered by the retirement benefit obligation plan based on actuarial calculations in accordance with retirement benefit accounting.

The defined benefit pension plans and lump-sum payment plans of certain consolidated subsidiaries are calculated using the simplified method for the calculation of liabilities for retirement benefits and retirement benefit expenses.

2. Defined benefit plans

(1) Reconciliation of the beginning and ending balance of retirement benefit obligation (excluding plans to which the simplified method is applied)

	(Millions of yen)	
	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Balance of retirement benefit obligation at beginning of period	5,679	5,829
Service cost	652	695
Interest expense	19	30
Actuarial gains (losses)	(68)	(162)
Retirement benefits paid	(420)	(390)
Other	(33)	2
Balance of retirement benefit obligation at end of period	5,829	6,004

(2) Reconciliation between the beginning and ending balance of pension assets (excluding plans to which the simplified method is applied)

	(Millions of yen)	
	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Balance of pension assets at the beginning of the period	5,902	6,520
Expected return on assets	91	104
Actuarial gains (losses)	(66)	46
Contribution from employer	854	442
Payment of retirement benefits	(259)	(236)
Other	(2)	1
Balance of retirement benefit obligation at end of period	6,520	6,520

(Note) In the previous fiscal year, the Company has contributed risk-responsive premiums for risks that might arise in the future.

(3) Reconciliation of the beginning and ending balances of liabilities for retirement benefits for plans to which the simplified method is applied

	(Millions of yen)	
	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Balance of liabilities for retirement benefits at the beginning of the period	1,138	1,048
Increase due to acquisition of newly consolidated subsidiaries	65	127
Retirement benefit expenses	109	107
Retirement benefit payments	(138)	(145)
Contributions to the plan	(127)	(111)
Other	1	10
Balance of liabilities for retirement benefits at end of period	1,048	1,036

(Note) In the previous fiscal year, the Company has contributed risk-responsive premiums for risks that may arise in the future.

(4) Reconciliation of balance of benefit obligation and pension assets at the end of the period and liabilities for retirement benefits and assets for retirement benefits recognized in the consolidated balance sheets

	(Millions of yen)	
	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Benefit obligation of funded plans	5,695	5,830
Pension assets	7,371	7,821
	(1,674)	(1,990)
Benefit obligation of non-funded plans	2,032	2,154
Net liabilities and assets recorded in the consolidated balance sheets	357	163
Liabilities for retirement benefits	2,300	2,409
Assets related to retirement benefits	1,942	2,245
Net liabilities and assets on consolidated balance sheets	357	163

(Note) Includes plans to which the simplified method is applied

(5) Amount of retirement benefit expenses and the breakdown items

	(Millions of yen)	
	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Service cost	652	695
Interest expense	19	30
Expected investment income	(91)	(104)
Amortization of actuarial gains and losses	(50)	(2)
Retirement benefit expenses calculated by the simplified method	109	107
Other	(74)	(89)
Net periodic benefit cost for defined benefit plans	565	637

(6) Adjustment for retirement benefits

Items recorded in adjustments to retirement benefits (before tax effect deductions)

	(Millions of yen)	
	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Actuarial gains and losses	(48)	205
Total	(48)	205

(7) Accumulated adjustments for retirement benefits

Items recorded in accumulated adjustments for retirement benefits (before tax effect deductions)

	(Millions of yen)	
	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Unrecognized actuarial gains and losses	2	208
Total	2	208

(8) Matters related to pension assets

(i) Major breakdown of pension assets

The following is a breakdown of the major categories of pension assets as a percentage of total pension assets.

	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Securities	44%	42%
Shares	33%	38%
Cash and deposits	9%	6%
General account	9%	9%
Other	5%	5%
Total	100%	100%

(ii) Method of establishing the expected long-term rate of return on pension assets

To determine the expected long-term rate of return on pension assets, the Company considers the current and expected allocation of pension assets and the current and expected long-term rates of return from the various assets comprising the pension assets.

(9) Matters related to actuarial basis

Principal actuarial basis (expressed as a weighted average)

	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Discount rate	0.5%	0.8%
Long-term expected rate of return on assets	1.6%	1.6%
Expected rate of salary increase	1.4%	1.4%

3. Defined Contribution Plan

The required contribution to the defined contribution plan of the Company's consolidated subsidiaries was ¥231 million in the previous fiscal year and ¥323 million in the current fiscal year.

(Matters related to stock options, etc.)

1. Amounts and titles of expenses recorded for stock options
Not applicable

2. Amount recorded as profit due to forfeiture of stock options
Not applicable

3. Description, size, and changes of stock options

(1) Details of stock options

Consolidated subsidiaries: Bewith, Inc.

	1st Series of Stock Acquisition Rights	2nd Series of Stock Acquisition Rights
Classification and number of grantees	Director of Bewith, Inc. 3 persons Employees of Bewith, Inc. 44 persons Director of Bewith, Inc.'s subsidiary, 1 person	Director of Bewith, Inc. 2 persons
Number of stock options by type of stock (Note)	Common stock 835,000 shares	Common stock 240,000 shares
Grant date	May 11, 2021	May 11, 2021
Vesting conditions	(i) Holders of stock acquisition rights must hold the position of Director, Corporate Auditor, Executive Officer, or employee of Bewith, Inc. or Bewith, Inc.'s subsidiary at the time of exercising the rights. However, this shall not apply in the event of retirement or resignation due to expiration of term of office, retirement or transfer due to illness in the course of business, or other cases where the Board of Directors recognizes that a justifiable reason exists. (ii) The exercise of stock acquisition rights by the heirs of the holders of stock acquisition rights shall not be permitted.	(i) If Bewith, Inc. issues common stock with a price below 1,045 yen or issues stock acquisition rights with an exercise price below 1,045 yen between the allotment date of these stock acquisition rights and the expiration date of the exercise period, all remaining stock acquisition rights may not be exercised. (ii) The exercise of stock acquisition rights by heirs of holders of stock acquisition rights shall not be permitted.
Subject period of service	No stipulation on the subject service period	No stipulation on the subject service period
Exercise period	From April 23, 2023 To April 22, 2031	From after the vesting date to May 10, 2031

(Note) The above figures are based on the number of shares. The figures have been converted to the number of shares after the stock split (200 shares for one share) on October 22, 2021.

(2) Size of stock options and changes in the number of stock options

The number of stock options is based on the stock options that existed during the current consolidated fiscal year, and the number of stock options has been converted into the number of shares

Consolidated subsidiaries: Bewith, Inc.

a. Number of stock options

	1st Stock Acquisition Rights		2nd Stock Acquisition Rights
Before rights vested (shares)			
At the end of the previous fiscal year	835,000		240,000
Granted	6,200		-
Invalidation	828,800		240,000
Vesting	-		-
Unvested			
Vested (shares)			
At the end of the previous fiscal year	-		-
Vested	828,000		240,000
Exercised	94,600		98,600
Invalidation	-		-
Unexercised balance	734,200		141,400

(Note) The above figures are based on the number of shares. The figures have been converted to the number of shares after the stock split (200 shares for one share) on October 22, 2021.

b. Unit Price Information

		1st Stock Acquisition Rights	2nd Stock Acquisition Rights
Exercise price (yen)		1,045	1,045
Average share price at the time of exercise (yen)		1,416	1,381
Fair value per share (grant date) (yen)		-	-

(Note) The figures have been converted to the number of shares after the stock split (200 shares for one share) on October 22, 2021.

4. Estimation method of fair valuation unit price of stock options

As Bewith, Inc. was a private company on the date of grant of stock options, the fair value of the stock options was used as the valuation unit price of the stock options. The intrinsic value of the stock options was used as the valuation unit price of the stock options because Bewith, Inc. was a private company on the date of grant of the stock options. The intrinsic value of Bewith's stock was used as the basis for the calculation of the intrinsic value per unit. The DCF method was used as the basis for calculating the intrinsic value per unit.

5. Estimation method of the number of stock options vested

Because it is difficult to reasonably estimate the number of forfeitures in the future, only the actual number of forfeitures is reflected.

6. Total intrinsic value of stock options at the end of the current consolidated fiscal year and total intrinsic value of stock options exercised during the current consolidated fiscal year at the date of exercise, if calculated based on the intrinsic value of stock options

- (1) Total intrinsic value at the end of the current consolidated fiscal year ¥684 million
- (2) Total intrinsic value of stock options exercised during the current consolidated fiscal year ¥136 million

(Matters related to tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Deferred tax assets) (Millions of yen)

	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Deferred tax assets		
Tax loss carryforward (Note 2)	4,458	5,320
Depreciation and amortization	2,087	2,044
Provision for bonuses	1,623	1,597
Allowance for doubtful accounts	74	80
Liabilities for retirement benefits	690	677
Asset retirement obligations	765	845
Accrued business office tax	141	159
Accrued enterprise tax	439	333
Contract liabilities and points	198	247
Asset adjustment account	209	123
Provision for share awards for Directors (and other Officers)	189	204
Provision for employee stock ownership plan	169	158
Adjustment of book value of investments at subsidiaries	735	735
Free rent	7	820
Other	769	984
Subtotal of deferred tax assets	12,561	14,331
Valuation allowance		
Valuation allowance for losses carried forward for tax purposes (Note 2)	(4,379)	(5,250)
Valuation allowance for the total of deductible temporary difference, etc.	(3,257)	(2,584)
Subtotal of valuation allowance (Note 1)	(7,636)	(7,835)
Total deferred tax assets	4,924	6,496
Offset against deferred tax liabilities	(2,203)	(3,586)
Net deferred tax assets	2,720	2,909

(Deferred tax liabilities)

	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Valuation difference on available-for-sale securities	(892)	(656)
Asset for retirement benefits	(657)	(697)
Asset retirement obligations	(230)	(345)
Retained earnings of overseas subsidiaries	(147)	(170)
Customer relationship asset	(2,641)	(2,825)
Tax effect on sales of shares of subsidiaries and affiliates	(900)	(900)
other	(239)	(356)
Total deferred tax liabilities	(5,709)	(5,953)
Offset against deferred tax assets	2,203	3,586
Net deferred tax liabilities	(3,506)	(2,366)

Note 1: Valuation allowance increased by ¥198 million. This increase was mainly due to a decrease in unschedulable temporary differences and an increase in valuation allowance for tax loss carryforwards.

