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October 15, 2024

Consolidated Financial Results for the Three Months Ended August 31, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 2168 URL: <https://www.pasonagroup.co.jp>
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 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

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

1. Consolidated Financial Results for the Three Months Ended August 31, 2024 (June 1, 2024 to August 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended August 31, 2024	76,323	(15.1)	(436)	—	(479)	—	(1,194)	—
August 31, 2023	89,881	(2.4)	2,228	(33.1)	2,197	(39.2)	187	(85.5)

Note: Comprehensive income For the three months ended August 31, 2024: ¥(986) million [—%]
 For the three months ended August 31, 2023: ¥1,233 million [(44.4)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended August 31, 2024	(30.47)	—
August 31, 2023	4.79	4.58

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
August 31, 2024	288,748	150,321	50.0
May 31, 2024	301,090	154,677	49.3

Reference: Equity As of August 31, 2024: ¥144,361 million
 As of May 31, 2024: ¥148,504 million

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

2: The “Accounting Standard for Corporate, Inhabitant and Enterprise Taxes” (ASBJ Statement No. 27, October 28, 2022) has been applied from the beginning of the first quarter of the current fiscal year, and the figures for the fiscal year ended May 31, 2024 have been retroactively adjusted.

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2024	—	0.00	—	75.00	75.00
Fiscal year ending May 31, 2025	—				
Fiscal year ending May 31, 2025 (Forecast)		0.00	—	75.00	75.00

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

3. Forecast of results for the fiscal year ending May 31, 2025

(Percentage figures are changes from the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2024 Full Fiscal Year	330,000	(7.5)	5,000	(26.4)	5,000	(30.1)	1,300	(98.6)	33.18

Note: Revisions to the forecast of results most recently announced: None

4. NOTES

- (1) Significant changes in the scope of consolidation during the current period: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - ii) Changes in accounting policies due to other reasons: None
 - iii) Changes in accounting estimates: None
 - iv) Restatement: None
- (4) Number of issued shares (common shares)
 - i) Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2024:	41,690,300 shares
As of May 31, 2024:	41,690,300 shares
 - ii) Number of treasury shares at the end of the period

As of August 31, 2024:	2,492,969 shares
As of May 31, 2024:	2,505,360 shares
 - iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended August 31, 2024:	39,190,300 shares
Three months ended August 31, 2023:	39,174,780 shares

Note:

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

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Explanation of appropriate use of earnings forecasts and other special notes

(Cautionary statement regarding forward-looking statements)

The forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results may differ materially from forecasts for a variety of reasons. Please refer to “Overview of Consolidated Forecasts”.

(Method to obtain supplemental materials for financial results)

Supplemental materials for the financial results have been posted on the Company’s website since October 15, 2024.

<https://www.pasonagroup.co.jp/ir/>

**Consolidated Financial Results
for the Three Months Ended August 31, 2024**

INDEX

1. Overview of Business Results	
(1) Overview of Operating Results for the Period under Review	4
(2) Overview of Financial Position for the Period under Review	9
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	9
(4) Number of Employees	10
2. Quarterly Consolidated Financial Statements and Notes	
(1) Quarterly Consolidated Balance Sheets	11
(2) Quarterly Consolidated Statements of Income	13
(3) Quarterly Consolidated Statements of Comprehensive Income	14
(4) Notes to Going Concern Assumption	15
(5) Notes on Significant Changes in the Shareholders' Equity	15
(6) Changes in Accounting Policy	15
(7) Segment Information	16
(8) Notes to Statements of Cash Flows	18
(9) Important Subsequent Events	18

1. Overview of Business Results

(1) Overview of Operating Results for the Period under Review

i) Business Results for the First Quarter ended August 31, 2024

During the first quarter of the consolidated fiscal year under review, the Japanese economy experienced a moderate recovery as the employment and income environment improved, although the pick-up in personal consumption stalled. On the other hand, the economic outlook remained uncertain due to global monetary tightening and rising prices.

