Note: Regarding “The 17th Fiscal Year Annual Securities Report (From June 1, 2023 to May 31, 2024)” 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

17th Fiscal Year From June 1, 2023 to May 31, 2024

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 23, 2024
Fiscal year:	17th fiscal year (June 1, 2023 to May 31, 2024)
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		13th	14th	15th	16th	17th
Closing month/year		May 2020	May 2021	May 2022	May 2023	May 2024
Net sales	(¥, millions)	324,984	334,540	366,096	372,579	356,733
Ordinary profit	(¥, millions)	10,236	20,379	22,496	15,366	7,152
Profit attributable to owners of parent	(¥, millions)	594	6,784	8,621	6,099	95,891
Comprehensive income	(¥, millions)	3,369	10,251	14,433	10,468	99,351
Net assets	(¥, millions)	42,316	49,779	67,146	71,624	154,661
Total assets	(¥, millions)	140,441	151,641	203,746	275,504	301,090
Net assets per share	(¥)	813.28	974.85	1,276.00	1,378.40	3,789.42
Profit per share	(¥)	15.21	173.36	220.19	155.70	2,447.56
Diluted per share amount of profit	(¥)	—	—	219.41	155.22	2,446.80
Equity ratio	(%)	22.7	25.2	24.5	19.6	49.3
Return on equity	(%)	2.0	19.4	19.6	11.7	94.7
Price earnings ratio	(times)	84.2	10.9	9.5	11.2	0.9
Cash flow from operating activities	(¥, millions)	11,424	18,868	10,115	5,961	7,397
Cash flow from investing activities	(¥, millions)	(6,964)	(9,665)	(29,624)	(12,502)	94,252
Cash flow from financing activities	(¥, millions)	12,102	(5,147)	23,543	(2,292)	(12,879)
Cash and cash equivalents, end of period	(¥, millions)	48,147	52,298	56,578	47,919	137,047
Number of employees (Average number of temporary workers)	(persons)	9,657 (9,931)	9,498 (12,291)	10,364 (13,124)	9,786 (15,132)	10,001 (15,045)

Note 1: The number of employees is the number of full-time employees and does not include contract employees. The number of employees and average number of temporary employees for the 17th fiscal year include the number of employees and average number of temporary employees of Benefit One Inc. and its subsidiaries, which were excluded from the scope of consolidation as of the end of the 17th fiscal year.

Note 2: Diluted profit per share for the 13th and 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 indexes include temporary "deposits" from clients related to contracted projects whose use by the Group is restricted, and the corresponding "cash and deposits". Total net assets and equity ratio after deduction of these assets and liabilities are as follows.

Fiscal period		15th	16th	17th
Closing month/year		May 2022	May 2023	May 2024
Total assets	(¥, millions)	193,622	200,634	246,115
Equity ratio	(%)	25.8	26.9	60.3

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

Fiscal period		13th	14th	15th	16th	17th
Closing month/year		May 2020	May 2021	May 2022	May 2023	May 2024
Sales	(¥, millions)	9,497	14,477	10,060	15,646	10,004
Ordinary profit	(¥, millions)	(2,664)	2,846	(4,231)	691	(8,778)
Profit	(¥, millions)	1,569	1,295	1,338	2,033	100,843
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)	20,148	18,578	18,758	19,396	118,855
Total assets	(¥, millions)	78,213	80,170	89,955	97,963	194,284
Net assets per share	(¥)	515.10	474.67	478.85	495.11	3,033.18
Dividend per share (Interim dividends per share)	(¥)	19.00 (－)	30.00 (－)	35.00 (－)	35.00 (－)	75.00 (－)
Profit per share	(¥)	40.12	33.10	34.18	51.90	2,573.96
Diluted profit per share	(¥)	－	－	－	－	－
Equity ratio	(%)	25.8	23.2	20.9	19.8	61.2
Return on equity	(%)	8.0	6.7	7.2	10.7	145.9
Price earnings ratio	(times)	31.9	57.3	61.3	33.5	0.8
Payout ratio	(%)	47.4	90.6	102.4	67.4	2.9
Number of employees (Average number of temporary workers)	(persons)	661 (334)	645 (324)	674 (296)	731 (370)	770 (479)
Total shareholder return (Comparative indicator: TOPIX including dividends)	(%) (%)	77.6 (106.2)	116.4 (133.3)	130.3 (135.8)	111.0 (155.4)	142.2 (207.0)
Highest share price	(¥)	1,776	2,283	3,860	2,215	3,030
Lowest share price	(¥)	680	1,117	1,847	1,707	1,298

Note 1: The dividend per share for the 15th fiscal year includes a special dividend of 5 yen per share, and the dividend per share for the 17th fiscal year includes a special dividend of 60 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 109 compared to the 16th fiscal year, mainly due to an increase in personnel related to new projects.

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 & c**ontracting**, placement, outsourcing, 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.

In the consolidated fiscal year under review, the Company sold all shares of Benefit One Corporation, which was responsible for outsourcing, and thus excluded the company and its subsidiaries and affiliates from the scope of consolidation.

Company history (As of May 31, 2024)

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 (currently Pasona HR Solution Inc.) and made it a wholly owned subsidiary
Apr. 2012	Acquired shares of YASUKAWA BUSINESS STAFF CORPORATION (currently Pasona YBS Inc) and made it a subsidiary
May 2012	Acquired shares of Bewith,Inc. and made it a 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 (currently Pasona HR Solution Inc.) 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	Acquired shares of Eco LOVE Co. (Currently Pasona art now Co., Ltd.) and made it a wholly owned subsidiary
Apr. 2014	Acquired shares of Medical Associa Inc. (currently Pasona Inc.) and made it a subsidiary
Jan. 2015	Established Tango Kingdom Inc. (currently Tango Kingdom Brewery Inc.) as a subsidiary
Apr. 2015	Pasona Tohoku Sosei Inc. established as a subsidiary Acquired shares of Panasonic Business Service Co., Ltd. (currently Pasona Nihon Somubu 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
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), 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 (Note 1)
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
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 Nouentai Inc. establishes 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
Jun. 2023	Kosyunoya Inc. established Japanese Kosyukura Inc. as a subsidiary
Aug 2023	Pasona Yaskawa Business Staff Inc. changed its name to Pasona YBS Inc. (Note 2)
Oct 2023	Pasona HR Solution Inc. merged with CAPLAN Corporation Pasona HR HUB Inc. merged with Pasona Japan Creative University Inc.
Apr 2024	Pasona Panasonic Business Service Co., Ltd. Changed its name to Pasona Nihon Somubu Co., Ltd.
May 2024	Transferred all shares of Benefit One Inc. and made it a non-subsidiary company

Note 1: Pasona Furusato Incubation Inc. merged with Pasona Smile Inc. on June 1, 2024.

Note 2: An absorption-type demerger is scheduled to take effect on October 1, 2024, with Pasona Inc. as the successor company and Pasona YBS Inc. as the demerged company.

3. Contents of business

The Group consists of the Company as a holding company, 59 consolidated subsidiaries, and 5 equity method affiliates, and is classified into seven segments, including Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing), Career Solutions (Placement/Recruiting, Outplacement), and is engaged in Human Resources-related Businesses and regional revitalization businesses, etc. Outsourcing (welfare benefit agency services, etc.) was discontinued in the end of current fiscal year because Benefit One Inc. and its subsidiaries, etc., which were responsible for this segment, were excluded from the scope of consolidation. For details, please refer to "I-5.Status of accounting, 1. Consolidated financial statements, etc., (1) Consolidated financial statements, Note to segment information, etc."
The business segments and positioning of major group companies as of May 31, 2024 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.
The Group has also decided to reclassify some of its reportable segments into "BPO Solutions, Expert Solutions," "Career Solutions," "Global Solutions," "Life Solutions," and "Regional Revitalization and Tourism Solutions" effective from the next consolidated fiscal year.

(1) Business Segments and Major Group Companies

<table>
<tr><th>Business Segments</th><th colspan="2">Major Group Companies</th></tr>
<tr><td colspan="3">HR Solutions</td></tr>
<tr><td rowspan="3">Expert Services (Temporary Staffing)

BPO Services (Contracting & Outsourcing)

HR Consulting, Education & Training, and Others

Global Sourcing (Overseas Human Resources Services)</td><td colspan="2">Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing), HR Consulting, Education & Training, and Others</td></tr>
<tr><td>Pasona Inc.
Pasona HS Inc.
Pasona JOB HUB Inc.
PASONA LOGICOM Inc.
Pasona art now Inc.
Pasona HR Solution Inc.
Pasona HR HUB Inc.
Pasona Masters, Inc.
Pasona Knowledge Partner Inc.
Pasona Intellectual Property Trust Inc.
Pasona Heartful Inc.

Global Sourcing (Overseas Human Resources Services)
Pasona N A, Inc.
Pasona Canada, Inc.
PT. Dutagriya Sarana
Pasona Taiwan Co., Ltd.
MGR Consulting Co., Ltd.
Pasona Asia Co., Limited
Pasona Korea Co., Ltd.
Pasona Human Resources (Shanghai) Co., Ltd.
Pasona Recruitment (Thailand) Co., Ltd.
Pasona HR Consulting (Thailand) Co., Ltd.
Pasona Oversea Recruitment (Thailand) Co., Ltd.</td><td>Bewith, Inc.
Pasona Nihon Somubu Co., Ltd.
Pasona YBS Inc. (Note 2)
Asahi Beer Communications Co., Ltd.
Nagasaki diamond staff
gotop Co., Ltd.
Pasona Joinus Inc.
Smart Style Co., Ltd.
iBRID Co., Ltd.
Profelier, Inc.
Doinet Co., Ltd.