Note 2: Amount of losses carried forward for tax purposes and their deferred tax assets by time limit for carryover

Previous consolidated fiscal year (May 31, 2022)

(Millions of yen)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over 5 years	Total
Losses carried forward for tax purposes (a)	99	128	194	201	638	3,196	4,458
Valuation allowance	99	128	188	199	638	3,124	4,379
Deferred tax assets	-	-	6	1	-	71	(b) 79

(a) Losses carried forward for tax purposes represent the amount obtained by multiplying the normal effective statutory tax rate.

(b) Deferred tax assets of ¥79 million are recorded for losses carried forward for tax purposes of ¥4,458 million (multiplied by the effective statutory tax rate). No valuation allowance is recognized for the portion of the net operating loss carried forward for tax purposes that is deemed collectible based on the estimated future taxable income.

Current consolidated fiscal year (May 31, 2023)

(Millions of yen)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over 5 years	Total
Losses carried forward for tax purposes (a)	122	188	554	522	21	3,911	5,320
Valuation allowance	122	188	554	522	21	3,841	5,250
Deferred tax assets	-	-	-	-	-	69	(b) 69

(a) Losses carried forward for tax purposes represent the amount obtained by multiplying the normal effective statutory tax rate.

(b) Deferred tax assets of ¥69 million are recorded for losses carried forward for tax purposes of ¥5,320 million (multiplied by the effective statutory tax rate). No valuation allowance is recognized for the portion of the net operating loss carried forward for tax purposes that is deemed collectible based on the estimated future taxable income.

2. Breakdown by major cause when there is a significant difference between the normal effective statutory tax rate and the burden ratio of corporation tax, etc., after the application of tax effect accounting

(unit: %)

	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Statutory effective tax rate	30.62	30.62
(Adjustment)		
Entertainment expenses and other items not permanently deductible	0.93	1.65
Per capita inhabitant tax	1.15	1.64
Valuation allowance	7.75	1.64
Amortization of goodwill	0.53	0.88
Consolidation adjustment of gain on sales of subsidiaries and affiliates' stocks	1.92	-
Equity in earnings of affiliates	(0.11)	(0.50)
Dividend income and other items not permanently deductible included in income	(0.31)	(0.42)
Tax credits for wage increase and productivity improvement	-	(0.77)
Human resources to ensure the promotion of tax control	(0.60)	-
Adjustment of book value of investments in subsidiaries	(5.38)	-
Difference in tax rate used	2.89	2.77
Others	0.52	(1.37)
Effective income tax rate after application of tax effect accounting	39.91	36.14

3. Accounting for corporate and local income taxes or tax effect accounting related to such taxes

Effective from the current consolidated fiscal year, the Company and some of its domestic consolidated subsidiaries have adopted the group totalization system. In addition, in accordance with "Practical Solution on Accounting and Disclosure Under the Group Tax-sharing System" (Practical Issues Task Force No. 42, August 12, 2021), the Company and some of its domestic consolidated subsidiaries account for income taxes and local income taxes or tax effect accounting related to such taxes and disclose such taxes.

(Matters related to asset retirement obligations)

Asset retirement obligations recorded on the consolidated balance sheets

(1) Summary of the relevant asset retirement obligations

The asset retirement obligations are mainly restoration obligations in connection with real estate lease contracts for office space.

(2) Calculation method of the amount of the relevant asset retirement obligations

The amount of the asset retirement obligation is calculated using a discount rate of 0.0% to 2.3% based on an estimated period of use of two to 39 years from acquisition.

(3) Increase/decrease in the total amount of such asset retirement obligations

(Millions of yen)

	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Balance at the beginning of the period	2,143	2,323
Balance at the beginning of the period	183	319
Increase due to the acquisition of consolidated subsidiaries	32	6
Adjustments due to the passage of time	5	7
Decrease due to the fulfillment of asset retirement obligations	(41)	(85)
Balance at the end of period	2,323	2,572

(Matters related to rental real estate properties)

Notes have been omitted because the total amount of real estate for rent and others is immaterial.

(Revenue recognition related)

1. Information that disaggregates revenue from contracts with customers

Information that breaks down revenue from contracts with customers is presented in the "Notes (Segment information)" on page 110.

2. Information that provides a basis for understanding revenues from contracts with customers

(1) Expert Services

Expert Services is engaged in the "worker dispatching business," in which it recruits and registers temporary staff and dispatches them to client companies and other organizations.

The performance obligation in Expert Services is to dispatch temporary staff that have entered into employment contracts with the Group to client companies and to provide the promised temporary staffing services over the period agreed to in the contract, and such performance obligation is deemed to be satisfied over the contract period with the passage of operating hours and is recognized as revenue based on operating hours.

The Company recognizes revenues based on the number of hours of operation over the term of the contract. The amount equivalent to commuting and transportation expenses related to temporary staff received from the client is part of the consideration for providing services related to temporary staffing services, and the Group considers this to be a transaction in which its role is that of the principal and recognizes revenue on a gross basis.

Since the period between satisfaction of the performance obligation and receipt of consideration is usually less than one year for this business, no adjustment for significant financial factors is made for receivables based on contracts with such customers.

(2) BPO services

The Group provides BPO services by contracting reception, sales administration, order receipt and placement, human resources, labor, and payroll, as well as general affairs, which consolidate and streamline complicated administrative tasks for clients, and accounting and finance, which handle expense reimbursement and other such tasks according to the time of year. In addition, consolidated subsidiary Bewith, Inc. provides contact center BPO services that utilize self-developed digital technology.

The performance obligation for BPO services is to complete the work entrusted by the client within the contract period and deliver the deliverables, as well as to provide services in which the Group performs the entrusted work under its own responsibility and management. For contracts that require the delivery of deliverables, the Group recognizes revenue when the deliverables are delivered to the customer or when the customer accepts the goods. For contracts under which the Group performs outsourced services under its own responsibility and control, the Group recognizes revenue on a straight-line basis over the term of the contract if the Group provides uniform monthly services over the contract period and recognizes revenue based on costs incurred if the services vary significantly from month to month. When the Company is unable to reasonably estimate the degree of progress toward satisfying a performance obligation but expects to recover the costs incurred in satisfying such obligation, revenue is recognized on a cost recovery basis until such time as the Company is able to reasonably estimate the degree of progress toward satisfying the performance obligation.

Since the period between satisfaction of the performance obligation and receipt of consideration is usually less than one year for this business, no adjustment for significant financial factors is made for receivables based on contracts with such customers.

(3) HR Consulting, Education & Training, and Others

The HR Consulting, Education & Training, and Others segment provides management support by professional personnel such as freelancers, former executives of listed companies, and other experts with deep knowledge in specific fields, as well as education and training services commissioned by companies and the public sector, along with consulting on the introduction and utilization of talent management systems that support the centralized management of human resources for global companies.

The performance obligation in HR consulting intends to provide management support services, mainly consulting on management issues, while such performance obligation intends to provide services uniformly on a monthly basis over the contract period.

The performance obligation is recognized as revenue on a straight-line basis over the contract period, as the services are provided on a monthly basis over the contract period. The Company's performance obligation in the education

and training segment consists primarily of providing training services to clients to train their employees by job level, global human resources development, and business manners.

Since the period between satisfaction of performance obligations and receipt of consideration is usually less than one year for all of the HR consulting, education and training, and other businesses, no adjustment for significant financial factors is made for receivables based on contracts with such customers.

(4) Global Sourcing

Global Sourcing provides a full line of human resources-related services overseas, including placement & recruiting, temporary staffing and outsourcing, payroll, and education and training. Performance obligations in Global Sourcing are accounted for in the same manner as (i) Expert Services, (ii) BPO Services, and (v) Career Solutions, depending on the nature of the services performed for customers.

Since the period between satisfaction of performance obligations and receipt of consideration for any of Global Sourcing's businesses is generally one year or less, no adjustment for significant financial factors is made to the receivables based on the contracts with such customers.

(5) Career Solutions

Career Solutions is engaged in the "placement and recruiting" business, a fee-charging job placement service that recruits and registers job seekers and simultaneously collects job information to match mutual needs, as well as "outplacement" services that support job transition based on a company's personnel strategy.

The performance obligation in the placement and recruiting business is to provide services to client companies to introduce personnel who have the career and skills, etc., required by the client companies. The performance obligation is deemed satisfied when the person referred by the Group to the client company belongs to the client company and the client company is able to enjoy the benefits of the referral.

In calculating the transaction price, if the contract stipulates that a portion of the consideration will be refunded if the person introduced by the Group to the client company leaves the company within a certain period of time after joining, the amount of the refund is estimated based on past experience and included in the transaction price, and a refund liability is recorded and deducted from revenues. The estimated amount of refund is included in the transaction price and deducted from revenue. The estimated refund amount is recognized only to the extent that it is very probable that a material reversal of revenue will not occur.