In the current consolidated fiscal year (hereinafter referred to as “the current fiscal year”), as the Group will soon mark the 50th anniversary of its founding, we aim to maximize corporate value by achieving sustainable growth through “growth and improvement of profitability of existing businesses” and “creation of new industries” that solve new social issues, while formulating a growth strategy for the next 50 years.

The Outsourcing segment was excluded from the first quarter of the current fiscal year due to the sale of shares in Benefit One Inc., which was a consolidated subsidiary at the end of the previous fiscal year, resulting in a decrease in sales and profit. In addition, sales declined from the same period of the previous year due to the peak-out of existing large outsourcing projects in BPO solutions. On the other hand, sales of Regional Revitalization and Tourism Solutions increased year-on-year due to an increase in inbound and domestic group tourists, and the operating loss narrowed. Although income taxes, inhabitants' taxes, and enterprise taxes decreased compared to the same period of the previous year due to a decrease in consolidated operating profit, income taxes-deferred increased compared to the same period of the previous year due to a change in the classification of companies based on the “Guidance on Recoverability of Deferred Tax Assets” at the end of the previous fiscal year.

As a result, consolidated net sales for the first quarter of the current fiscal year totaled ¥76,323 million (down 15.1% year-on-year), with gross profit of ¥16,374 million (down 22.9% year-on-year). SG&A expenses were ¥16,810 million (down 11.5% year-on-year), and operating loss was ¥436 million (operating profit of ¥2,228 million in the same period of previous fiscal year), and ordinary loss was 479 million (ordinary profit of ¥2,197 million in the same period of previous fiscal year), and net loss attributable to owners of the parent was ¥1,194 million for the period (net profit attributable to owners of the parent of ¥187 million for the same period of previous fiscal year), but the Company's plans for the current period are generally in line with those of the previous period.

Consolidated Financial Report (June 1, 2024 – August 31, 2024)

	Three months ended August 31, 2023	Three months ended August 31, 2024	YoY
	Millions of yen	Millions of yen	%
Net sales	89,881	76,323	(15.1)
Operating profit (loss)	2,228	(436)	—
Ordinary profit (loss)	2,197	(479)	—
Profit (loss) attributable to owners of parent	187	(1,194)	—

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

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

HR Solutions Net sales ¥70,769 million Operating profit ¥3,453 million

[BPO Solutions (Contracting, Outsourcing)] Net sales ¥33,698 million

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

During the first quarter of the current fiscal year, DX support such as introduction of the cloud services expanded in the area of "X-TECH BPO," a strategic initiative. In addition, private companies increased their recruitment support projects due to the chronic shortage of human resources, as well as education and training projects to develop female managers. From the public sector, in addition to the expansion of reskilling and administrative work outsourcing, we also expanded our service area by starting to operate "Hataraku Josei Square" to promote women's activities, which was commissioned by the Tokyo Metropolitan Government.

As a result of the above, although new demand was acquired in both the private and public sectors, sales amounted to ¥33,698 million (down 9.1% year-on-year) due to the peak-out of large-scale projects that had been outsourced to the Company for a long time.

[Expert Solutions (Temporary staffing)] Net sales ¥33,773 million

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

Demand for temporary staffing services in the first quarter of the fiscal year under review remained on par with the same period of the previous fiscal year overall, as orders from the public sector declined, but those from the financial sector, manufacturers, and trading companies increased year on year. On the other hand, the number of operating days in the first quarter was one day less than in the same period of the previous year, and the number of occupants decreased. In the current fiscal year, we plan to recover from the second half of the fiscal year onward by stepping up sales activities, such as expanding recruiting activities for registrants mainly in the Kansai region, where the Osaka-Kansai Expo is scheduled to be held in 2025.

As a result, net sales totaled to ¥33,773 million (down 3.9% year-on-year).