Pasona India Private Limited
Pasona Tech Vietnam Co., Ltd.
PT Pasona HR Indonesia
Pasona Singapore Pte. Ltd.
Pasona Education Co. Limited
Pasona HR Malaysia Sdn. Bhd.
Agensi Pekerjaan Pasona Sdn. Bhd.</td></tr>
<tr></tr>
<tr><td>Career Solutions (Placement/ Recruiting, Outplacement)</td><td colspan="2">Pasona Inc.</td></tr>
<tr><td>Life Solutions</td><td>Pasona Foster Inc.</td><td>Pasona Life Care Inc.</td></tr>
<tr><td>Regional Revitalization Solutions</td><td>Pasona Furusato Incubation Inc.
Nijigennomori Inc.
Pasona Agri-Partners Inc.
Takumi Sousei Inc.
Kosyunoya Inc.
Japanese Kosyukura Inc.
Pasona Smile Inc. (Note 1)</td><td>Pasona Tohoku Sousei Inc.
Chihou Sousei Inc.
Tango Kingdom Brewery Inc.
All Japan Tourism Alliance Inc.
awajishima resort Inc.
Awaji Nature Farm Inc.</td></tr>
</table>

Note 1: Pasona Furusato Incubation Inc. merged with Pasona Smile Inc. on June 1, 2024.

Note 2: An absorption-type demerger is scheduled to take effect on October 1, 2024, with Pasona Inc. as the successor company and Pasona YBS Inc. as the demerged company.

(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.
Pasona HR Solution Inc. 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.

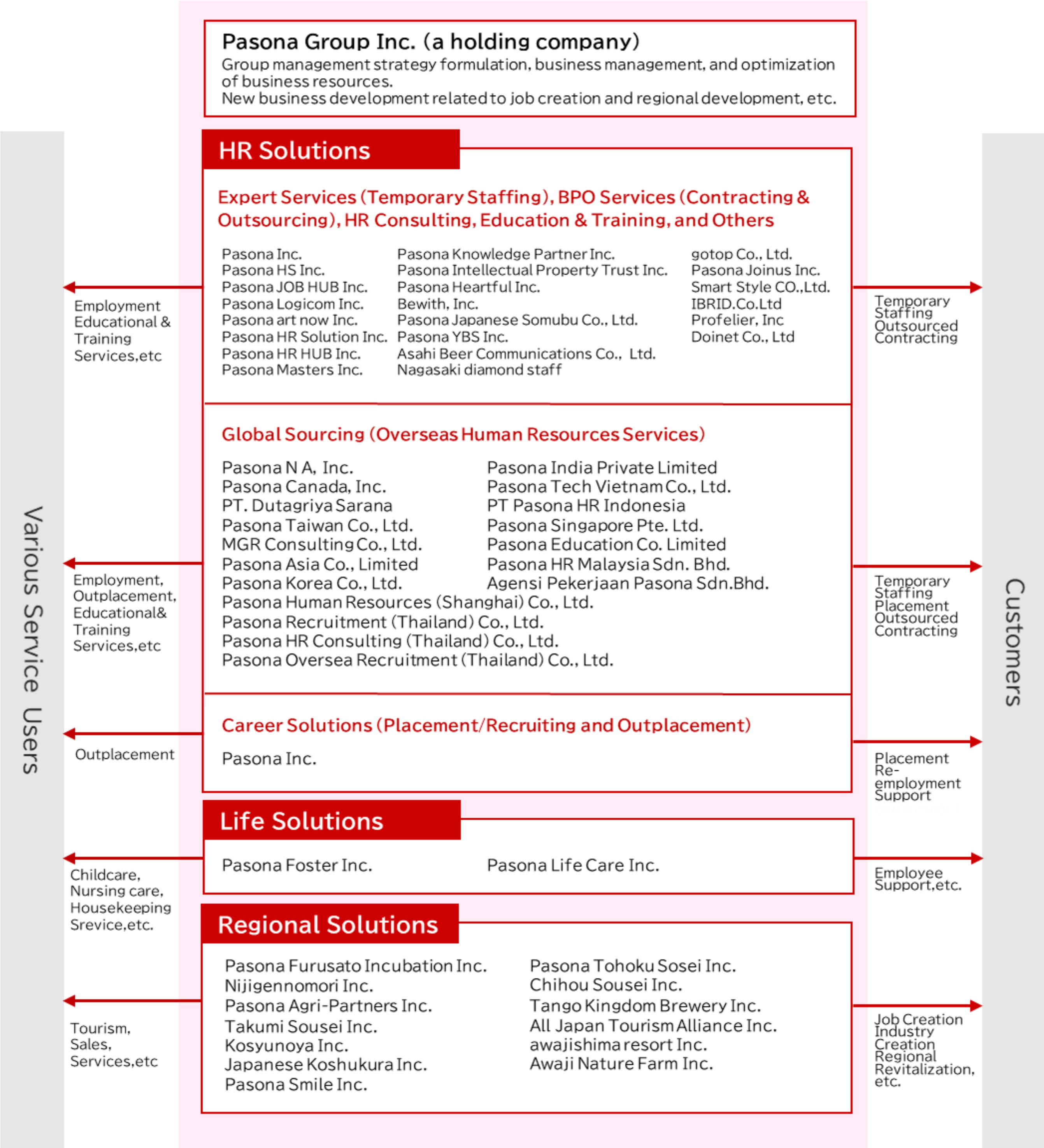
Life Solutions

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 to revitalize the region.

Business Overview



4. Status of associated companies

The Group's 59 consolidated subsidiaries and 5 equity method affiliates (as of May 31, 2024) 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, 6)	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 Debt guarantees/guarantees
Bewith, Inc. (Note 1, 2, 3, 7)	Shinjuku-ku, Tokyo	893	Contact center, BPO (outsourcing & contracting)	55.69	Business consignee Concurrent director (1)
Pasona Nihon Somubu Co., Ltd. (Note 4)	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.	Awaji City, Hyogo Prefecture	100	Operation of "Nijigen-no-mori" animation park, regional revitalization projects, etc.	100.00	Business management Concurrent Director (1) Deposit of funds Guarantee of debt
Pasona HS Inc. (Note 5)	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	Business management Trademark licensing Receipt of funds
Pasona Joinus Inc. (Note 5)	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
51 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: Bewith, Inc.
Note 4: The trade name was changed from Pasona Panasonic Business Service Co., Ltd.
Note 5: Figures in parentheses in the "Percentage of voting rights held" column indicate indirect ownership.
Note 6: Pasona Inc. accounts for more than 10% of consolidated net sales (excluding inter-company sales among consolidated companies).
Principal financial information
(1) Net sales ¥200,819 million
(2) Ordinary profit ¥7,016 million
(3) Profit ¥4,371 million
(4) Net assets ¥36,559 million
(5) Total assets ¥114,568 million
Note 7: Although Bewith, 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.

(1) Status of consolidated companies

As of May 31, 2024

Segment	Number of employees
Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing) Others	6,990 (13,785)
Career Solution (Recruiting/Outplacement)	367 (125)
Outsourcing	1,249 (223)
Life Solutions	572 (441)
Regional Revitalization Solutions	117 (188)
Companywide	706 (283)
Total	10,001 (15,045)

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. The number of employees and temporary employees in the Outsourcing segment includes the number of employees and temporary employees of Benefit One Inc. and its subsidiaries, which were excluded from the scope of consolidation as of the end of the 17th fiscal year.

(2) Status of the reporting company

As of May 31, 2024

Number of employees	Average age	Average years of service	Average annual salary (¥, thousands)
770 (479)	36.2	8.1	6,276

Segment	Number of employees
Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing) Others	64 (196)
Companywide	706 (283)
Total	770 (479)

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. The number of temporary employees increased by 109 compared to the end of the previous fiscal year, mainly due to an increase in personnel related to new projects.

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.

(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.	51.7	66.7	89.1	88.0	82.9
Pasona Inc.	58.3	74.4	80.9	85.9	62.0
Bewith, Inc. (Note 5)	19.8	58.3	81.1	84.6	90.4
Pasona HS Inc.	63.6	—	86.6	70.7	86.6
Pasona Nihon Somubu Co., Ltd. *	15.4	75.0	73.2	87.4	55.4
Pasona Fosters Inc.	46.7	—	123.1	86.1	123.9
Pasona Life Care Inc.	62.5	—	54.9	60.1	87.0
Pasona Joinus Inc. *	16.7	—	68.0	76.4	71.7
Pasona HR HUB Inc.	25.0	0.0	76.5	75.8	89.4
Pasona Masters, Inc. *	71.4	—	49.6	—	49.7
Pasona YBS Inc. *	14.3	—	59.1	71.0	63.1
Nagasaki diamond staff *	44.4	—	63.2	90.3	59.5
Pasona Heartful Inc.	45.5	100.0	89.0	97.8	87.0
Pasona HR Solution Inc. *	62.5	50.0	64.5	70.0	66.0
PASONA LOGICOM Inc.	100.0	—	73.7	—	72.9

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

・Percentage of female workers in management positions

Period covered: As of May 31, 2024. * as of March 31, 2024

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

Period covered: June 1, 2023 to May 31, 2024. * is from April 1, 2023 to March 31, 2024

Indicators that are not disclosed in cases where there are no employees applicable to the calculation are indicated with "—".

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 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: 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