Since the period between satisfaction of performance obligations and receipt of consideration is usually less than one year for the placement business, no adjustment for significant financial factors is made for receivables based on contracts with such customers.

The performance obligation in the outplacement business is to provide career support services, such as job change, reemployment, and independent business start-up, to users of the service, such as retirees and prospective retirees of client companies. The performance obligation is to continue to provide outplacement services to the client company for the period agreed upon by the Group and the client company, and the client company recognizes revenue on a straight-line basis over the period as the client company receives the benefit from the services provided. For contracts that are renewable, the Company and its subsidiaries calculate the average decision period at the end of the fiscal year, which is based on the actual service period from the start of service to the date of decision for the previous five fiscal years, and recognize revenue on a straight-line basis over the period of the contract.

The outplacement business does not include a significant financial component because the amount of compensation does not vary depending on when users begin receiving services, although the period between receipt of compensation and provision of services may exceed one year depending on when users begin receiving services.

(6) Outsourcing

Outsourcing includes the following businesses: employee welfare, personal, and CRM business in which clients become corporate members of membership organizations operated by Benefit One Inc., a member of our group, and where employees of corporate members (individual members) can use a menu of welfare benefits; an incentive business that issues, manages, and operates incentive points and provides point redemption items to employees and other authorized users of client companies that have adopted the company's program (incentive points); and a healthcare business that provides health checkup services, health guidance, and vaccination support, among others. The performance obligation in the employee welfare, personal, and CRM business is primarily to collect monthly membership fees from client companies and to provide the "Benefit Station" employee benefit service to members, such as employees of client companies or customers of partner companies, and to provide services to client companies, such as in the management and reporting of usage results and management and settlement of usage fees and subsidies, etc. As the performance obligation is to provide uniform services over the contract period, the

Company recognizes revenue over the period in which the services are provided.

For "Benepo," which is granted to members for services provided, the amount expected to be used in the future is recorded as a separate performance obligation in "Contract liabilities," and revenue is recognized when the "Benepo" is used or expires. The Company allocates membership fees received from members as a separate performance obligation based on the estimated amount of expected future usage of the Benepo based on historical usage rates. The performance obligation in the incentive business is primarily to issue incentive points and provide point redemption items to authorized users, such as employees of client companies that have introduced incentive points, and to provide services to the client companies, such as in the administration and management of such programs. Upon delivery of the redemption items, the legal title, physical possession, significant risks associated with ownership, and economic value of the items are transferred to the authorized users, and the performance obligation is satisfied, while revenue is recognized when the redemption items are provided.

The performance obligation in the healthcare business is mainly to provide health support services such as medical checkup services, health guidance, and vaccinations to employees of client companies, etc., and to provide services such as reporting of results, settlement of accounts, and data management related to health support services to client companies. For health checkup services, revenue is recognized upon completion of the services, and for health guidance and vaccination support, revenue is recognized over a certain period of time.

In addition, the health checkup services and vaccination support in the healthcare business are considered to be agent transactions and recognized as revenue on a net basis because other parties are involved, and the Group's role is to arrange for the services to be provided by such other parties.

Because the period between satisfaction of performance obligations and receipt of consideration for any of the outsourcing activities is usually less than one year, no adjustment for significant financial factors is made to the receivables based on contracts with such customers.

(7) Life Solutions

Life Solutions is engaged in the daycare business, which includes: the operation of licensed and certified childcare centers, in-house childcare facilities, and childcare for school children; the nursing care business, which includes daycare services and home-visit nursing care; and the housekeeping services business.

The performance obligation in the daycare business intends to operate daycare centers in accordance with certain requirements such as the number of children and nursery staff under contract with local governments, and the amount calculated based on the requirements stipulated in the contract is recognized as revenue mainly when monthly childcare services are performed. In the case of providing childcare services under a contract with a company, the performance obligation intends to take care of children and provide a certain level of childcare services during the contract period, and the Company recognizes revenue based on the monthly number of children taken care of and the hours of care.

The performance obligation in the nursing care business intends to provide services based on a monthly care plan, and revenue is recognized based on the content of the care plan at the time the services are provided.

The performance obligation in the housekeeping service intends to provide services such as cleaning and cooking, and the Company recognizes revenue based on operating hours when the services are rendered.

Since the period between satisfaction of performance obligations and receipt of consideration for any of Life Solutions' businesses is usually less than one year, no adjustment for significant financial factors is made for receivables based on contracts with such customers.

(8) Regional Revitalization Solutions

Regional Revitalization Solutions is engaged in the food and beverage, amusement, and lodging businesses that utilize local products, as well as businesses related to tourism promotion and business attraction to revitalize local communities.

The performance obligation in Regional Revitalization Solutions mainly involves the provision of food and beverage, amusement services, and accommodation services to customers. The performance obligation is satisfied by the provision of food and beverage, use of attractions, and use of accommodation facilities, and therefore revenue is recognized when the goods or services are provided to customers.

Since the period between satisfaction of the performance obligation and receipt of consideration is usually less than one year for this business, no adjustment for significant financial elements is made to the receivables under the contracts with such customers.

3. Information for understanding the amount of income for the current and subsequent periods

(1) Balance, etc., of contract assets and contract liabilities

(Millions of yen)

	Previous consolidated FY (June 1, 2021 to May 31, 2022)		Current consolidated FY (June 1, 2022 to May 31, 2023)	
	beginning balance	ending balance	beginning balance	ending balance
Receivables arising from contracts with customers	39,304	40,973	40,973	41,047
Contract assets	4,963	10,008	10,008	11,577
Contract liabilities	9,243	8,453	8,453	7,488

Contract assets mainly relate to the Group companies' rights to consideration for business support services that have been partially completed but not yet invoiced as of the balance sheet date, mainly for BPO service contracts. Contract assets are reclassified into receivables arising from contracts with customers when the Group's rights to the consideration become unconditional. Consideration for such business support services is reclassified into accounts receivable when all contracted services have been completed, the business report and other documents have been submitted to the customer, and the customer has inspected and invoiced the services.

Contract liabilities mainly relate to advances received from customers for contracts in Career Solutions' outplacement services before users receive services to and incentive points in Outsourcing's incentive business, whereby client companies provide incentive points to employees, etc., of client companies. Contracts in the outsourcing incentive business relate to advance payments received from customers prior to the provision of services, and contracts in the outsourcing incentive business relate to "Benepo" granted to members (individuals) in response to the provision of services by the client company. Contract liabilities are reversed upon recognition of revenue.

The amount of revenue recognized in the previous fiscal year that was included in contract liabilities at the beginning of the period was ¥6,228 million.

The amount of revenue recognized in the previous fiscal year from performance obligations that were satisfied (or partially satisfied) in prior periods was not material.

The amount of revenue recognized in the current period that was included in contract liabilities at the beginning of the period was ¥5,724 million.

The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied (or partially satisfied) in prior periods was not material.

(2) Transaction prices allocated to remaining performance obligations

The Group applies the practical expedient method in noting the transaction price allocated to the remaining performance obligations and does not include the notes contracts with an initial expected term of one year or less. The performance obligations are mainly contracts for BPO services. The total transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized are as follows. The amount of consideration received from contracts with customers does not include the amount of significant variable consideration not included in the transaction price.

(Millions of yen)

	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Due within one year	37,331	35,357
Due after one year through two years	16,937	15,407
Due after two years through three years	6,054	8,018
Over three years	11,069	13,419
Total	71,393	72,203

(Segment information, etc.)

Segment information

1. Outline of the reported segment:

The Group's reportable segments are components of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and to evaluate their performance.

The Group operates a comprehensive human resources-related business, and based on the characteristics of the services that it provides, the Company has five reportable segments: Expert Services (Temporary Staffing), BPO Services (Contracting), Others, Career Solutions (Placement/Recruiting, Outplacement), Outsourcing, Life Solutions, and Regional Revitalization Solutions. As a holding company, the Company is also responsible for formulating group management strategies and supporting business execution, business management, and the optimal allocation of management resources, along with the development of new businesses related to job creation.

2. Method of calculating sales, profit or loss, assets, liabilities, and other items by reportable segment

The accounting methods used for the reported business segments are generally the same as those used in the preparation of the consolidated financial statements.

Income of reportable segments is based on operating profit.

Intersegment revenues and transfers are based on prevailing market prices.