[Career Solutions (Placement/Recruiting, Outplacement)]

Net sales ¥3,297 million Operating profit ¥975 million

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

In the Placement / Recruiting business, the average unit price of placement commissions increased due to continued stable demand in the high-career field, a strategic focus of the Group, and an increase in the percentage of all contracts signed. On the other hand, the number of contracts signed decreased compared to the same period of the previous year due to an increase in the number of job-transfer applicants who were

consoled with their resignation. In recent years, the need for mid-career hiring of female managers has remained high, and the Group continues to consider expanding its service offerings and strengthening its sales structure by leveraging its track record and corporate brand.

In the outplacement business, the number of companies considering a review of their business structure increased compared to the same period last year. Growing awareness of human capital management also led to increased demand for counseling and reskilling services to support employees' autonomous career development.

As a result, although net sales and operating profit are on pace to exceed the plan at the beginning of the period, net sales amounted to ¥3,297million (down1.3% year-on-year) and operating profit was ¥975 million (down4.9% year-on-year), resulting in a year-on-year decrease in both sales and profit.

Net sales for the segment consisting of the above businesses amounted to ¥70,769 million (down 6.3% year-on-year). In terms of profit, operating margin declined due to lower sales in BPO Solutions and Expert Solutions, as well as higher SG&A expenses resulting from stronger recruiting of registrants.

As a result, operating profit amounted to ¥3,453million (down15.9% year-on-year).

Global Solutions (Overseas Human Resource Services)

Net sales ¥2,787 million Operating profit ¥73million

In this segment, the Group provides a full line of human resource-related services overseas, including placement and recruiting, temporary staffing and outsourcing, payroll processing, and education and training. In the Asian region, demand for human resources from the semiconductor, information and telecommunications components, and other manufacturing industries was strong in Taiwan, while demand for human resources was on a recovery trend in India, Singapore, and South Korea, resulting in an increase in revenue mainly from placement and recruiting activities. In the North America region, revenue from temporary staffing services declined due to the spread of recruiting through direct recruiting, but revenue from placement and recruiting services increased due to the continued willingness of Japanese companies to hire. In addition, BPO services such as accounting and payroll calculation, and HR consulting business grew. On the other hand, in terms of expenses, SG&A expenses increased due to the hiring of personnel to strengthen the workforce and improved compensation at many locations, including the U.S. and Taiwan, as well as prior hiring of specialized personnel for new businesses.

As a result, net sales amounted to ¥2,787 million (up 9.5% year-on-year), and operating profit amounted to 73 million (up 48.4% year-on-year), due in part to the foreign exchange effects of the weaker yen.

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

Net sales ¥2,052 million Operating profit ¥(9) million

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

In the childcare support business, the number of children's clubs increased compared with the same period of the previous year due to an increase in the number of facilities operated. On the other hand, operating income decreased due to up-front costs incurred for personnel and system investments associated with the increase in the number of facilities.

In the life support business, the number of employees dispatched to hospitals and lodging facilities for sterilization and disinfection services and caregivers to facilities for the treatment of infected patients in response to the COVID-19 infection declined from the same period of the previous fiscal year. Meanwhile, business commissioned by local governments, such as housekeeping services for families raising children and nursing care training, expanded steadily.

As a result, net sales amounted to ¥2,052 million (up 6.7% year-on-year) and operating profit amounted to ¥(9)

million (¥5) million in the same period of the previous year).

Regional Revitalization and Tourism Solutions

Net sales ¥1,716 million Operating profit ¥(408) million

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

Nijigen-no-mori, Hyogo Prefectural Awaji Island Park Animation Park, opened “Monster Hunter the Field in Nijigen-no-mori,” a limited-time attraction for the hunting action game “Monster Hunter,” in July.