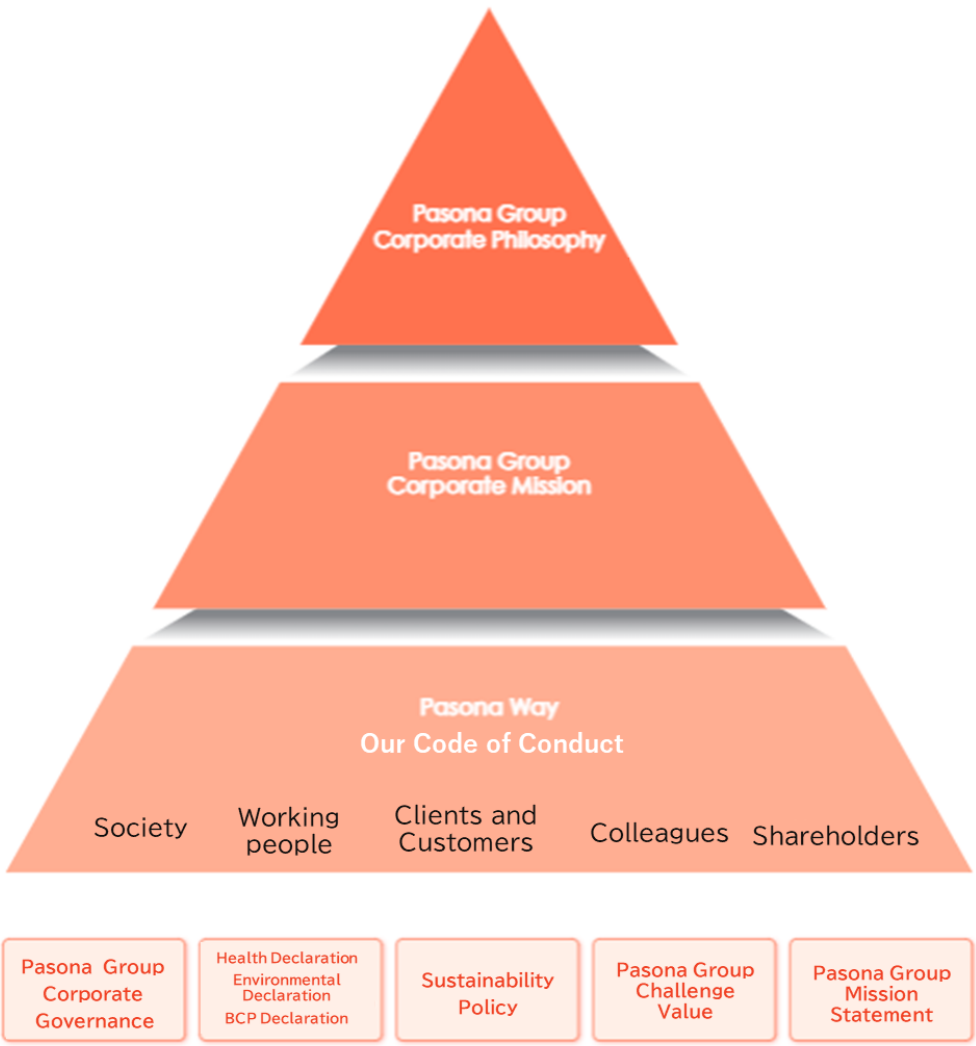
Since its founding, the Pasona Group has been committed to its clear corporate philosophy of providing "Solutions to Society's Problems." We have promoted diversity and built various forms of social infrastructure aimed at creating a society where everyone can freely choose their desired work and have access to employment opportunities.

The Pasona Group's work is "to harness the potential of the individual" which means creating a fulfilling life for people—as a "Life Producer." We believe that our corporate social responsibility (CSR) lies in "Always striving with high aspirations to create a society where those seeking to reintegrate into society, those who seek the challenges of a new life, and those who boldly pursue their life goals can all design a rich life according to their individual lifestyles."

To fulfill this social responsibility, we have established the Pasona Group Corporate Action Charter, which is clearly communicated understood and shared by all executives and employees across all PASONA entities worldwide, from top management down.

We shall further enhance our corporate value for all stakeholders through pursuit of the roles and responsibilities outlined in our Pasona Way philosophy, by actively tackling rapidly changing social issues, and through our Pasona Group efforts to realize SDGs.

As a social solutions company, we will continue to engage in sound corporate activities with social responsibility, aiming to realize a 'NATUREVERSE' based society that creates fulfilling lives for people.



Pasona Group Corporate Philosophy

Solutions to Society's Problems

Our work at Pasona Group is "to harness the potential of the individual" and to support the creation of fulfilling life for people—in other words, to be a "Life Producer." To fulfill this role, we are committed to always maintaining high aspirations and a strong sense of mission, building new social infrastructure, and continuously taking on bold challenges.

1. Building a society where everyone can freely choose their preferred work and design a work style that aligns with their life plans.
2. Aiming to create a society where companies and individuals are connected by an equal relationship, allowing everyone to freely utilize their talents.
3. Promoting diversity and continually creating opportunities where each person can pursue their dreams and take pride in their achievements.

Pasona Group Corporate Mission

Since its founding, Pasona Group has adhered to the unwavering corporate philosophy of providing "Solutions to Society's Problems." As a social solutions company, we are committed to assisting every aspect of people's lives, thereby contributing to a sustainable society capable of realizing the “NATUREVERSE” and enriching the quality of life enjoyed by all.

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.

Developing Careers

We support the dreams of those who boldly challenge themselves with high aspirations and create opportunities for career development.

Creating Culture

To help people lead fulfilling lives,we will create new cultural initiatives filled with inspiration through health, music, art, and food, thereby realizing the “NATUREVERSE”.

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 enshrined at Pasona's establishment, which also serve as a consistent basis for making judgments.

For Society

We consider what each individual can do for society and we take on bold challenges with high aspirations, a strong sense of mission, and an entrepreneurial spirit.

We aim to create a society where everyone who wishes to work can do so with confidence, envisioning a bright future they can build themselves.

We continue to be a company with a long and fruitful history, with relevance and social impact.

Embracing the Pasona Group’s Challenge Values of Pure, Passion, and Power, we call for meaningful societal changes while making our own contributions to society.

For Working People

As Life Producers, we work hand-in-hand with people, helping each individual design a fulfilling life plan.

We walk together to realize the rich future that lies beyond dreams, for "Dreams Belong to People."

We bring out and encourage each person's talents, abilities, and hidden potential.

We support everyone who relies on us with sincerity and compassion.

For Clients and Customers

"The strength of Pasona is me." Act with confidence and pride, providing services as a professional that inspire trust and a sense of security.

"Hearts Touch Hearts, Hearts Move Hearts." Always approach others with sincerity, putting yourself in their shoes.

"Not a Think Tank, but a Do Tank." Don't just think about what you can do for the customer—take action first.

"Even the soles of our shoes 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 enjoyment in working, and we nurture a healthy environment in which we can work energetically.

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

We will conduct high-quality management for shareholders who share our corporate philosophy and promote business activities that fulfill our corporate social responsibility.

(2) Management Strategy

The social environment surrounding us has changed dramatically with the subsiding of the worldwide COVID-19 pandemic. New digital technologies such as generative AI are expanding their use not only in business but also in everyday life. Additionally, the problem of a declining population due to the accelerating aging and declining birthrate is becoming more serious in Japan, and there are concerns about future labor shortages, while diverse work styles such as teleworking and shorter working hours are increasingly expanding. With the advent of the 100-year lifespan, the importance of extending healthy life expectancy is rapidly increasing as people's lifestyles and career plans become more diverse.

Amid the drastically changing environment surrounding our company, as we will soon mark the 50th anniversary of our founding in 1976, we are discussing growth strategies for the next 50 years based on our unchanging (Pasona Group) corporate philosophy of "Solutions to Society's Problems."

In the fiscal year ending May 31, 2025, although the economic outlook remains uncertain due to global monetary tightening and rising prices, we expect demand for BPO services that support operational efficiency and rapid business startups to remain strong against the backdrop of further advances in digital technologies such as AI and labor shortages in Japan. Moreover, with Expo 2025 Osaka, Kansai to be held from April 2025, we anticipate an increase in the number of tourists, including inbound tourists, especially in the Kansai region.

As key strategies for the fiscal year ending May 31, 2025, the Company will increase the productivity and profitability of existing businesses by (1) evolving X-Tech BPO and expanding business in the specialized BPO field, (2) improving the profitability of regional revitalization businesses, and (3) creating new businesses, and will also begin creating new businesses that will serve as pillars of its business over the medium-to-long term.

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 "Sustainability Policy: Toward a Sustainable Society" 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/english/ir/esg/

(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 Committee promotes effective action plans for each division and group based on these policies. Regarding human capital, the Group Human Resources Department discusses and promotes initiatives concerning important issues in the area of human resources for the entire Group. 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 the Team Minus 6% project led by the Japanese Government commenced in 2005, Pasona Group established an Environment Committee consisting of the directors of each of the Group companies. We have made every effort to treat limited resources as precious and have engaged in environmental conservation through our corporate activities in order to preserve a beautiful and healthy global environment for future generations.
Amidst the increasing severity of environmental damage, global warming, abnormal weather, damage to the ecosystem, and other climate issues in recent years, as a social solutions company, Pasona Group is disseminating its ideal way of

sustainable management, and in order to continue to be a successful long-established company trusted by society, the Company determined the Pasona Group Environmental Innovation Strategy in 2021, and announced its support for the Task Force on Climate-Related Financial Disclosures (TCFD) in the same year. The Company has also launched an Environmental Management Promotion Committee, conducted climate change scenario analyses, and clarified the business impact of risks and opportunities related to climate change. In 2023, the Environmental Management Strategy Board was launched, and strategies, policies, and goals for the Group’s environmental management and response to climate change were formulated.

a. Major efforts to reduce CO_2 emissions

The entire group is actively promoting energy-saving activities to reduce CO_2 emissions. Company-owned vehicles are being switched to electric and hybrid vehicles, and efforts are being made to make operations paperless through the promotion of digitalization. In addition, all of the electricity used at the 19 restaurants, cafes, commercial facilities, lodging facilities, anime parks, and other facilities on Awaji Island, in Hyogo Prefecture, operated by the Group has been converted to electricity derived from renewable energy sources. Additionally, we are promoting resource recycling efforts, such as the use of bagasse containers made from sugarcane and composting some of the food residues from food and beverage facilities for use in the Group’s naturally cultivated farms.

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 2,200 executives and employees from all over Japan in the fiscal year ended May 31, 2024. 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, 2024, we conducted 293 such activities in Japan and overseas, with a total of 4,960 employees.
In April 2024, Pasona Inc. acquired ISO 14001:2015 certification, the international standard for environmental management systems, at its headquarters office, promoting voluntary environmental conservation efforts.