3. Information on net sales, income (loss), assets, liabilities, and other items by reportable segment and breakdown of income

Previous consolidated fiscal year (June 1, 2021 to May 31, 2022)

(Millions of yen)

	Reportable segment					Total	Adjustment (Note 1)	Amount recorded in consolidated financial statements
	HR Solution			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, and Others	Career Solutions	Outsourcing					
Net sales								
Expert Services	151,520	-	-	-	-	151,520	-	151,520
BPO Services, etc.	137,319	-	-	-	-	137,319	-	137,319
HR Consulting, Educations/Training, Other	7,181	-	-	-	-	7,181	-	7,181
Global Sourcing	8,043	-	-	-	-	8,043	-	8,043
Career Solutions	-	14,665	-	-	-	14,665	-	14,665
Outsourcing	-	-	37,040	-	-	37,040	-	37,040
Life Solutions	-	-	-	6,686	-	6,686	-	6,686
Regional Revitalization Solutions	-	-	-	-	3,639	3,639	-	3,639
Revenue from contracts with customers	304,064	14,665	37,040	6,686	3,639	366,096	-	366,096
Other income	-	-	-	-	-	-	-	-
Revenue from contracts with customers	304,064	14,665	37,040	6,686	3,639	366,096	-	366,096
Intersegment sales and transfers	4,028	34	1,319	472	786	6,642	(6,642)	-
Total	308,093	14,700	38,359	7,158	4,426	372,739	(6,642)	366,096
Segment income (loss)	18,793	4,470	12,765	232	(2,612)	33,650	(11,566)	22,083
Segment assets	89,230	20,614	58,074	2,322	15,654	185,896	17,849	203,746
Other item								
Depreciation	1,072	191	1,059	59	950	3,333	1,086	4,419
Amortization of goodwill	631	-	77	-	-	709	-	709
Impairment loss	-	-	-	-	132	132	-	132
Increase in property, plants, and equipment, and intangible assets	1,093	57	17,900	5	4,703	23,750	7,633	31,394

Note 1. Adjustments are as follows

- (1) Adjustment of ¥(11,566) million for segment income includes ¥(11,711) million yen for group management costs and incubation costs for new businesses in the Company and ¥145 million for elimination of intersegment transactions.
- (2) Adjustment of ¥17,849 million for segment assets mainly includes ¥51,703 million of assets related to cash and deposits and group management, etc., of the Company and ¥(33,854) million of elimination of intersegment transactions.
- (3) Adjustment of ¥1,086 million for depreciation mainly includes ¥1,151 million of depreciation of assets related to group management, etc., and ¥(64) million of elimination of intersegment transactions.
- (4) The adjustment of ¥7,633 million for increase in property, plants, and equipment and intangible assets is mainly due to an increase of ¥7,658 million in assets related to group management and headquarters functions, etc., and elimination of intersegment transactions of ¥(24) million.

Note 2. Segment income is adjusted with operating profit in the consolidated statements of income.

Current consolidated fiscal year (June 1, 2022 to May 31, 2023)

(Millions of yen)

	Reportable segment					Total	Adjustment (Note 1)	Amount recorded in consolidated financial statements
	HR Solution			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, and Others	Career Solutions	Outsourcing					
Net sales								
Expert Services	146,655	-	-	-	-	146,655	-	146,655
BPO Services, etc.	139,290	-	-	-	-	139,290	-	139,290
HR Consulting, Educations/Training, Other	7,563	-	-	-	-	7,563	-	7,563
Global Sourcing	9,654	-	-	-	-	9,654	-	9,654
Career Solutions	-	13,893	-	-	-	13,893	-	13,893
Outsourcing	-	-	41,779	-	-	41,779	-	41,779
Life Solutions	-	-	-	7,686	-	7,686	-	7,686
Regional Revitalization Solutions	-	-	-	-	6,055	6,055	-	6,055
Revenue from contracts with customers	303,164	13,893	41,779	7,686	6,055	372,579	-	372,579
Other income	-	-	-	-	-	-	-	-
Revenue from contracts with customers	303,164	13,893	41,779	7,686	6,055	372,579	-	372,579
Intersegment sales and transfers	4,522	29	597	514	875	6,539	(6,539)	-
Total	307,687	13,923	42,376	8,200	6,931	379,119	(6,539)	372,579
Segment income (loss)	15,132	4,089	10,487	364	(2,877)	27,196	(12,819)	14,377
Segment assets	157,934	21,680	53,940	2,564	17,803	253,922	21,582	275,504
Other item								
Depreciation	1,166	140	1,674	51	1,160	4,194	932	5,126
Amortization of goodwill	426	-	294	-	-	721	-	721
Impairment loss	-	-	-	-	-	-	-	-
Increase in property, plants, and equipment, and intangible assets	3,746	230	3,767	144	2,534	10,422	5,918	16,341

Note 1. Adjustments are as follows

- (1) Adjustment of ¥(12,819) million for segment income includes ¥(13,074) million yen for group management costs and incubation costs for new businesses in the Company and ¥255 million for elimination of intersegment transactions.
- (2) Adjustment of ¥21,582 million for segment assets mainly includes ¥54,816 million of assets related to cash and deposits and group management, etc., of the Company and ¥(33,234) million of elimination of intersegment transactions.
- (3) Adjustment of ¥932 million for depreciation mainly includes ¥982 million of depreciation of assets related to group management, etc., and ¥(50) million of elimination of intersegment transactions.
- (4) The adjustment of ¥5,918 million for increase in property, plants, and equipment and intangible assets is mainly due to an increase of ¥6,037 million in assets related to group management and headquarters functions, etc., and elimination of intersegment transactions of ¥(119) million.

Note 2. Segment income is adjusted with operating profit in the consolidated statements of income.

Related information

Previous consolidated fiscal year (From June 1, 2021 to May 31, 2022)

1. Information by product and service

Statement is omitted because the same information is disclosed in the segment information.

2. Information by area

(1) Net sales

Statement is omitted because net sales to external customers in Japan exceed 90% of the sales reported in the consolidated profit & loss statement.

(2) Property, plants, and equipment

Statement is omitted because the amount of property, plants, and equipment located in Japan exceeds 90% of the amount of property, plants, and equipment in the consolidated balance sheet.

3. Information by major customer

There is no statement because no customer accounts for 10% or more in net sales reported in the consolidated profit & loss statement.

Current consolidated fiscal year (From June 1, 2022 to May 31, 2023)

1. Information by product and service

Statement is omitted because the same information is disclosed in the segment information.

2. Information by area

(1) Net sales

Statement is omitted because net sales to external customers in Japan exceed 90% of the sales reported in the consolidated profit & loss statement.

(2) Property, plants, and equipment

Statement is omitted because the amount of property, plants, and equipment located in Japan exceeds 90% of the amount of property, plants, and equipment in the consolidated balance sheet.

3. Information by major customer

There is no statement because no customer accounts for 10% or more in net sales reported in the consolidated profit & loss statement.

Information on impairment loss on non-current assets by reported segment

Previous consolidated fiscal year (From June 1,2021 to May 31, 2022)

This information is omitted because the same information is disclosed in the segment information.

Current consolidated fiscal year (From June 1, 2022 to May 31, 2023)

Not applicable.

Information on the amortization amount of goodwill and the unamortized balance by reported segment

Previous consolidated fiscal year (From June 1 2021 to May 31, 2022)

(Millions of yen)

	Reportable segment					Adjustment	Total
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing	Life Solutions	Regional Revitalization Solutions		
Balance at end of period	1,008	-	5,824	-	-	-	6,833

Current consolidated fiscal year (From June 1, 2022 to May 31, 2023)

(Millions of yen)

	Reportable segment					Adjustment	Total
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing	Life Solutions	Regional Revitalization Solutions		
Balance at end of period	1,823	-	5,529	-	-	-	7,353

Information on gain from negative goodwill by reported segment

Previous consolidated fiscal year (From June 1,2021 to May 31, 2022)

Not applicable

Current consolidated fiscal year (From June 1, 2022 to May 31, 2023)

Not applicable

Information on related parties

1. Transactions with related parties

(1) Transactions between the company submitting the consolidated financial statements and related parties

Directors and major shareholders of the company submitting the consolidated financial statements

Previous consolidated fiscal year (From June 1, 2021 to May 31, 2022)

Not applicable

Current consolidated fiscal year (From June 1, 2022 to May 31, 2023)

Not applicable

(2) Transactions between the consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

Directors and major shareholders of the company submitting the consolidated financial statements

Previous consolidated fiscal year (From June 1, 2021 to May 31, 2022)

Type	Name or company's name	Location	Capital or investment (millions of yen)	Business or occupation	Percentage of voting rights, etc., held (%)	Relationship with related parties	Transaction details	Transaction amounts (millions of yen)	Subject	Balance at end of period (millions of yen)
Companies in which the majority of voting rights are held in their own account by officers and close relatives of officers of significant subsidiaries	Sustainable Planning Inc. (Note 3)	Shibuya -ku, Tokyo	100	Healthcare business, business activation business	-	Purchase of goods	Purchase of goods	35	Accounts payable	0

Notes 1. Transaction amounts are presented exclusive of consumption taxes, and year-end balances are presented inclusive of consumption taxes.

2. Terms and conditions of transactions and policy for determining terms and conditions of transactions, etc.
All transaction terms and conditions are determined by general terms and conditions or by negotiation, taking into consideration the terms and conditions or market prices of other companies that are not related to the Company.

3. Sustainable Planning Inc. is a company in which the majority of voting rights are held by close relatives of the directors of our subsidiary, Pasona Inc.

Current consolidated fiscal year (From June 1, 2022 to May 31, 2023)

type	Name or company's name	location	Capital or investment (millions of yen)	Business or occupation	Percentage of voting rights, etc., held (%)	Relationship with related parties	Transaction details	Transaction amount (Millions of yen)	subject	Balance at end of period (Millions of yen)
Companies in which the majority of voting rights are held in their own account by officers and close relatives of officers of significant subsidiaries.	Sustainable Planning Inc. (Note 3)	Shibuya -ku, Tokyo	100	Healthcare Business, Business Activation Business	-	Purchase of goods	Purchase of goods	61	accounts payable	0

(Note) 1. Transaction amounts are presented exclusive of consumption taxes, and year-end balances are presented inclusive of consumption taxes.

2. Terms and conditions of transactions and policy for determining terms and conditions of transactions, etc.
All transaction terms and conditions are determined by general terms and conditions or by negotiation, taking into consideration the terms and conditions or market prices of other companies that are not related to the Company.