In September, we opened “BLEACH: Thousand-Year Blood War” × Nijigen-no-mori, a limited-time event where visitors can experience the world of the anime “BLEACH”. The company is expanding its business by developing unique attractions that combine Japan's world-renowned two-dimensional content, such as anime, manga, and games, with technology and the vast natural environment of the park. These projects have led to a steady increase in the number of overseas visitors, with the number of inbound visitors in August increasing by approximately 40% compared to the same month last year.

At “Hello Kitty Smile,” ice cream popsicles featuring the characters and unglazed ceramics that visitors can design in their own favorite colors were popular, attracting an increasing number of women and group tourists. As a result, despite the impact of poor weather conditions caused by typhoons and other factors again this summer, net sales were ¥1,716 million (up 6.7% year-on-year), and operating profit was ¥(408) million (¥(677) million in the same period of the previous fiscal year) as a result of decrease in depreciation and other expenses.

Eliminations and Corporate Net sales ¥(1,003) million Operating profit ¥(3,545) million

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

During the first quarter of the consolidated fiscal year, personnel expenses and IT-related expenses to promote DX mainly increased from the same period of the previous year, and some double rent was incurred due to the relocation of the office to Umeda, Osaka.

As a result, net sales after eliminating intergroup transactions were ¥(1,003) million (¥(1,328) million in the same period of the previous fiscal year) and operating profit was ¥(3,545) million (¥(3,177) million in the same period of the previous fiscal year).

Segment Information (Figures include intersegment sales)

Consolidated Net Sales by Segment

(Millions of yen)

	Three months ended August 31, 2023	Three months ended August 31, 2024	YoY
HR Solutions	75,559	70,769	(6.3)%
BPO Solutions (Contracting, Outsourcing)	37,080	33,698	(9.1)%
Expert Solutions (Temporary staffing)	35,137	33,773	(3.9)%
Career Solutions (Placement/Recruiting, Outplacement)	3,341	3,297	(1.3)%
Global Solutions (Overseas Human Resource Services)	2,545	2,787	9.5%
Outsourcing	9,571	—	—
Life Solutions (Childcare support, Nursing care, etc.)	1,923	2,052	6.7%
Regional Revitalization and Tourism Solutions	1,609	1,716	6.7%
Elimination and Corporate	(1,328)	(1,003)	—
Total	89,881	76,323	(15.1)%
Total (excluding Outsourcing)	80,438	76,323	(5.1)%

Consolidated Operating Profit (Loss) by Segment

(Millions of yen)

	Three months ended August 31, 2023	Three months ended August 31, 2024	YoY
HR Solutions	4,104	3,453	(15.9)%
BPO Solutions (Contracting, Outsourcing)	3,079	2,478	(19.5)%
Expert Solutions (Temporary staffing)			
Career Solutions (Placement/Recruiting, Outplacement)	1,025	975	(4.9)%
Global Solutions (Overseas Human Resource Services)	49	73	48.4%
Outsourcing	1,934	—	—
Life Solutions (Childcare support, Nursing care, etc.)	(5)	(9)	—
Regional Revitalization and Tourism Solutions	(677)	(408)	—
Elimination and Corporate	(3,177)	(3,545)	—
Total	2,228	(436)	—
Total (excluding Outsourcing)	294	(436)	—

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

(2) Overview of Financial Position for the Period under Review

Status of Assets, Liabilities and Net Assets

As of August 31, 2024, the amount of ¥45,355 million (¥54,975 million at the end of the previous fiscal year) of temporary “Deposits received” from customers by the Group related to contracted projects was recorded in liabilities, and “Cash and deposits” worth it was recorded in assets, whose use is restricted.

Assets

Total assets as of August 31, 2024 stood at ¥288,748 million, a decrease of ¥12,342 million or 4.1%, compared with May 31, 2024. This was mainly attributable to a decrease of ¥17,997 million in cash and deposits due to the above decrease in “Deposits received” and payment of dividends and income taxes, while investments and other assets increased by ¥3,462 million due to investments in the well-being area and startups with group synergies.