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

Governance

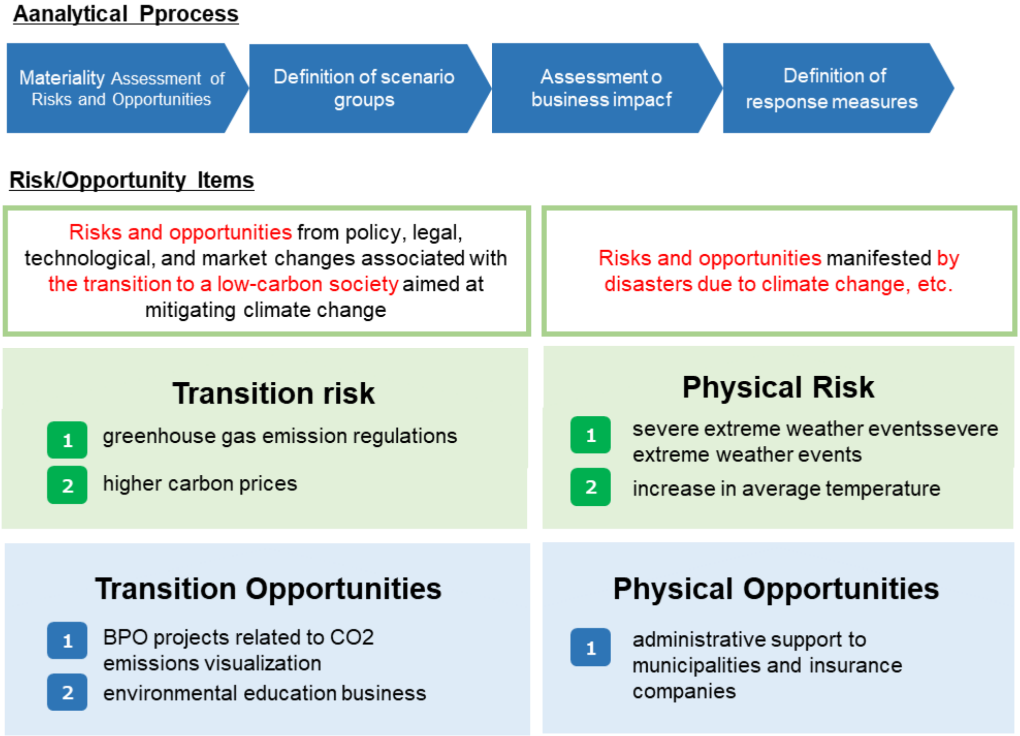
The Environmental Management Strategy Board formulates strategies, policies, and targets for the Group's environmental management and climate change response. Based on this policy, the Environmental Management Promotion Committee promotes effective action plans for each division and group company and 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

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 Pasona Way Division	At least once a month

Environmental Management Strategy Board.

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.



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
		higher carbon prices	・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 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.

Each company in our group provides services to support corporate sustainability management from an environmental perspective.

Visualization of CO_2 emissions, development of sustainable human resources

Pasona HR Solution Inc.'s "CO_2 Emissions Visualization BPO Service" supports the visualization of CO_2 emissions from both a system and operational perspective by leveraging the Group's expertise in BPO services, in addition to its GHG (greenhouse gas) emissions calculation and visualization cloud service. In collaboration with BSI Japan, "Pasona ESG Academy," a training program to develop human resources for sustainability, has been launched, combining Pasona HR Solutions' training know-how with BSI Japan's content to develop human resources for sustainability based on global standards in the field of ESG.

Support for sustainable management by professional human resources

Pasona JOB HUB's "Sustainable Management Support Service" provides professional advisors who are well-versed in various fields to support the formulation of SDGs and ESG management strategies, planning of circular economy business strategies, and establishment of recycling-oriented supply chain business models to promote sustainable management.

Energy conservation consulting services to promote energy conservation

Pasona Nihon Somubu Co., Ltd.'s "Energy Conservation Consulting Service" provides comprehensive support for resolving corporate environmental issues, from the visualization of CO_2 emissions to initiatives for decarbonization, leveraging our expertise in facility management. Based on the results of the simplified energy efficiency and conservation diagnosis, we will conduct a detailed analysis, formulate improvement measures, estimate their effects, and support the implementation of measures to resolve issues.

Sustainable training program for co-creation, circulation, and diversity

Pasona Agri-Partners Inc. offers training programs on Awaji Island, Hyogo Prefecture, for companies, organizations, and educational institutions to learn about "SDGs" such as those involving 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 7,500 participants in the fiscal year ending May 31, 2024.

Risk management

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

Risks due to climate change are identified by the Environmental Management Strategy Board, 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.

Indicators and Targets

The Group calculates and measures greenhouse gas emissions from its business activities and has set a reduction target of "achieving carbon neutrality* in FY2030". In addition to actively using electricity derived from renewable energy sources in our offices and the facilities we operate, we are also switching to electric and hybrid vehicles for company vehicles.

(*) "Scope 1" and "Scope 2" of greenhouse gas emissions from the Group's business activities are covered.

Item	(Units)	Fiscal year 2021 (ending May 31, 2022)	Fiscal year 2022 (ending May 31, 2023)
Scope 1	t-CO_2	1,293	1,525
Scope 2	t-CO_2	4,509	4,122
Scope 3	t-CO_2	53,547	58,807
Total	t-CO_2	59,349	64,454

Notes: 1 The scope of the Group includes the results of the Company on a non-consolidated basis and the results of the nine consolidated companies that account for the largest share of consolidated net sales.
2 Scope 3 refers to emissions in categories 1, 3, 4, 5, 6, and 7.
3 Actual results may vary due to the refinement of the aggregation method.

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

1 **Diversity & Inclusion**
Creating a system in which everyone can play an active role

2 **Sustainable**
Autonomous career development

3 **Well-being**
A truly prosperous way of living and working

<Indicators and Targets (Note 1)>

Human Resource Strategy	Indicators	Actual results for the fiscal year ended May 31, 2024	Targets for the fiscal year ended My 31, 2026
Creating a system in which everyone can play an active role	Ratio of female management staff	47.8%	55%
	Number of employees practicing hybrid careers (in-house duplication of work)	487 persons	600 persons
Autonomous career development	Training time per employee	57.4 hours	70.0 hours
	Number of DX personnel trained	1,500 persons	3,000 persons
	Training of next generation leader (annual)	191 persons	220 persons
A truly prosperous way of living and working	(1) Percentage of presenteeism lost (Note 2) (2) Number of days of presenteeism lost (Note 3)	(1) Average 9.32% (2) Average 3.22 days/year	(1) Average 9% (2) Average 2.2 days/year
	Percentage of male employees taking childcare leave	65.4%	70%

Note 1: Calculated for: The Company and all domestic consolidated subsidiaries
Note 2: Situations where the employee is at work but is unable to perform at full work performance due to health reasons
Note 3: Absence from work due to sickness or injury

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

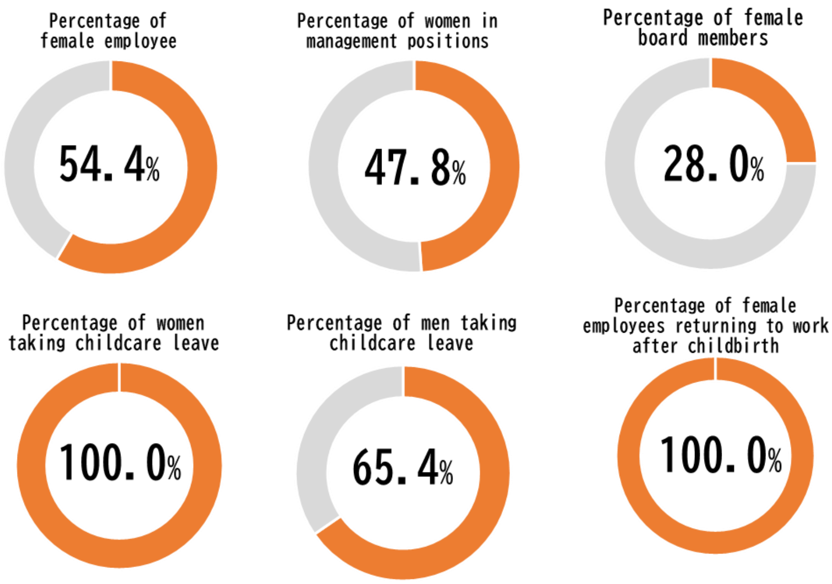
Pasona Group believes that creating an environment in which all employees, regardless of age, gender, nationality, or disability, can make full use of their talents and abilities on the Pasona Group stage and can create a fulfilling life plan will lead to mid- to long-term corporate growth.

・**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 Minami-Aoyama office, currently, 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, 11 to deputy directors, and 42 to higher positions of responsibility.

As a result of these activities, we have produced many female managers and female executives, with women accounting for 54.4% of all employees, 47.8% of all managers, and 28.0% 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 97 female executive candidates from 50 companies so far.



Calculated for: The Company and all domestic consolidated subsidiaries

・**Support for Families Raising Children**

We provide a variety of support services to help employees balance work and child rearing. The Minami Aoyama Office offers the Pasona Family Nursery, an on-site childcare center, as well as Miracle Kids, a holiday school program for children during summer vacation and other long vacations. On Awaji Island in Hyogo Prefecture, Pasona has partnered with International School to open Awaji Island International School in 2022, an educational program that focuses on English communication to draw out children's diverse talents. We also offer "Awaji Kids Garden," a program that nurtures children's sensibilities in a natural setting, as well as a variety of programs to suit children's interests, such as ballet, karate, piano, and violin.

In 2020, we are also launching a project on Awaji Island, Hyogo Prefecture, to provide total support for work, housing, and education for "single-parent families" who face difficulties in both employment and living conditions. Along with a secure work environment on Awaji Island, we provide an environment where you can receive a well-rounded education while growing and raising your children in nature. 80 people from 34 households live on Awaji Island.

・**Diverse nationalities play an active role**

The Group has approximately 1,000 foreign employees from 47 countries in Japan and abroad, and the percentage of foreign nationals among the employees of domestic consolidated subsidiaries is 2.7% (10.6% when including overseas consolidated subsidiaries), while the percentage of foreign nationals in management positions, the core of our business operations, is 0.6% (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 can respond to changes in our business and to develop new ideas.

The Awaji Youth Federation, a human resources development program launched in 2017 that aims to create new industries and realize regional development, has accepted 109 talented young people and social entrepreneurs from 46 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.

In the fiscal year ended May 31, 2024, we concluded MOUs (Memorandum of Understanding) with about 10 governments, the United Nations, universities, and other educational organizations in various countries to provide employment support, human resource development, and research support.

・**Entertainment Talent for Cultural and Creative Businesses**

In 2006, the Group launched "Music Mate" to support musicians in balancing their musical and artistic activities with their work. In 2020, the Group launched the "Music Island" project on Awaji Island, Hyogo Prefecture, where musicians from across Japan come together to foster regional revitalization through music. In 2022, we held "Awaji World Ballet," a full-scale ballet performance featuring Ukrainian ballet dancers and other world-renowned dancers and instructors, with both domestic and international entertainment talent actively engaged in cultural and creative businesses at the Group's facilities and through musical activities on the island, enriching the hearts and lives of the people.