3. Sustainable Planning Inc. is a company in which the majority of voting rights are held by close relatives of directors of our subsidiary Pasona Inc.

2. Notes on the parent company or any material affiliated company

Not applicable

(Per share information)

Item	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Net assets per share	¥1,276.00	¥1,378.40
Profit per share	¥220.19	¥155.70
Diluted profit per share	219.41	¥155.22

Note 1: Treasury shares remaining in the Board Benefit Trust (BBT) and the Japanese version of the Employee Stock Ownership Plan (J-ESOP) that are recorded as treasury shares in shareholders' equity are included in treasury shares deducted from the total number of issued shares as of the end of the year for the calculation of net assets per share, as well as in treasury shares deducted in the calculation of the average number of shares during the year for the calculation of profit per share.

The number of shares of treasury stock deducted from the calculation of net assets per share at the end of the fiscal year was 424,862 shares for the stock benefit trust (BBT) in the previous fiscal year and 424,862 shares in the current fiscal year, and 298,114 shares for the stock benefit trust (J-ESOP) in the previous fiscal year and 297,514 shares in the current fiscal year. The average number of shares of treasury stock deducted from the calculation of profit per share is 443,070 shares for the year ended May 31, 2022 and 424,862 shares for the year ended May 31, 2023 for the stock benefit trust (BBT), 299,370 shares for the year ended May 31, 2022 and 297,664 shares for the year ended May 31, 2023 for the stock benefit trust (J-ESOP).

Note 2: The basis for calculating profit per share and diluted profit per share is as follows.

Item	Previous consolidated FY (June 1, 2021 to May 31, 2022)	Current consolidated FY (June 1, 2022 to May 31, 2023)
Profit attributable to owners of parent (millions of yen)	8,621	6,099
Amount not attributable to common shareholders (millions of yen)	-	-
Profit attributable to owners of parent related to common shares (millions of yen)	8,621	6,099
Average number of common shares during the period (shares)	39,154,774	39,174,636
Diluted profit per share		
Adjustment to profit attributable to owners of the parent (millions of yen)	(30)	(18)
(Adjustment due to latent shares of consolidated subsidiaries) (millions of yen)	(30)	(18)
Summary of latent shares that was not included in the calculation of diluted profit per share due to the absence of dilutive effects.	-	-

Note 3: Basis for calculation of net assets per share is as follows

Item	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Total net assets (millions of yen)	67,146	71,624
Amount deducted from total net assets (millions of yen)	17,160	17,625
Net assets related to common stock (millions of yen)	49,986	53,998
Number of shares of common stock for the calculation of net assets per share at end of period (shares)	39,174,206	39,174,780

(Significant events after reporting period)

(Disposition of Treasury Stock by Third-party Allotment)

At a meeting of the Board of Directors held on July 14, 2023, the Company resolved to dispose of treasury stock through a third-party allotment as described below, which was executed on July 31, 2023.

1. Outline of disposition

(1) Number of shares to be disposed of	354,000 shares of common stock
(2) Disposal price	1,688 yen per share
(3) Total amount of disposition	¥597 million
(4) Disposal method	Third-party allotment
(5) Destination of disposition	Custody Bank of Japan, Ltd. (Trust E account)
(6) Payment date	July 31, 2023
(7) Number of treasury stock after disposition	1,439,144 shares

2. Purpose and reason for disposition

The Company resolved at a meeting of the Board of Directors held on July 14, 2023 to make an additional monetary contribution to acquire shares expected to be required for future benefits in the continuation of the "Stock Benefit Trust (BBT)" and "Stock Benefit Trust (J-ESOP)" (collectively, the "Plans").

The disposal of treasury stock will be entrusted to the Custody Bank of Japan, Ltd. (Trust E account) (the trustee of the Trust, which was re-trusted by Mizuho Trust & Banking Co. A summary of the additional trust is as follows.

Date of additional trust	July 31, 2023
Additional trust amount	BBT ¥293 million, J-ESOP ¥286 million (Note)
Type of shares to be acquired	Common stock of the Company
Number of shares to be acquired	BBT 177,000 shares, J-ESOP 177,000 shares
Date of share repurchase	July 31, 2023
Method of share acquisition	Acquisition by subscription of the Company's treasury shares to be disposed of through the Treasury Share Disposal

(Note) The BBT Trust additionally acquired the Company's shares using the total amount of the additional trust amount (¥293 million) and money belonging to the trust assets (¥5 million). The J-ESOP Trust acquired additional shares of the Company's stock using the total amount of the additional trust amount (¥286 million) and money belonging to the trust assets (¥12 million).

5) Consolidated supplementary schedules

[Schedule of corporate bonds]

Company	Name	Issue Date	Balance, beginning of period	Balance, end of period	Interest rate	Collateral	Redemption date
Pasona Group Inc.	1st unsecured bond	March 28, 2018	¥176 million	¥120 million (¥56 million)	0.31%	none	March 28, 2025
Pasona Group Inc.	2nd unsecured bond	April 30, 2020	¥2,000 million	¥1,750 million (¥250 million)	0.21%	none	March 29, 2030
Pasona Group Inc.	3rd unsecured bond	June 11, 2021	¥2,220 million	¥1,940 million (¥280 million)	0.15%	none	March 29, 2030

(Notes) 1. The figures in parentheses in the "Balance at the end of current period" column represent the current portion of the redemption schedule.

2. The following are the scheduled redemption amounts per year within five years from the consolidated balance sheet date.

(Millions of yen)

Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
586	594	530	530	530

[Schedule of borrowings, etc.]

Category	Balance, beginning of period (millions of yen)	Balance, end of period (millions of yen)	Average interest rate (%)	Due date
Short-term borrowings	110	102	2.57	-
Long-term borrowings to be repaid within one year	9,500	10,194	0.67	-
Lease obligations to be repaid within one year	411	383	1.74	-
Long-term borrowings (excluding loans to be repaid within one year)	38,779	43,505	0.78	2024 to 2032
Lease obligations (excluding lease obligations to be repaid within one year)	554	924	1.74	2024 to 2029
Total	49,357	55,109	-	-

Note 1: "Average interest rate" represents the weighted average interest rate for the balance of loans, etc., at the end of the year. The figures include those of overseas subsidiaries.

Note 2: The amount of lease obligations (excluding lease obligations to be repaid within one year) to be repaid within five years of the consolidated closing date is as follows:

(Millions of yen)

Category	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years
Long-term borrowing	9,608	6,285	5,510	6,000
Lease obligations	329	221	166	205
Total	9,938	6,507	5,677	6,206

[Schedule of asset retirement obligations]

The schedule of asset retirement obligations is omitted because the items to be presented in this schedule are presented as notes stipulated in Article 15-23 of the Regulations Concerning Consolidated Financial Statements.

(2) Other

Quarter information, etc., in the current consolidated fiscal year

(Cumulative period)		1 st quarter	2 nd quarter	3 rd quarter	Current consolidated FY
Net sales	(¥ mil.)	92,066	183,973	277,280	372,579
Profit before income taxes	(¥ mil.)	3,819	8,223	12,327	16,766
Profit attributable to owners of parent	(¥ mil.)	1,293	2,734	3,948	6,099
Profit per share	(¥)	33.03	69.80	100.79	155.70

(Accounting period)		1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
Profit per share	(¥)	33.03	36.77	30.99	54.91

2. Financial statements, etc.

(1) Financial statements

(i) Balance Sheet

(Millions of yen)

	Previous FY (May 31, 2022)	Current FY (May 31, 2023)
Assets		
Current assets		
Cash and deposits	24,143	22,942
Accounts receivable - trade	*1 484	*1 582
Raw materials and supplies	32	17
Prepaid expenses	*1 622	*1 451
Short-term loans receivable	*1 501	*1 70
Accounts receivable - other	*1 4,638	*1 3,089
Deposits received from CMS	*1 2,860	*1 3,937
Other	*1 706	*1 2,493
Allowance for doubtful accounts	(163)	(154)
Total current assets	33,827	33,430
Non-current assets		
Property, plants, and equipment		
Buildings	6,869	9,983
Structures	525	796
Machinery and equipment	0	0
Vessels	54	69
Tools, furniture, and fixtures	598	805
Land	6,221	7,017
Leased assets	218	402
Construction in progress	1,583	3,261
Total Property, plants, and equipment	16,071	22,336
Intangible assets		
Software	568	557
Other	10	14
Total intangible assets	578	572
Investments and other assets		
Investment securities	1,167	1,250
Shares of subsidiaries and associates	33,596	35,880
Long-term loans receivables	*1 13	*1 6
Prepaid pension cost	117	165
Deferred tax assets	89	1,004
Guarantee deposits	*1 3,824	*1 2,636
Other	*1 519	*1 549
Total investments and other assets	39,328	41,492
Total non-current assets	55,978	64,401
Deferred assets		
Bond issuance costs	149	130
Total deferred assets	149	130
Total assets	89,955	97,963

(Millions of yen)