Liabilities

Total liabilities as of August 31, 2024 stood at ¥138,427 million, a decrease of ¥7,985 million or 5.5%, compared with May 31, 2024. This was mainly attributable to a decrease of ¥7,468 million in deposits received due to the above-mentioned commissioned projects, etc.

Net Assets

Net assets as of August 31, 2024 stood at ¥150,321 million, a decrease of ¥4,356 million or 2.8%, compared with May 31, 2024. This was mainly attributable to a decrease of ¥4,213 million in retained earnings due to a loss attributable to owners of parent of ¥1,194 million and dividend payments of ¥3,018 million.

As a result, Equity ratio as of August 31, 2024 was 50.0% (49.3% at the end of the previous fiscal year).

Total assets after deducting “Cash and deposits” with “Deposits received” related to contracted projects stood at ¥243,392 million (¥246,115 million at the end of the previous fiscal year), and Equity ratio 59.3% (60.3% at the end of the previous fiscal year).

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Since consolidated financial results for the three months ended August 31, 2024 are generally in line with plans, we maintain the forecast announced on July 12, 2024.

(4) Number of Employees

The number of employees has changed due to the exclusion of the Outsourcing segment from the first quarter of the current fiscal year, following the sale of shares of Benefit One, Inc., which was a consolidated subsidiary at the end of the previous fiscal year.

As of August 31, 2024

Name of segment	Number of employees (persons)	
BPO Solutions (Contracting, Outsourcing) Expert Solutions (Temporary staffing)	6,408	(13,145)
Career Solutions (Placement/Recruiting, Outplacement)	369	(110)
Global Solutions (Overseas Human Resource Services)	606	(58)
Life Solutions (Childcare support, Nursing care, etc.)	565	(450)
Regional Revitalization and Tourism Solutions	110	(190)
Companywide	650	(334)
Total	8,708	(14,287)

- 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.
- 2 The number of employees decreased by 1,293 from the end of the previous fiscal year. This is mainly because Benefit One Inc. and its subsidiaries, etc., which were responsible for Outsourcing in the previous consolidated fiscal year, were excluded from the scope of consolidation.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2024	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	192,281	174,284
Notes and accounts receivable - trade, and contract assets	43,455	43,452
Inventories	1,781	2,002
Other	6,182	6,293
Allowance for doubtful accounts	(63)	(49)
Total current assets	243,637	225,983
Non-current assets		
Property, plant and equipment	35,467	36,915
Intangible assets		
Goodwill	842	772
Other	4,168	4,646
Total intangible assets	5,011	5,418
Investments and other assets		
Other	16,873	20,335
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	16,862	20,325
Total non-current assets	57,341	62,658
Deferred assets	111	106
Total assets	301,090	288,748

(Millions of yen)

	As of May 31, 2024	As of August 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	3,423	1,268
Short-term borrowings	9,263	8,860
Accrued expenses	16,756	18,820
Income taxes payable	1,138	374
Deposits received	56,374	48,905
Provision for bonuses	4,205	3,146
Provision for bonuses for directors (and other officers)	13	12
Asset retirement obligations	98	10
Other	12,614	15,044
Total current liabilities	103,889	96,442
Non-current liabilities		
Bonds payable	2,630	2,630
Long-term borrowings	29,427	28,557
Provision for share awards for directors (and other officers)	418	418
Allowance for stock benefit for employee	281	281
Retirement benefit liability	2,407	2,402
Asset retirement obligations	2,326	2,366
Other	5,030	5,326
Total non-current liabilities	42,523	41,984
Total liabilities	146,412	138,427
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	17,495	17,499
Retained earnings	127,465	123,252
Treasury shares	(2,685)	(2,672)
Total shareholders' equity	147,276	143,079
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	121	162
Foreign currency translation adjustment	604	742
Remeasurements of defined benefit plans	501	376
Total accumulated other comprehensive income	1,228	1,281
Share acquisition rights	2	2
Non-controlling interests	6,171	5,957
Total net assets	154,677	150,321
Total liabilities and net assets	301,090	288,748