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

The program supports the long-term career development of each athlete by providing work opportunities at locations nationwide to help active and retired athletes, coaches, and others achieve a hybrid career that balances athletic activities and work, as well as a second career. Currently, 24 athletes are active in the program.

・**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, Pasona will leverage its accumulated expertise to offer "Safe Placement Total Service" (introduced by approximately 840 companies), which provides support for autonomous career development for all generations, including middle and senior citizens, from 2021, and the "Pasona Recurrent" reskilling program, which provides learning opportunities suited to individual career and life plans, from 2022 (number of courses: 2,000, number of participants: 3,000).

・**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 598 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.

・**Hybrid Career Program" to support "multilayered career building**

In order to develop human resources who can contribute to society by acquiring the human ability to respond flexibly to changes in the social environment, we have started the "Hybrid Career Program" beginning with the hiring of new graduates who will join us in April 2022.

We have created an environment where new employees can spend one day a week in a different job than the one to which they are assigned, such as "Sales x Agriculture," "Human Resources x New Business Startup," or "Corporate Planning x Entrepreneur," and 527 employees to date have practiced a hybrid career. It led to opportunities to gain new perspectives and internal and external networks that cannot be gained in the work at the assigned site, and about 80% of all respondents answered that they were able to use their experience in hybrid work in their work, and about 90% of all respondents were "very satisfied or satisfied" with the program.

In addition to the one-year training (digital course and English course) provided not only to new employees but also to approximately 180 employees in their fourth and fifth years with the company, we have created an environment that allows them to build a multifaceted career, including dual roles within the group and within the company.

・**Supporting Employees' Career Challenges**

Since 1989, we have had an "open position system" that allows employees to raise their hands and take on the challenge of open positions within the company. In the fiscal year ended May 2024, 71 employees took on new career challenges through this program. In addition, since 1993, we have been supporting employees' autonomous career development through "My Career Bank," a program that allows employees to report their own career plans directly to the Human Resources Department each year.

・**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.

https://www.pasonagroup.co.jp/english/ir/esg/humanrights.html

<u>b. Sustainable/autonomous career development</u>

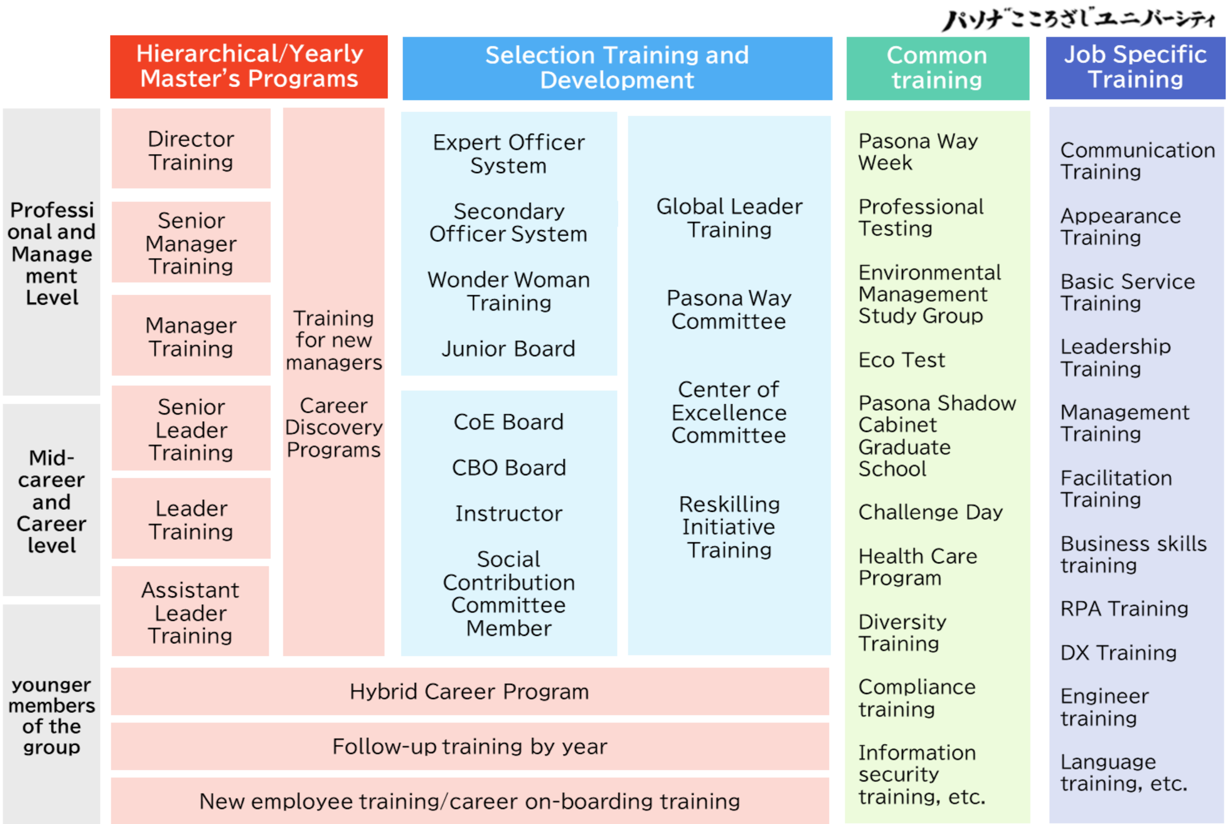
The Group is committed to supporting career development not only for employees' autonomous growth but also for expert staff (dispatched staff) and those that wish to work, in order to shift from a society that has been dependent on corporations to one in which everyone can make full use of their talents 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.

・Training cost per employee/person*1: 2	¥504 million/6,681 persons
・Average training hours per employee*1: 2	57.4 hours
・Number of participants in annual, position-, and function-specific training* 2	3,348 in total

*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

・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.



・Developing DX human resources to create new added value

In order to develop new solution businesses utilizing digital technology and realize our key strategy of "evolving to X-Tech BPO and expanding business in the specialized BPO field," we are focusing on developing human resources who will drive digital transformation (DX). In the fiscal year ended May 31, 2024, the Company began offering programs for customers based on its internal training track record, in addition to internal human resource development through rank-based DX training, etc., and trained approximately 1,500 DX personnel both internally and externally. We will continue to strengthen our management base and create additional value for our services by hiring and training 3,000 people internally and 10,000 people externally by the end of May 2026 through the reskilling of all employees and the introduction of DX specialized positions. Additionally, Pasona Inc. is strengthening its business foundation by launching "Code; Without Barriers in Japan" with Microsoft to train 10,000 temporary staff as digital human resources.

・Providing a wide variety of "career" and "life" counseling services

Our nationally certified career consultants work with each individual to help them build a clear career vision, and we support a total of 207,000 people in creating their careers each year. Pasona also offers the Pasona Career College, which offers 8,800 specialized courses to help students improve their skills and acquire qu alifications, and 71,500 people have taken these courses.

Work-Life Facilitators, who are nationally certified career consultants, provide a wide range of consultation services, including work, health, childcare, nursing care, and money planning, to help working people build autonomous careers and design life plans.

・Career Consulting Technician Level 1: 16
・Nationally Qualified Career Consultants: 553
・Second-class career consulting technician: 404

・Other career consulting related qualifications such as industrial counselor: 542
・Work-Life Facilitator Training Course 292 participants 210 certified participants

・**Developing next generation leaders**

To develop human resources and identify talent, we have various personnel training and selection systems, including the "Junior Board System," which was started in 1993 to develop the next generation of senior managers. We have a total of eight selection systems for identifying next-generation leaders, including the "Deputy Officer System" for developing candidates for executive officers at Group companies, the "Wonder Woman Training Program" for developing female executive candidates, the "CBO Board System" for promoting Group-wide business and ensuring cross-functional alignment, and the "Instructor System" for training new employees.

・Expert Board	15	・Vice Board	16	・Wonder Woman	15	・Junior Board	16
・CBO Board	16	・CoE Board	14	・Instructors	25	・Social Contribution Committee	44

・**Developing human resources for regional revitalization**

We are developing unique regional revitalization businesses by "attracting human resources" in cooperation with local governments, companies, and residents in Tohoku, Kyotango, Okayama, Awaji Island, Kotohira, and other areas throughout Japan.

In 2023, Pasona Group signed a comprehensive partnership agreement with Shimonoseki City in Yamaguchi Prefecture, appointing employees who have promoted regional revitalization business on Awaji Island for over 10 years as "regional revitalization entrepreneurs." By leveraging the Group's know-how in regional revitalization business, these employees are revitalizing the region through immigration and settlement initiatives using vacant houses and land, as well as attracting companies via teleworking and workcations.

In July 2024, we renovated a closed "former Toshima Elementary School" in Awaji City, Hyogo Prefecture, and opened "Toshima Scuola," which employs and trains people to work in the food sector, one of the well-being industries.

The Awaji Chef's Scuola program is a training program for "regional revitalization chefs" who will create new value from local resources and food culture and promote the attractiveness of the region while working as employees of the Group. After the completion of the program, we will support students in finding employment and starting their own businesses so that they can be active in various regions as the next generation of regional revitalization chefs by utilizing our nationwide network.

・**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, 2024, we received approximately 1,700 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.). In the fiscal year ending May 2024, the Awaji Island fan community "e-Awaji Islander" was born.

<u>c. Well-Being: A truly rich way of life and work</u>

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).

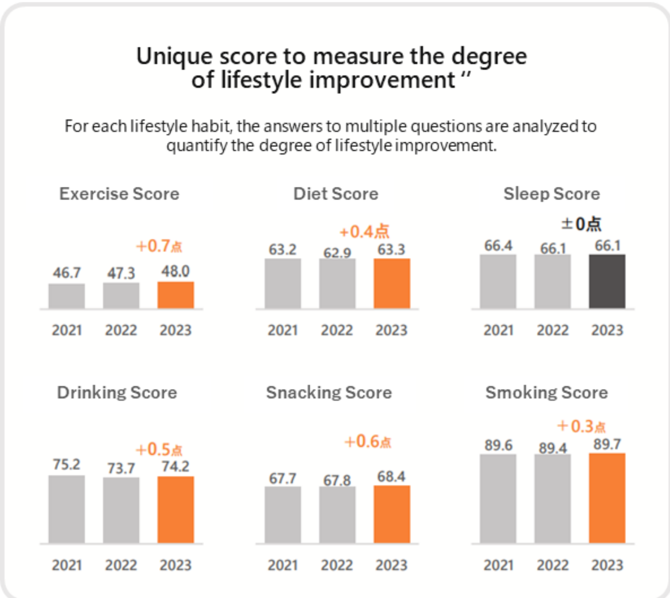
・**Conducting lifestyle surveys**

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 every employee. In 2023, 7,650 employees from 29 Group companies responded to the lifestyle survey.