	Previous FY (May 31, 2022)	Current FY (May 31, 2023)
Liabilities		
Current liabilities		
Short-term borrowings	8,360	9,046
Current portion of bonds payable	586	586
Deposits received from CMS	*1 24,247	*1 24,375
Lease obligations	150	70
Account payable-other	*1 1,960	*1 1,917
Accrued expenses	162	531
Accrued income taxes	1,616	29
Provision for bonuses	173	110
Asset retirement obligations	-	16
Other	*1 294	*1 354
Total current liabilities	37,551	37,038
Non-current liabilities		
Bonds payable	3,810	3,224
Long-term borrowings	28,910	34,777
Lease obligations	98	357
Long-term guarantee deposits received	13	1
Provision for share awards for Directors (and other Officers)	418	418
Provision for employee stock ownership plan	172	176
Asset retirement obligations	176	225
Other	44	2,347
Total non-current liabilities	33,644	41,528
Total liabilities	71,196	78,567
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus		
Legal capital surplus	5,000	5,000
Other capital surplus	7,653	7,653
Total capital surplus	12,653	12,653
Retained earnings		
Other retained earnings		
Retained earnings brought forward	3,443	4,080
Total retained earnings	3,443	4,080
Treasury shares	(2,338)	(2,338)
Total shareholders' equity	18,757	19,394
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1	1
Total valuation and translation adjustments	1	1
Total net assets	18,758	19,396
Total liabilities and net assets	89,955	97,963

(ii) Profit and Loss Statement

(Millions of yen)

	Previous FY (June 1, 2021 to May 31, 2022)	Current FY (June 1, 2022 to May 31, 2023)
Sales	*1 10,060	*1 15,646
Cost of sales	*1 1,837	*1 1,418
Gross profit	8,223	14,228
Selling, general and administrative expenses	*1,2 11,879	*1,2 13,230
Operating profit	(3,655)	997
Non-operating profit		
Interest income	*1 41	*1 32
Subsidy income	37	64
Real estate rent	*1 871	*1 438
Sponsorship income	0	114
Other	*1 196	*1 155
Total non-operating profit	1,147	806
Non-operating expenses		
Interest expenses	*1 258	*1 330
Commitment fee	394	48
Provision of allowance for doubtful accounts	1	24
Real estate rental expenses	*1 954	*1 639
Other	*1 112	*1 69
Total non-operating expenses	1,723	1,112
Ordinary profit	(4,231)	691
Extraordinary profit		
Gain on sales of non-current assets	8	-
Gain on sales of shares of subsidiaries and affiliates	*3 5,491	-
Total extraordinary profit	5,500	-
Extraordinary losses		
Loss on sales and retirement of non-current assets	40	67
Loss on impairment of non-current assets	132	-
Loss on valuation of investment securities	19	-
Loss on valuation of shares of subsidiaries and associates	*4 748	*4 983
Total extraordinary losses	941	1,051
Profit before taxes	327	(359)
Income taxes -current	(940)	(1,478)
Income taxes - deferred	(69)	(914)
Total income taxes	(1,010)	(2,392)
Profit	1,338	2,033

(iii) Statement of changes in net assets

Previous fiscal year (June 1, 2021 to May 31, 2022)

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance, beginning of period	5,000	5,000	7,653	12,653	3,302	3,302
Changes during the period						
Dividends of surplus				-	(1,196)	(1,196)
Profit				-	1,338	1,338
Acquisition of treasury stock				-		-
Disposal of treasury shares by stock benefit trust				-		-
Changes (net) during the year in items other than Shareholders' equity				-		-
Total changes during period	-	-	-	-	141	141
Balance, end of period	5,000	5,000	7,653	12,653	3,443	3,443

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total retained earnings	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance, beginning of period	(2,377)	18,577	1	1	18,578
Changes during the period					
Dividends of surplus		(1,196)		-	(1,196)
Profit		1,338		-	1,338
Acquisition of treasury stock	(0)	(0)		-	(0)
Disposal of treasury shares by stock benefit trust	39	39		-	39
Changes (net) during the year in items other than Shareholders' equity		-	(0)	(0)	(0)
Total changes during period	39	180	(0)	(0)	180
Balance, end of period	(2,338)	18,757	1	1	18,758

Current fiscal year (June 1, 2022 to May 31, 2023)

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance, beginning of period	5,000	5,000	7,653	12,653	3,443	3,443
Changes during the period						
Dividends of surplus				-	(1,396)	(1,396)
Profit				-	2,033	2,033
Acquisition of treasury stock				-		-
Disposal of treasury shares by stock benefit trust				-		-
Changes (net) during the year in items other than Shareholders' equity				-		-
Total changes during period	-	-	-	-	636	636
Balance, end of period	5,000	5,000	7,653	12,653	4,080	4,080

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total retained earnings	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance, beginning of period	(2,338)	18,757	1	1	18,758
Changes during the period					
Dividends of surplus		(1,396)		-	(1,396)
Profit		2,033		-	2,033
Acquisition of treasury stock	(0)	(0)		-	(0)
Disposal of treasury shares by stock benefit trust	0	0		-	0
Changes (net) during the year in items other than Shareholders' equity		-	(0)	(0)	(0)
Total changes during period	0	637	(0)	(0)	637
Balance, end of period	(2,338)	19,394	1	1	19,396

[Notes]

(Matters related to the premise of a going concern)

Not applicable.

(Important accounting policies)

1. Valuation criteria and valuation methods for Securities

(1) Subsidiary company shares and affiliated company shares

The Company uses the cost method by the moving average method.

(2) Other securities

- Securities having a fair value

The Company uses the fair value method based on the market price, etc., on the last day of the accounting period. (Valuation differences are included in net assets and the cost of securities sold is calculated by the moving average method.)

- Securities having no fair value

The Company uses the cost method by the moving average method.

The Company and its subsidiaries use the most recent financial statements available as of the reporting date stipulated in the partnership agreement as the basis for calculating the net amount of its interest in the limited liability investment partnerships and similar partnerships (those deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act).

2. Valuation standards and methods for derivatives

Market value method

3. Valuation standards and methods for inventories

Raw materials and supplies

Stated at cost based on the last purchase price method (book value devaluation based on decreased profitability)

4. Depreciation method of non-current assets

(1) Property, plants, and equipment (excluding lease assets)

Buildings (including attached facilities) and structures

Straight-line method (However, buildings and structures acquired on or before March 31, 2016 are depreciated using the declining-balance method.)

Other property, plants, and equipment

Declining-balance method

(2) Intangible assets (excluding lease assets)

Software Straight-line method over the period of internal use (five years or less)

(3) Lease assets

Lease assets related to finance lease transactions that transfer ownership

Depreciated using the same method as that applied to non-current assets owned by the Company.

Lease assets related to finance lease transactions that do not transfer ownership

Depreciated using the straight-line method over the lease term with a residual value of zero.

5. Accounting for deferred assets

Bond issuance cost

Amortized by the straight-line method over the period until redemption of bonds.

6. Recording criteria for allowances

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for possible losses on uncollectible receivables. For general receivables, allowance is provided based on historical write-off rates, and for specific doubtful receivables, allowance is provided for the estimated uncollectible amounts determined by reference to the collectability of individual receivables.

(2) Allowance for bonuses

To provide for the payment of bonuses to employees, an allowance is provided based on the estimated amount of payment.

(3) Provision for Directors' bonuses

To provide for the payment of bonuses to Directors and Corporate Auditors, a reserve for bonuses to Directors and Corporate Auditors is recorded based on the estimated amount of payment.

There was no provision as of the end of the current fiscal year.

(4) Allowance for Directors' and Corporate Auditors' stock benefits

To provide for the payment of shares to Directors and Executive Officers in accordance with the "Directors' Share Benefit Regulations," an allowance is provided based on the estimated amount of liabilities for share benefits as of the end of the current fiscal year.

(5) Allowance for employee stock benefits

To provide for the payment of shares to employees, etc., based on the "Share Benefit Regulations," an allowance is provided based on the estimated amount of liabilities for share benefits as of the end of the fiscal year.

(6) Allowance for retirement benefits

To provide for the payment of retirement benefits to employees, an allowance is provided based on the estimated amount of retirement benefit obligations and pension assets as of the end of the current fiscal year.

(i) Method of attributing estimated retirement benefits to periods

The estimated amount of retirement benefits is attributed to the period through the end of the current fiscal year based on the benefit calculation method.

(ii) Method of amortizing actuarial gains and losses

Actuarial gains and losses are charged to income in a lump sum in the fiscal year following the year in which they are incurred.

7. Basis for Recognition of Significant Revenues

The Company's revenues consist primarily of management planning income and dividend income from subsidiaries. For management planning income, the Company is obligated to provide contracted services to its subsidiaries in accordance with the terms of the contract, and the Company's performance obligation is satisfied when the services are performed, so the Company recognizes revenue at that time.

Dividend income is recognized as of the effective date of the dividend.

8. Hedge Accounting Methods

(1) Hedge accounting method

In principle, deferred hedge accounting is applied. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are accounted for using the special treatment.

(2) Hedging instruments and hedged items

Hedging instrument: Interest rate swaps

Hedged items: Borrowings

(3) Hedging policy

The Company enters into derivatives transactions to reduce the risk of market fluctuations in interest rates, etc., to reduce financing costs, or to optimize future cash flows. The Company does not enter into derivatives transactions for the purpose of obtaining short-term gains or losses or for speculation.

(4) Evaluation of hedge effectiveness

The Company compares the market fluctuations of hedged items and hedging instruments semiannually and evaluates the effectiveness of hedging based on the amount of fluctuation of both. The assessment of hedge effectiveness is omitted because the interest rate swaps meet the requirements for special treatment.

9. Material matters that serve as the basis for preparing financial statements

(1) Accounting for retirement benefits

The accounting method for unrecognized actuarial differences related to retirement benefits differs from the method used in the consolidated financial statements.