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	For the three months ended August 31, 2023	For the three months ended August 31, 2024
Net sales	89,881	76,323
Cost of sales	68,655	59,949
Gross profit	21,226	16,374
Selling, general and administrative expenses	18,997	16,810
Operating profit (loss)	2,228	(436)
Non-operating income		
Interest income	9	15
Share of profit of entities accounted for using equity method	7	12
Subsidy income	18	9
Other	90	83
Total non-operating income	125	121
Non-operating expenses		
Interest expenses	113	86
Commitment fees	11	7
Other	33	70
Total non-operating expenses	157	164
Ordinary profit (loss)	2,197	(479)
Extraordinary income		
Gain on change in equity	3	2
Gain on sale of non-current assets	0	56
Other	0	-
Total extraordinary income	3	58
Extraordinary losses		
Loss on sale and retirement of non-current assets	40	26
Total extraordinary losses	40	26
Profit (loss) before income taxes	2,159	(447)
Income taxes - current	1,073	238
Income taxes - deferred	58	363
Total income taxes	1,131	601
Profit (loss)	1,027	(1,049)
Profit attributable to non-controlling interests	840	144
Profit (loss) attributable to owners of parent	187	(1,194)

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the three months ended August 31, 2023	For the three months ended August 31, 2024
Profit (loss)	1,027	(1,049)
Other comprehensive income		
Valuation difference on available-for-sale securities	11	42
Foreign currency translation adjustment	228	146
Remeasurements of defined benefit plans, net of tax	(34)	(125)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	205	63
Comprehensive income	1,233	(986)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	364	(1,140)
Comprehensive income attributable to non-controlling interests	869	154

(4) Notes to Going Concern Assumption

None

(5) Notes on Significant Changes in the Shareholders' Equity

None

(6) Changes in Accounting Policy

The “Accounting Standard for Corporate, Inhabitant and Enterprise Taxes” (ASBJ Statement No. 27, October 28, 2022. Hereinafter referred to as the “Revised 2022 Accounting Standard”) is applied from the beginning of the first quarter of the current fiscal year.

With respect to the revision regarding the classification of income taxes (taxation on other comprehensive income), the transitional treatment stipulated in the proviso of paragraph 20-3 of the Revised Accounting Standard for 2022 and the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, hereinafter referred to as the “Guidance on the Revised 2022 Accounting Standard”) have been applied. This change in accounting policy has no impact on the quarterly consolidated financial statements.

In addition, the Company has adopted the 2022 Revised Guidance on the Revision related to the revision of the treatment in consolidated financial statements of the deferral for tax purposes of gains or losses on sales of investments in subsidiaries among consolidated companies, effective from the beginning of the first quarter of the current consolidated fiscal year. The change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the previous quarter and the previous fiscal year have been prepared on a retrospective basis. The effect of this change in accounting policy on the quarterly consolidated financial statements for the previous quarter and the consolidated financial statements for the previous fiscal year was not material.

(7) Segment Information

i) Three months ended August 31, 2023

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

(Millions of yen)

	Reporting segments						Total	Adjustment (Note 1)	Figures in consolidated statements of income (Note 2)
	HR Solutions		Global Solutions	Life Solutions	Regional Revitalization and Tourism Solutions	Outsourcing			
	BPO Solutions, Expert Solutions	Career Solutions							
Net sales									
BPO Solutions	36,413	—	—	—	—	—	36,413	—	36,413
Expert Solutions	34,989	—	—	—	—	—	34,989	—	34,989
Career Solutions	—	3,336	—	—	—	—	3,336	—	3,336
Global Solutions	—	—	2,510	—	—	—	2,510	—	2,510
Life Solutions	—	—	—	1,768	—	—	1,768	—	1,768
Regional Revitalization and Tourism Solutions	—	—	—	—	1,420	—	1,420	—	1,420
Outsourcing	—	—	—	—	—	9,443	9,443	—	9,443
Revenue from contract with customers	71,402	3,336	2,510	1,768	1,420	9,443	89,881	—	89,881
Other revenue	—	—	—	—	—	—	—	—	—
Sales to outside customers	71,402	3,336	2,510	1,768	1,420	9,443	89,881	—	89,881
Intersegment sales and transfers	815	4	35	155	188	128	1,328	(1,328)	—
Total	72,217	3,341	2,545	1,923	1,609	9,571	91,209	(1,328)	89,881
Operating profit (loss)	3,079	1,025	49	(5)	(677)	1,934	5,406	(3,177)	2,228