・**Promoting healthy behaviors to improve lifestyle**


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

The results of the lifestyle survey showed that approximately 60% of employees indicated that they needed to improve their lifestyles, with many employees facing 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." 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.
As a result, in 2023, we improved our scores in all categories except sleep in our original score, which measures overall lifestyle improvements in exercise, diet, sleep, alcohol consumption, snacking, and smoking. (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).



・**Promote mutual understanding of gender differences in health**

According to an in-house survey on women's health, nearly 80% of the female employees who were going to work in well 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 to create an environment in which they feel free to ask for advice, we have held women's health lectures by obstetricians and gynecologists for all employees, including both women and men (3,212 participants in total), and promoted understanding through videos (viewed over 20,000 times in total), and we are fostering a common understanding of the importance of women's health in the workplace.

Pasona Group's efforts have been highly evaluated by external organizations, and Pasona Group Inc. and Pasona Inc. have been recognized as companies that practice particularly excellent health management, receiving the "White 500 for Excellent Health Management 2024 (Large-Scale Corporations)," Pasona Nihon Somubu Co., Ltd. as " Bright 500, Excellent Health Management Corporation 2024 (Small and Medium Sized Corporation Category)," and Pasona HS Inc. and Pasona JOB HUB Inc. as "Excellent Health Management 2024 (Large-Scale Corporations)," respectively.

・**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 business in Tokyo and to realize a truly affluent lifestyle and work style for workers, we announced the relocation of our head office, and some headquarter functions to Awaji Island, Hyogo Prefecture in 2020, operations for approximately 1,300 employees are being relocated to Awaji Island.

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 residents and other people from within and outside the region have become active members of our group, contributing to the creation of employment in the region, with the number of employees on the island reaching approximately 2,000.

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.

・**"Wellness Farm" to support the development of mental and physical health**

The "Wellness Farm," which opened in 2022 within the Awaji Nature Lab & Resort, a sustainable garden on Awaji Island, Hyogo Prefecture, provides employees with a place to "think about food" and to develop "mental and physical health."

Employees can experience "farming" that takes into consideration their physical health and the environment by cultivating soil and vegetables using the power of nature at the "Wellness Farm" and can also taste the freshly picked vegetables they have grown themselves at the restaurant attached to the farm.

By creating opportunities to experience new lifestyles and an environment where people and nature coexist in harmony, we are helping to improve the well-being of our employees.

・**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, approximately 40 "Social Contribution Committee members" have been appointed from Group companies in Japan and overseas. A total of 17,400 employees participated in activities in various locations during the fiscal year ended May 31, 2024.

3. Risk of business, etc.

(1) Our Group's risk management system

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 Corporate Auditor's Office and the Group Internal Audit Department monitor the day-to-day risk management status 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.

(2) Major risks that may affect our group's operating results, etc.

i 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, including economic fluctuations and technological innovations in Japan and overseas, as well as regulations under labor-related laws.

The Group is developing a comprehensive business portfolio that is not biased toward any particular area, including BPO Solutions (outsourcing and contracting), Expert Solutions (temporary staffing), Career Solutions (placement and outplacement), Global Solutions, Life Solutions (childcare and nursing care), and Regional Revitalization and Tourism Solutions (regional development). We are also actively engaged in information dissemination, proposals, and educational activities related to new ways of working 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.

ii Business approvals and contracts with public agencies, etc., and compliance with labor-related laws and regulations

The Group's BPO Solutions segment provides outsourcing and contracting services for general affairs, accounting and finance, reception, sales administration, order receipt and placement, and personnel and labor management for a wide range of clients, including private companies, public agencies, local governments, and various organizations. 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 authorizing entities. 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 violations of relevant laws and regulations, serious errors, or other inappropriate operations by the Group or its subcontractors, the Group's credibility may be damaged and its social reputation may be harmed, and its performance and financial position may be affected by suspension of bidding or other disciplinary actions in accordance with the regulations of the outsourcing source.

In addition, Expert Solution's temporary staffing business is conducted primarily as a worker dispatching business licensed by the Minister of Health, Labour and Welfare under the "Act for Securing Proper Operation of Worker Dispatching

Undertakings and Protection of Dispatched Workers" (hereinafter referred to as the "Worker Dispatching Act"). The Worker Dispatching Act stipulates that in order to ensure the proper operation of worker dispatching undertakings, if a person carrying out a dispatching undertaking (dispatching business operator) falls under any disqualification as a dispatching business operator or violates any law or regulation, the license for the undertaking shall be revoked or the undertaking shall be ordered to be suspended. The Pasona Group has established guidelines for appropriate temporary staffing transactions under the leadership of the Corporate Governance Division of Pasona Group Inc. and strives to thoroughly educate employees, as well as to prevent violations of laws and regulations by routinely monitoring compliance with relevant laws and regulations through internal audits and other means. However, in the unlikely event of a serious violation of laws and regulations by our group companies or their officers and employees, we may not be able to engage in the worker dispatching business if our business license is revoked or we are ordered to suspend our business.

Career Solutions' placement business is a fee-charging employment agency business licensed by the Minister of Health, Labour and Welfare under the Employment Security Law. Similar risks can be assumed for the placement and recruiting business as well, since measures such as revocation of business licenses or suspension of business operations are stipulated in the same manner as for the temporary staffing business if certain requirements are not met.

Similarly, Career Solution's outplacement business is a fee-charging employment placement business licensed by the Minister of Health, Labour and Welfare under the Employment Security Law. Although its revenue structure and business model are different from those of the placement and recruiting business, it is subject to the same regulations, guidance, and supervision as the aforementioned placement and recruiting business in that it introduces job seekers to employers, and therefore, similar risks can be assumed.

In addition, because the relevant laws and regulations are subject to revision in response to changes in the labor market environment and other factors, the Group takes various measures to ensure appropriate business operations by responding to each revision as appropriate. However, there is a possibility that further revisions could have a significant impact on the Group's business operations and performance.

iii 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 staff, 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 these measures, our group's operations and services may be disrupted due to the unavailability of computer systems and communication networks caused by human error, cyber-attacks, widespread natural disasters, or problems with outside vendors, etc. If such a situation persists for a long period of time, our group's credibility may be damaged, and our financial position and performance may be affected.

iv 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, 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. Despite 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 severe impacts, such as a loss of confidence in the Group and a negative effect on our financial status and performance.

v Business Investment

As we approach the 50th anniversary of our founding in 1976, we are discussing growth strategies for the next 50 years based on our unchanging (Pasona Group) corporate philosophy of providing "Solutions to Society's Problems." In addition, due to a review of its business portfolio in the fiscal year ending May 31, 2024, the Company sold its shares in its consolidated subsidiary, Benefit One Inc.

The Company intends to use the proceeds from the sale to invest in new businesses, capital expenditures, M&A investments, and other investments for growth, as well as to strengthen its management base, with the aim of increasing the Company's corporate value over the medium-to-long term. The following risks may arise in the course of making various business investments associated with growth strategies.

(a) Impairment accounting

The Group owns business real estate, tangible and intangible fixed assets such as goodwill, and software, including commercial facilities related to regional revitalization businesses, which are recorded on the consolidated balance sheets.

Such assets may be subject to impairment accounting depending on the future cash flows generated by such assets. As announced on July 12, 2024, the Company recorded an impairment loss of ¥10,811 million for fixed assets in the current fiscal year. Future cash flows in determining the impairment of fixed assets are based on business plans for each cash-generating unit. However, these future projections are subject to uncertainty, and if the business does not progress as expected, the Group's financial position and operating results may be affected by impairment losses on fixed assets.

(b) 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, litigation could occur, or the Group could be forced to suspend operations.

(c) 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.

(d) Investment in Subsidiaries and Affiliates

The Group intends to actively invest in new business investments that will help solve social issues in order to expand its service areas to meet the diverse needs of companies and workers, as well as to realize its growth strategy for the next 50 years. In addition, new business investments may require significant capital, and there is no guarantee that earnings will necessarily be as initially planned, and it is possible that the anticipated scale of earnings will not be secured. We will monitor the progress of the business in a timely manner and work to nurture it as quickly as possible while also utilizing our existing business infrastructure and sales network. However, if, despite these efforts, the business does not generate the expected earnings, the Group's performance may be affected.

We may make such business investments through investments in subsidiaries and affiliates. However, depending on market trends and the business environment, our holdings of stocks of subsidiaries and affiliates may suffer a valuation loss due to a significant decline in their real value, which may affect our business performance and the amount of assets in our non-consolidated financial statements. In addition, such investments may affect the Group's performance and financial position, as we will be required to post an allowance for estimated losses to prepare for losses related to claims and guarantees, including loans to the company in question, as well as for losses incurred by the company beyond these amounts.

vi Holding of Investment Securities

The Group holds investment securities, including listed and unlisted stocks, for the purpose of strengthening and maintaining relationships of trust with customers and business partners, expanding transactions, and creating collaboration and business synergies in order to enhance corporate value over the medium-to-long term, or securities for which market prices and other market values are available, trends in the stock and bond markets, etc., while, for securities without market prices, the financial position and performance trends of investees may affect the Group's performance and financial position by, for example, recording valuation losses due to a significant decline in the actual value of the securities. The Group's performance and financial position may be affected by such factors.

vii Change in business portfolio due to sale of shares in affiliated companies

The Company's business portfolio and earnings structure have changed in the fiscal year ending May 31, 2025, due to the sale of its shares in Benefit One Inc., which was a consolidated subsidiary in the fiscal year ended May 31, 2024. The Company plans to use the proceeds from the sale to invest in new business investment, capital expenditures, M&A investments, and other investments for growth, as well as to strengthen its management base and return profits to shareholders, aiming to increase the Company's corporate value over the medium-to-long term. In addition, as we will soon mark the 50th anniversary of our founding, we are discussing growth strategies for the next 50 years. However, there is no guarantee that the business plans for such growth strategies will necessarily proceed as initially planned, and it may not be possible to secure the scale of earnings anticipated. If the expected revenue is not generated, the Group's business performance may be affected.

viii Securing Human Resources

Since its establishment in 1976, the Group has been engaged in a variety of businesses with the aim of realizing a society in which everyone, regardless of age, gender, nationality, or disability, can freely and with pride make the most of their talents and dreams. In order to respond to changes in the business environment and achieve sustainable growth, it is necessary to continue to secure and develop human resources to create the future.