(Material accounting estimates)

1. Valuation of non-current assets belonging to the Regional Revitalization Solutions segment

(1) Amount recorded in the financial statements for the current fiscal year

(Millions of yen)

	Account title	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Property, plants, and equipment	Buildings	3,637	4,765
	Structures	337	581
	Tools, furniture and fixtures	261	343
	Land	154	154
	Lease assets	2	1
	Construction in progress	0	77
Total property, plants, and equipment		4,394	5,925
Intangible assets	Software	5	3
	Other	2	2
Total intangible assets		7	6
Investments and other assets		-	1
Total investments and other assets		-	1
Total non-current assets		4,401	5,933
Impairment loss		132	-

(2) Other information that contributes to an understanding of the nature of significant accounting estimates related to the identified items

Of the total property, plants, and equipment and intangible assets of ¥22,909 million recorded in the financial statements for the current fiscal year, ¥5,933 million are non-current assets belonging to the Regional Revitalization Solutions segment. The background leading to the impairment loss and the estimates for impairment accounting of non-current assets are described in "(1) Consolidated financial statements Notes (Significant accounting estimates)" on page 81 so notes have been omitted.

2. Valuation of shares of subsidiaries and affiliates in the Regional Revitalization Solution segment

(1) Amount recorded in the financial statements.

(Millions of yen)

Account	Previous consolidated FY (May 31, 2022)	Current consolidated FY (May 31, 2023)
Shares of subsidiaries and affiliates	5,604	5,821

(2) Other information that contributes to the understanding of accounting estimates by the users of the financial statements

The ¥35,880 million of shares of subsidiaries and associates recorded in the financial statements for the current fiscal year includes stocks that do not have market prices. Of this amount, ¥5,821 million includes shares of subsidiaries and associates belonging to the Regional Revitalization Solutions segment, and a loss on valuation of shares of subsidiaries and associates of ¥879 million was recorded for the current fiscal year.

Whether or not to recognize impairment losses on shares of subsidiaries and associates without market prices is determined by comparing the acquisition cost with the real value. When the real value has declined by 50% or more compared to the acquisition cost, the Company's policy is to recognize impairment losses up to the real value, except

in cases where recovery is deemed probable. In calculating the real value, which is the basis for determining impairment, it is necessary to consider whether impairment should be recognized for non-current assets held by subsidiaries, and information regarding the nature of such estimates is presented in the "(1) Consolidated financial statements Notes (Significant Accounting Estimates)".

If it is judged necessary to recognize impairment losses on non-current assets held by subsidiaries, the calculation of the real value and the amount of write-downs of investments may be significantly affected. Furthermore, if the real value becomes negative, losses related to claims and guarantees to the company in question and losses incurred by the company beyond these losses and guarantees may be incurred. In addition, in the event of a negative real value, it may be necessary to record an allowance for expected losses in order to prepare for losses related to claims and guarantees to the company or losses incurred by the company beyond these amounts.

(Change in accounting policy)

Not applicable.

(Change in presentation method)

Income Statement

"Sponsorship income" (0 million yen in the previous fiscal year), which was included in "Other" under "Non-operating income" in the previous fiscal year, is separately presented in the current fiscal year because it has become significant in terms of amount.

(Additional Information)

Our Stock Benefit Trust

1. Board Benefit Trust (BBT)

Notes on transactions of delivering the Company's shares to Directors (excluding Directors that are Audit and Supervisory Committee Members, Outside Directors and Non-Executive Directors) and Executive Officers (limited to those that were Directors immediately before the transition to a company with an Audit and Supervisory Committee) through trust are omitted because the same content is stated in "Notes (Additional Information)" in the consolidated financial statements.

2. Japanese version of the Employee Stock Ownership Plan (J-ESOP)

Notes on transactions of delivering the Company's shares to employees of the Company and Officers and employees of the Company's subsidiaries through trust are omitted because the same content is stated in "Notes (Additional Information)" in the consolidated financial statements.

(Matters related to the Balance Sheet)

*1: The amounts of monetary claims or monetary liabilities to associated companies are as follows:

	(Millions of yen)	
	Previous FY (May 31, 2022)	Current FY (May 31, 2023)
Short-term monetary claims	8,312	7,483
Short-term monetary liabilities	25,255	25,763
Long-term monetary claims	70	39

2. Contingent liabilities are as follows:

	(Millions of yen)	
	Previous FY (May 31, 2022)	Current FY (May 31, 2023)
Guarantee of borrowings Nijigennomori Inc.	1,597	1,435
Guarantee of facility loan PT. Dutagriya Sarana	44	46
Guarantee of Debt for Travel Agency Services Nagasaki Diamond Staff Co.	15	6

(Matters related to the Profit and Loss Statement)

*1: Total amount of business transactions and non-business transactions with associated companies

	(Millions of yen)	
	Previous FY (June 1, 2021 to May 31, 2022)	Current FY (June 1, 2022 to May 31, 2023)
Net sales	8,393	14,183
Cost of sales	21	17
Selling, general and administrative expenses	3,350	3,730
Non-business transactions	260	395

*2: The approximate percentage of expenses included in selling expenses was 3.5% in the previous fiscal year and 2.2% in the current fiscal year, and the approximate percentage of expenses included in general and administrative expenses was 96.5% in the previous fiscal year and 97.8% in the current fiscal year.

Major expense items and amounts of selling, general, and administrative expenses are as follows:

	(Millions of yen)	
	Previous FY (June 1, 2021 to May 31, 2022)	Current FY (June 1, 2022 to May 31, 2023)
Salaries and bonuses	2,671	3,099
Provision for bonuses	166	104
Provision for share awards for Directors (and other Officers)	119	-
Provision for employee stock ownership plan	54	4
Rent expenses on land and buildings	1,238	2,006
Depreciation	752	781
Outsourcing expenses	2,162	2,153

*3 Gain on sales of subsidiaries and affiliates' stocks

Previous fiscal year (June 1, 2021 to May 31, 2022)

This was due to the partial sale of shares of a consolidated subsidiary, Bewith, Inc.

Current fiscal year (June 1, 2022 to May 31, 2023)

Not applicable.

*4. Loss on valuation of investments in subsidiaries and affiliates

Previous fiscal year (June 1, 2021 to May 31, 2022)

This was due to impairment loss on shares of consolidated subsidiaries including Pasona Furusato Incubation Inc. etc., which is engaged in Regional Revitalization Solution business.

Current fiscal year (June 1, 2022 to May 31, 2023)

The loss on valuation of stocks of subsidiaries and affiliates under extraordinary loss was posted in consideration of the financial position of the consolidated subsidiaries. The loss on valuation of stocks of subsidiaries and affiliates belonging to the Regional Revitalization Solutions segment is described in "(Significant Accounting Estimates) 2. Valuation of shares of affiliated companies in the Regional Revitalization Solutions segment".

(Matters related to securities)

Shares of subsidiaries and affiliates

Previous fiscal year (May 31, 2022)

(Millions of yen)

Type	Balance sheet amount	Market value	Difference
Shares of subsidiaries	3,229	174,794	171,564
Shares of affiliates	0	2,062	2,062
Total	3,229	176,856	173,626

Current fiscal year (May 31, 2023)

(Millions of yen)

Type	Balance sheet amount	Market value	Difference
Shares of subsidiaries	3,229	138,824	135,594
Shares of affiliates	0	1,009	1,009
Total	3,229	139,833	136,604

(Note) Carrying amount of non-marketable equity securities of subsidiaries and affiliates not included in the above table

(Millions of yen)

Category	Previous FY (May 31, 2022)	Current FY (May 31, 2023)
Subsidiary company shares	30,192	32,476
Affiliated company shares	174	174
Total	30,367	32,650

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Deferred tax assets)	(Millions of yen)	
	Previous FY (May 31, 2022)	Current FY (May 31, 2023)
Depreciation	424	459
Allowance for doubtful accounts	50	47
Provision for bonuses	61	33
Accrued business office taxes	7	9
Accrued business taxes	14	2
Accrued expenses	2	9
Shares of subsidiaries and affiliates due to corporate separation	843	843
Adjustment of book value of investments in subsidiaries	735	736
Loss on valuation of shares of subsidiaries and associates	3,378	3,690
Loss carried forward	1,412	1,756
Asset retirement obligations	54	74
Free rent	-	807
Other	446	479
Subtotal of deferred tax assets	7,429	8,950
Valuation allowance for tax loss carryforwards	(1,412)	(1,756)
Valuation allowance for total tax loss carryforwards	(5,809)	(6,044)
Subtotal of valuation allowance	(7,721)	(7,800)
Total deferred tax assets	208	1,149

(Deferred tax liabilities)	(Millions of yen)	
	Previous FY (May 31, 2022)	Current FY (May 31, 2023)
Prepaid pension cost	(36)	(50)
Unrealized gains (losses) on available-for-sale securities	(0)	(0)
Asset retirement obligations	(32)	(44)
Other	(49)	(49)
Total deferred tax liabilities	(118)	(145)
Balance: Net deferred tax assets	89	1,004

2. Breakdown by major cause when there is a significant difference between the normal effective statutory tax rate and the burden ratio of corporation tax, etc., after application of tax effect accounting

	(unit: %)	
	Previous FY (May 31, 2022)	Current FY (May 31, 2023)
Normal effective statutory tax rate	30.62	-
(adjustment)		
Items that are not deductible forever, such as social expenses	37.51	-
Items that are not included in income forever, such as dividend income	(452.95)	-
Inhabitant tax on per capita basis	5.67	-
Dividend withholding tax on foreign subsidiaries	1.39	-
Adjustment of book value of investments in subsidiaries	(366.13)	-
Valuation allowance	435.61	-
Other	0.03	-
Burden ratio of corporation tax, etc., after application of tax effect accounting	(308.25)	-

(Note) Notes have been omitted because the Company recorded a loss before income taxes for the current fiscal year.