Notes:

- Adjustments of ¥(3,177) million with Operating profit (loss) includes corporate expenses of ¥(3,182) million which primarily consist of Group management costs relating to the Company and incubation cost for our new business and the elimination of intersegment transactions of ¥4 million.
- Operating profit (loss) is adjusted with operating profit under consolidated statements of income.

ii) Three months ended August 31, 2024

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

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 1)	Figures in consolidated statements of income (Note 2)
	HR Solutions		Global Solutions	Life Solutions	Regional Revitalization and Tourism Solutions			
	BPO Solutions, Expert Solutions	Career Solutions						
Net sales								
BPO Solutions	33,176	—	—	—	—	33,176	—	33,176
Expert Solutions	33,666	—	—	—	—	33,666	—	33,666
Career Solutions	—	3,294	—	—	—	3,294	—	3,294
Global Solutions	—	—	2,745	—	—	2,745	—	2,745
Life Solutions	—	—	—	1,920	—	1,920	—	1,920
Regional Revitalization and Tourism Solutions	—	—	—	—	1,520	1,520	—	1,520
Revenue from contract with customers	66,842	3,294	2,745	1,920	1,520	76,323	—	76,323
Other revenue	—	—	—	—	—	—	—	—
Sales to outside customers	66,842	3,294	2,745	1,920	1,520	76,323	—	76,323
Intersegment sales and transfers	629	2	42	132	196	1,003	(1,003)	—
Total	67,472	3,297	2,787	2,052	1,716	77,327	(1,003)	76,323
Operating profit (loss)	2,478	975	73	(9)	(408)	3,109	(3,545)	(436)

Notes:

- Adjustments of ¥(3,545) million with Operating profit (loss) includes corporate expenses of ¥(3,565) million which primarily consist of Group management costs relating to the Company and incubation cost for our new business and the elimination of intersegment transactions of ¥19 million.
- Operating profit (loss) is adjusted with operating loss under consolidated statements of income.

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

The Group's reporting segments, which in the previous consolidated fiscal year were “Expert Services, BPO Services and Others,” “Career Solutions,” “Outsourcing,” “Life Solutions,” and “Regional Revitalization Solutions,” have been partially reclassified effective from the first quarter of the current consolidated fiscal year. The segment was renamed “BPO Solutions, Expert Solutions,” “Career Solutions,” “Global Solutions,” “Life Solutions,” and “Regional Revitalization and Tourism Solutions.”

Benefit One Inc. and its subsidiaries, etc., which were responsible for the “Outsourcing” segment in the previous consolidated fiscal year, were excluded from the scope of consolidation, and the “Outsourcing” segment was excluded from the first quarter of the current consolidated fiscal year.

The segment information for the first quarter of the previous fiscal year is presented based on the classification after the change.

(8) Notes to Statements of Cash Flows

Quarterly consolidated statements of cash flows have not been prepared for the first quarter of the current fiscal year. Depreciation (including amortization related to intangible fixed assets excluding goodwill) and amortization of goodwill for the first quarter of the consolidated fiscal year under review are as follows.

	(Millions of yen)	
	For the three months ended August 31, 2023	For the three months ended August 31, 2024
Depreciation	1,290	605
Amortization of goodwill	197	82

(9) Important Subsequent Events

None