Therefore, if the Group is unable to secure the necessary human resources in a timely and sufficient manner, the Group's business performance may be affected. For details on human capital management, including policies and measures to address such risks, please refer to "2. Our Approach and Efforts Concerning Sustainability (2) ESG and Sustainability Management."

ix Fund Procurement

The Group makes effective use of internal and external funds to ensure stable funding necessary for the maintenance and expansion of business activities. Regarding group funds, we have introduced a group CMS (Cash Management System) to ensure effective use of funds among group companies and centralized fund procurement. In addition to establishing commitment lines with financial institutions primarily to meet short-term working capital needs, we also procure long-term working capital and capital investment funds through long-term loans, bonds, and other means. However, if the Group is unable to procure the necessary funds or if procurement costs increase due to future changes in business conditions, credit contraction, rising interest rates, or other financial conditions, the Group's business execution and performance may be affected.

x 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 (hereinafter referred to as “natural disasters, etc.”), 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 to countermeasures against infectious diseases, from September 2020, as part of BCP measures to deal with risks such as natural disasters, the Group dispersed its head office and headquarters functions and relocated them to Awaji Island, Hyogo Prefecture, 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.

xi Climate Change Risks

Climate change and other environmental problems are becoming more serious on a global scale. In 2005, our group established the "Environmental Committee" consisting of executives and employees of each group company. In order to realize a sustainable society and to leave a healthy and beautiful global environment to the next generation who will be responsible for the future, we are committed to conserving limited resources in all aspects of our business activities and to environmental conservation activities through our corporate activities. 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, 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 Committee 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 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 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.

Please refer to "2. Our Approach and Efforts Concerning Sustainability (2) ESG and Sustainability Management" for our response to business and other risks associated with climate change.

xii 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, and also provides nursing care services such as in-home nursing care (day service) and home-visit nursing care. While every effort is made to ensure safety management in the operation of the facilities and business, there is a possibility that unexpected accidents specific to the business may occur. In the unlikely event of an accident, the Group's credibility could be damaged, and its business performance and financial position could be affected.

xiii 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. These occurrences could result in a deterioration of the Group's social credibility and corporate image, which could lead to a decline in sales and other negative effects on the Group's business performance.

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 came to a standstill toward the end of the period, although consumer spending and employment conditions improved as socioeconomic activities began to normalize. In addition, the economic outlook remains uncertain due to global monetary tightening and rising prices.etc.

As for our business environment, the demand for BPO services remained firm due to the promotion of business efficiency and DX (Digital Transformation) by companies. In addition, demand for human resources remained strong against the backdrop of economic recovery, and tourism demand continued to recover as the number of tourists, including inbound tourists, increased amid a shift in the social environment toward a post-COVID-19 situation.

Under these circumstances, the Group's net sales were negatively affected by a decline in the Expert Services, Outsourcing, and a portion of the Life Solutions businesses, as a result of a decrease in special demand related to measures to combat COVID-19 infections in the previous fiscal year. In BPO services, sales increased from the previous fiscal year as the accumulation of new contracts absorbed the decline in revenue.

As a result, consolidated net sales for the current fiscal year were ¥356,733 million (down 4.3% year-on-year), and gross profit was ¥84,825 million (down7.3% year-on-year). SG&A expenses increased to ¥78,030 million (up 1.1% year-on-year) due to increased personnel expenses for personnel reinforcement and upfront investments in growth areas, resulting in operating profit of ¥6,794 million (down 52.7% year-on-year) and ordinary profit of ¥7,152 million (down 53.5% year-on-year).

Also, the Company sold shares of its consolidated subsidiary Benefit One Inc. during the period under review, resulting in an extraordinary gain of ¥112,040 million on the sale of shares of subsidiaries and associates in the consolidated financial statements. In addition, the Company posted an extraordinary loss of ¥1,164 million for expenses related to the sale of shares of subsidiaries and associates, which were necessary for a series of transactions related to the sale of shares. On the other hand, as a result of reviewing future business plans for commercial facilities, etc. mainly belonging to the Regional Revitalization Solutions segment in light of the business environment and current performance trends, the Company recorded an impairment loss of ¥10,811 million on fixed assets in the fourth quarter of the current fiscal year, as the recoverable amount was lower than the book value. In addition, because of estimating future taxable income and examining the recoverability of deferred tax assets, the Company recorded income taxes-deferred of ¥1,886 million in the current fiscal year. As a result of the above, profit attributable to owners of parent amounted to ¥95,891 million (up 1,472.1% year-on-year).

(Consolidated performance)

	FY2022 (Previous consolidated FY)	FY2023 (Current consolidated FY)	Percentage increase/decrease
Net sales	¥372,579 million	¥356,733 million	(4.3)%
Operating profit	¥14,377 million	¥6,794 million	(52.7)%
Ordinary profit	¥15,366 million	¥7,152 million	(53.5)%
Profit attributable to owners of the parent	¥6,099 million	¥95,891 million	+1,472.1%

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

*In accordance with the reorganization of subsidiaries in the current consolidated fiscal year, some businesses falling under "BPO Services" and "HR Consulting, Education/Training and Others" were reviewed and the segment classifications were changed. Figures for the previous consolidated fiscal year are compared based on the reclassified figures after the change.

HR Solutions

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

<u>Net sales: ¥297,085 million Operating profit: ¥11,770 million</u>

Expert Services <u>Net sales: ¥134,534 million</u>

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.

During the period under review, the number of active staff continued to decline throughout the year as operations related to COVID-19 infections, which were handled nationwide in the previous period, were largely completed. On the other hand, unit dispatch costs increased due to the revision of dispatch fee rates, and we also made progress in improving compensation to temporary staff. However, the negative impact of the special demand could not be made up, and net sales totaled ¥134,534 million (down 8.6% year-on-year). Looking ahead to the next fiscal year, Pasona Inc. is working to strengthen its business foundation by launching "Code; Without Barriers in Japan" with Microsoft to increase orders for high-level clerical work and to develop human resources, and by training 10,000 temporary staff to become digital human resources.

BPO Services <u>Net sales: ¥142,854 million</u>

In this business, the Group provides BPO services by contracting reception, sales administration, order receipt and placement, human resources, labor, and payroll, as well as general administration and general affairs to consolidate and streamline complicated clerical work and accounting and finance to handle expense reimbursement and other operations according to the busy schedule of customers.

During the period under review, the Company secured new demand from both the private sector and the public sector, despite a decline in the number of projects that had been in special demand up to the previous period. Private-sector companies increased their needs for support to concentrate on core operations in the areas of human resources, accounting and general affairs, as well as for RPA implementation and operation support to improve productivity, while needs expanded for overseas human resources support, as companies' overseas expansion became more active with the general end of the COVID-19 infections. The public sector has expanded its contracting of reskilling and administrative agency services. In our strategic X-TECH BPO, we also expanded in-house production support for DX human resources development in both the private and public sectors, as well as in online health promotion support for employees.

On a company-by-company basis, Bewith, Inc., which provides contact center and BPO services utilizing digital technology such as Omnia LINK, a self-developed cloud-based PBX, and Pasona Nihon Soumubu Co., Ltd. (renamed on April 1, 2024, formerly Pasona Panasonic Business Service Co., Ltd) made steady progress in acquiring new projects.

As a result, net sales totaled ¥142,854 million (up 0.4% year-on-year), absorbing the decline in revenue from special demand related to measures to combat COVID-19 infections.

HR Consulting, Education & Training, Others <u>Net sales: ¥8,673 million</u>

this business, we provide consulting and management support by professional personnel such as freelancers and former executives of listed companies in the advisory consulting business, as well as education and training business commissioned by companies and the public sector.

In the advisory and consulting business, demand for professional personnel in specialized areas related to human capital management and integrated reporting increased, as did hiring demand from companies seeking female directors. In the recruiting business, demand for recruiting consulting services further expanded in order to secure the most suitable personnel amid a steady demand for human resources. In the education and training business, demand for specialized training and other training increased from the previous fiscal year as companies promoting the advancement of female employees increased their needs, and the majority of new employee training was face-to-face training.

As a result, net sales amounted to ¥8,673 million (up 4.0% year-on-year).

Global Sourcing **Net sales: ¥11,024 million, Operating profit: ¥270 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 Asian region, demand for human resources from the semiconductor and manufacturing industries increased in Taiwan, and in Vietnam, development work in the IT field from Japanese companies expanded on contract. In addition, human resource services expanded in Indonesia, where economic growth continues, and other Southeast Asian countries saw increased revenues. In the North America region, while placement and recruiting expanded due to a tight labor market, temporary staffing revenues declined due to an increase in direct hiring by companies. On the cost front, SG&A expenses increased due to up-front hiring and compensation improvements to strengthen personnel at many locations, particularly in the U.S., as well as due to active implementation of training and business travel.
As a result, net sales amounted to ¥11,024 million (up 12.1% year-on-year), while operating profit amounted to ¥270 million (down 56.2% 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 ¥297,085 million (down 3.4% year-on-year). In terms of profit, operating profit was ¥11,770 million (down 22.2% year-on-year), mainly due to a decrease in gross profit margins in Expert Services as a result of a decline in the number of active personnel, also due to a decrease in the dispatch of medical professionals as a result of the general end of COVID-19 pandemic.