3. Accounting for corporate and local income taxes or tax effect accounting related to these taxes

Effective from the fiscal year under review, the Company has adopted the group totalization system. In addition, the Company has adopted the "Practical Solution on Accounting and Disclosure Under the Group Tax-sharing System" (Practical Issues Task Force No. 42, August 12, 2021), and the Company has applied the group totalization system for income taxes and local corporate taxes.

The Company also applies the accounting treatment of corporate income tax and local corporate income tax or tax effect accounting related to these taxes and disclosures in accordance with the "Practical Solution on Accounting and Disclosure Under the Group Tax-sharing System" (Practical Issues Task Force No. 42, August 12, 2021).

(Revenue recognition related)

Information that provides a basis for understanding revenue from contracts with customers is presented in Consolidated Financial Statements Notes (Revenue recognition related) .

(Material post-balance sheet events)

(Disposition of treasury stock through third-party allotment)

Notes are omitted because the same information is presented in "Notes to Consolidated Financial Statements (Significant Subsequent Events)".

4) Supplementary schedules

[Schedule of property, plants, and equipment, etc.]

(Millions of yen)

Category	Type of assets	Book value, beginning of period	Increase in the current year	Decrease in the current year	Depreciation in the current year	Book value, end of period	Accumulated depreciation
Property, plants, and equipment	Buildings	6,869	3,800	46	640	9,983	1,535
	Structures	525	350	0	79	796	187
	Machinery and equipment	0	-	-	-	0	0
	Vehicles and delivery equipment	54	66	0	51	69	223
	Tools, furniture, and fixtures	598	517	18	291	805	1,110
	Land	6,221	796	-	-	7,017	-
	Leased assets	218	322	0	138	402	105
	Construction in progress	1,583	2,718	1,040	-	3,261	-
	Total	16,071	8,572	1,105	1,201	22,336	3,162
Intangible assets	Software	568	166	19	157	557	797
	Others	10	8	1	3	14	-
	Total	578	174	20	160	572	797

(Note) 1 Main items of increase in buildings

Office Facilities New construction	¥1,665 million
“LADYBIRD ROAD” New construction	¥584 million
“Craft Circus” Additional construction	¥392 million

2 Main items of increase in tools, furniture, and fixtures

Office Facilities New construction	¥173 million
Craft Circus” Additional construction	¥103 million

3. Major increase in land

For stores and offices, etc.	¥620 million
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4 Major increase in construction in progress

Iwaya coastal defense works, etc.	¥2,392 million
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5 Major decrease in construction in progress

Office Facilities Completion	¥1,003 million
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[Schedule of allowances]

(Millions of yen)

Category	Balance, beginning of period	Increase in the current year	Decrease in the current year	Balance, end of period
Allowance for doubtful accounts	163	55	64	154
Provision for bonuses	173	110	173	110
Provision for retirement benefits	(117)	12	60	(165)
Provision for share awards for Directors (and other Officers)	418	-	-	418
Provision for employee ownership plan	172	4	-	176

(Note) Allowance for retirement benefits is presented as "Prepaid pension cost" in "Investments and other assets" on the balance sheet.

(2) Major assets and liabilities

Statement is omitted because the Company prepared the consolidated financial statements.

(3) Other

Not applicable.

I-6. Outline of stock affairs of the reporting company

Fiscal year	June 1 of every year to May 31 of the following year						
Annual General Meeting of Shareholders	During August, every fiscal year						
Reference date	May 31 every year						
Dividends of surplus reference date	November 30 and May 31 of every year						
Number of shares constituting one unit of shares	100 shares						
Purchase of shares less than one unit							
Place	(Special Account) 1-3-3 Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Department, Head Office, Mizuho Trust & Banking Co.						
Administrator of the shareholder register	(Special account) 1-3-3 Marunouchi, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co.						
Agency	-						
Purchase fee	Amount separately determined as an amount equivalent to the commission fee for entrustment of stock transactions						
Method of publishing in public notice	The Company adopts the method of electronic public notice. However, if this method is unavailable due to an accident or other unavoidable reasons, the Company will publish in the Nihon Keizai Shimbun newspaper. Electronic public notice is posted on the Company's website below. https://www.pasonagroup.co.jp/ir/						
Benefit for shareholders	<table border="0"> <tr> <td style="vertical-align: top;">1. Lottery-type shareholder special benefit</td> <td>A total of 215 pairs of tickets or products for our group's accommodation facilities will be awarded by drawing among shareholders that are recorded in our shareholders' register as of May 31, 2023 and that hold one unit (100 shares) or more of our company's stock. (The application method will be described in the notice enclosed with the Notice of Convocation of the Ordinary General Meeting of Shareholders sent on August 9, 2022.)</td> </tr> <tr> <td style="vertical-align: top;">2. Discount coupons for use of food & beverages facilities on Awaji Island</td> <td>All shareholders on our shareholders' register as of May 31, 2023 will receive a 30% discount coupon for use at restaurants operated by our group on Awaji Island, Hyogo Prefecture. (Enclosed with the Notice of Convocation of the Ordinary General Meeting of Shareholders sent on August 9, 2023)</td> </tr> <tr> <td style="vertical-align: top;">3. Discount coupons for Awaji Island attractions</td> <td>All shareholders of record as of May 31, 2023 will receive a 50% discount coupon for up to 4 people to use at any of the attractions operated by our group on Awaji Island, Hyogo Prefecture. (Enclosed with the Notice of Convocation of the Ordinary General Meeting of Shareholders sent on August 9, 2023)</td> </tr> </table>	1. Lottery-type shareholder special benefit	A total of 215 pairs of tickets or products for our group's accommodation facilities will be awarded by drawing among shareholders that are recorded in our shareholders' register as of May 31, 2023 and that hold one unit (100 shares) or more of our company's stock. (The application method will be described in the notice enclosed with the Notice of Convocation of the Ordinary General Meeting of Shareholders sent on August 9, 2022.)	2. Discount coupons for use of food & beverages facilities on Awaji Island	All shareholders on our shareholders' register as of May 31, 2023 will receive a 30% discount coupon for use at restaurants operated by our group on Awaji Island, Hyogo Prefecture. (Enclosed with the Notice of Convocation of the Ordinary General Meeting of Shareholders sent on August 9, 2023)	3. Discount coupons for Awaji Island attractions	All shareholders of record as of May 31, 2023 will receive a 50% discount coupon for up to 4 people to use at any of the attractions operated by our group on Awaji Island, Hyogo Prefecture. (Enclosed with the Notice of Convocation of the Ordinary General Meeting of Shareholders sent on August 9, 2023)
1. Lottery-type shareholder special benefit	A total of 215 pairs of tickets or products for our group's accommodation facilities will be awarded by drawing among shareholders that are recorded in our shareholders' register as of May 31, 2023 and that hold one unit (100 shares) or more of our company's stock. (The application method will be described in the notice enclosed with the Notice of Convocation of the Ordinary General Meeting of Shareholders sent on August 9, 2022.)						
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Note: The Company's shareholders do not have rights other than the following rights for shares less than one unit held.

- 1 Rights set forth in the items of Article 189, Paragraph 2 of the *Companies Act*
- 2 Rights to make requests based on the provisions of Article 166, Paragraph 1 of the *Companies Act*
- 3 Rights for the allotment of shares for subscription and allotment of share options for subscription according to the number of shares held by the shareholder

I-7. Reference information on the reporting company

1. Information on the reporting company's parent company, etc.

The Company has no parent company, etc., defined by Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

The Company submitted the following documents between the first day of the current fiscal year and the date of submission of the annual securities report.

(1) Annual securities report, accompanying documents, and confirmation letter

The 15th fiscal year (June 1, 2021 to May 31, 2022)

Submitted to the Director-general of the Kanto Finance Bureau on August 22, 2022

(2) Internal control report and accompanying documents

Submitted to the Director-general of the Kanto Finance Bureau on August 22, 2022

(3) Quarterly securities report and confirmation letter

The first quarter of the 16th fiscal year (June 1, 2022 to August 31, 2022)

Submitted to the Director-general of the Kanto Finance Bureau on October 14, 2022

The second quarter of the 16th fiscal year (September 1, 2022 to November 30, 2022)

Submitted to the Director-general of the Kanto Finance Bureau on January 16, 2023

The third quarter of the 16th fiscal year (December 1, 2022 to February 28, 2023)

Submitted to the Director-general of the Kanto Finance Bureau on April 14, 2023

(4) Extraordinary report

Extraordinary Report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Events that have a significant impact on financial position, business performance and cash flows)

Submitted to the Director-General of the Kanto Local Finance Bureau on July 14, 2023

Extraordinary Report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Events that have a significant impact on financial position, business performance and cash flows)

Submitted to the Director-General of the Kanto Local Finance Bureau on July 14, 2023

(5) Correction Report for Annual Securities Report and Confirmation Statement

The 14th fiscal period (From June 1, 2020 to May 31, 2021)

Submitted to the Director-General of the Kanto Local Finance Bureau on August 22, 2022

(6) Securities Registration Statement and Attachments

Securities Registration Statement for Disposition of Treasury Stock by Third-Party Allotment

Submitted to the Director-General of the Kanto Local Finance Bureau on July 14, 2023

Part II: Information on the Reporting Company's Guarantor Company, etc.

Not applicable.