Career Solutions (Placement & Outplacement)
Net sales: ¥13,054 million Operating profit: ¥4,042 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, although there was a decline in the willingness to hire in some industries, stable demand continued in the high-career field, a strategic focus for the Group, and the unit contract price rose from the beginning of the period. On the other hand, the number of contracts signed decreased compared to the previous fiscal year due to an increase in the number of job-transfer applicants who were consoled with their resignation.
In the Outplacement business, demand continued to decline from the beginning of the period, as the number of early and voluntary retirements offered by domestic companies in the period under review was the smallest in more than a decade. However, an increasing number of companies are now offering early and voluntary retirement due to changes in the business environment and corporate structural reforms. In addition, "Safe Placement Total Service," which supports employees' autonomous career development, expanded steadily due to the reskilling of veteran personnel and the rise of corporate human capital management.
As a result, net sales were ¥13,054 million (down 6.2% year-on-year) and operating profit was ¥4,042 million (down 1.1% year-on-year) as efforts to curb SG&A expenses, mainly through a review of personnel allocation, failed to offset the decline in sales.

Outsourcing **Net sales: ¥38,962 million Operating profit: ¥7,615 million**

This segment includes the outsourcing services provided by Benefit One Inc., a former consolidated subsidiary of the Company, mainly for the provision of employee benefit services for corporations, public offices, and municipalities.
In the welfare and benefit business, membership fee revenue, which accounts for the majority of sales, increased from the previous year, while transactions specific to the former JTB Benefit and others declined. In terms of expenses, profitability improved due to the effect of duplicate cost reductions resulting from the integration of services of the former JTB Benefit, although expenses increased from the previous fiscal year due to investments in human resources and systems for medium- and long-term growth.
In the healthcare business, sales of the COVID-19 vaccination support business decreased from the previous year due to a contraction of operations. The health guidance business posted year-on-year increases in both revenue and income, despite delays in acquiring new orders. The health checkup business generally progressed as planned.
As a result, net sales amounted to ¥38,962 million (down 8.1% year-on-year), and although the SG&A-to-sales ratio was at the same level as the previous year, operating profit amounted to ¥7,615 million (down 27.4% year-on-year) due to a decrease in gross profit margin caused by an increase in subsidy expenditures due to increased use of employee benefit services toward the end of the period and increased amortization of system-related expenses, etc.

Life Solutions **<u>Net sales: ¥7,792 million Operating profit: ¥128 million</u>**

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 childcare business, although the number of children accepted at existing childcare facilities increased from the previous year, including the opening of new licensed nursery schools and school-age clubs, gross profit decreased due to upfront expenses for new openings and higher personnel and other operating expenses.

In the Life Support business, sterilization and disinfection services, which until the previous fiscal year had been contracted by hospitals and lodging facilities as a countermeasure against the spread of COVID-19 infections, declined, as did demand for the dispatch of nursing care personnel to care facilities for infected patients. In addition, although business commissioned by local governments, such as housekeeping services for families raising children, expanded steadily, SG&A expenses, especially personnel expenses, increased due to the dispersion of such services across multiple regions.

As a result, net sales amounted to ¥7,792 million (down 5.0% year-on-year), while operating profit amounted to ¥128 million (down 64.8% year-on-year).

Regional Revitalization Solutions **<u>Net sales: ¥6,223 million Operating profit: ¥(2,588) million</u>**

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.

At the Hyogo Prefectural Awaji Island Park Animation Park "Nijigen-no-Mori," the "NARUTO & BORUTO SHINOBI-ZATO" attraction from "NARUTO," which is popular even overseas, and the "Godzilla Intercept Operation," a Godzilla attraction that has gained increased interest in Japan and overseas after winning the 2024 Academy Award this year, saw a large increase in inbound visitors. In addition, the rural "Haru-Sansan" restaurant in the field, which serves cuisine from local areas using local ingredients from Awaji Island, attracted many visitors as a facility where visitors can fully enjoy the charms of nature.

On the other hand, during the period under review, the number of visitors to some facilities did not reach the initial forecast due to the summer heat wave and bad weather on weekends, as well as the dispersion of tourist destinations in Japan. In addition, at facilities that provide restaurants and other food & beverage services, the cost of sales ratio rose due to soaring raw material prices, and personnel expenses also increased due to improved compensation. The Company reviewed future business plans in light of these business environments and current performance trends and, as a result, recorded an impairment loss on fixed assets in those commercial facilities, etc. in the fourth quarter of the current fiscal year, since the recoverable amount was less than the book value.

As a result, net sales were ¥6,223 million (down 10.2% year-on-year), and although the deficit improved slightly, an operating profit was ¥(2,588) million (operating profit of ¥(2,877) million in the previous period). In the previous fiscal year, some subsidiaries changed their fiscal year-ends from March to May, resulting in a 14-month accounting period. Excluding the technical impact of this change, sales increased from the previous fiscal year.

Elimination/Corporate **<u>Net sales: ¥(6,385) million Operating profit: ¥(14,174) million</u>**

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 period under review, personnel expenses and IT-related expenses to promote DX increased, as well as some expenses related to the pavilion at the Osaka-Kansai Expo in 2025. As a result of these, net sales for the elimination of intergroup transactions amounted to ¥(6,385) million (¥(6,539) million in the previous fiscal year), while operating profit amounted to ¥(14,174) million (¥(12,819) million in the previous fiscal year).

Performance by Segment

Consolidated Net Sales by Segment

(Millions of yen)

	FY2022	FY2023	YoY
HR Solutions	363,987	349,102	(4.1) %
Expert Services (Temporary staffing), BPO Services (Contracting), Others	307,687	297,085	(3.4) %
Expert Services (Temporary staffing)	147,188	134,534	(8.6) %
BPO Services (Contracting)	142,327	142,854	0.4 %
HR Consulting, Education & Training, Others	8,340	8,673	4.0 %
Global Sourcing (Overseas)	9,831	11,024	12.1 %
Career Solutions (Placement / Recruiting, Outplacement)	13,923	13,054	(6.2) %
Outsourcing	42,376	38,962	(8.1) %
Life Solutions	8,200	7,792	(5.0) %
Regional Revitalization Solutions	6,931	6,223	(10.2) %
Eliminations and Corporate	(6,539)	(6,385)	—
Total	372,579	356,733	(4.3) %

Consolidated Operating Profit (Loss) by Segment

(Millions of yen)

	FY2022	FY2023	YoY
HR Solutions	29,709	23,428	(21.1) %
Expert Services (Temporary staffing), BPO Services (Contracting), Others	15,132	11,770	(22.2) %
Expert Services (Temporary staffing) BPO Services (Contracting) HR Consulting, Education & Training, Others	14,515	11,499	(20.8) %
Global Sourcing (Overseas)	617	270	(56.2) %
Career Solutions (Placement / Recruiting, Outplacement)	4,089	4,042	(1.1) %
Outsourcing	10,487	7,615	(27.4) %
Life Solutions	364	128	(64.8) %
Regional Revitalization Solutions	(2,877)	(2,588)	—
Eliminations and Corporate	(12,819)	(14,174)	—
Total	14,377	6,794	(52.7) %

* In accordance with the reorganization of subsidiaries in the current consolidated fiscal year, some businesses falling under "BPO Services" and "HR Consulting, Education/Training and Others" were reviewed, and the segment classifications were changed. Figures for the previous consolidated fiscal year are compared based on the reclassified figures after the change.

(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	FY2023		
	Net sales (millions of yen)	Composition (%)	Year-on-year change (%)
HR Solutions	343,839	96.4	95.8
Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing) others	292,376	82.0	96.4
Expert Services (Temporary Staffing)	133,964	37.6	91.3
BPO Services (Contracting & Outsourcing)	140,144	39.3	100.6
HR Consulting, Education & Training, Others	7,476	2.1	98.8
Global Sourcing (Overseas human resources services)	10,791	3.0	111.8
Career Solutions (Placement & Outplacement)	13,031	3.6	93.8
Outsourcing	38,431	10.8	92.0
Life Solutions	7,229	2.0	94.1
Regional Revitalization Solutions	5,663	1.6	93.5
Total	356,733	100.0	95.7

(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	FY2023		
	Net sales (millions of yen)	Composition ratio (%)	Year-on-year change (%)
Hokkaido/Tohoku	13,377	3.8	95.1
Kanto (outside Tokyo)	38,112	10.7	92.4
Tokyo	168,369	47.2	94.6
Tokai/Hokushinetsu	19,999	5.6	98.4
Kansai	72,818	20.4	103.8
Chugoku/Shikoku/Kyushu	32,761	9.2	85.0
Overseas	11,293	3.1	110.0
Total	356,733	100.0	95.7

(3) Financial position

Assets, Liabilities, and Net Assets

Assets and liabilities as of May 31, 2024 included ¥54,975 million (¥74,869 million as of May 31, 2023) 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, 2024, amounted to ¥301,090 million, an increase of ¥25,585 million or 9.3%, compared with May 31, 2023. Cash and deposits increased by ¥69,214 million due to the sale of shares of a consolidated subsidiary of the Company, Benefit One Inc. (hereinafter referred to as "Benefit One"), the decrease in deposits received, the acquisition of fixed assets, and the repayment of long-term debt. Additionally, construction in progress increased by ¥11,977 million in the regional revitalization business. However, while the exclusion of Benefit One from consolidation led to a ¥7,379 million decrease in accounts receivable-trade, a ¥7,692 million decrease in other current assets, and a ¥21,570 million decrease in intangible assets.

Total liabilities as of May 31, 2024, amounted to ¥146,428 million, a decrease of ¥57,451 million or 28.2%,compared with May 31, 2023. Deposits received decreased by ¥22,316 million due to the above-mentioned commissioned projects, etc., and long-term borrowings decreased by ¥14,077 million due to repayment of borrowings. Also contract liabilities decreased by ¥5,377 million due to the deconsolidation of Benefit One and accounts payable-trade decreased by ¥4,003 million, etc.

Net assets as of May 31, 2024, amounted to ¥154,661 million, an increase of ¥83,037 million or 115.9%,compared with May 31, 2023. This was mainly attributable to an increase of ¥94,507 million in retained earnings due to net income attributable to owners of the parent of ¥95,891 million, and non-controlling interests decreased by ¥11,451 million as a result of the deconsolidation of Benefit One.

As a result of the above, the equity ratio as of May 31, 2024, was 49.3% (19.6% at the end of the previous fiscal year). Total assets, after deducting “cash and deposits” associated with “deposits received” for contracted projects, amounted to ¥246,115 million (¥200,634 million at the end of the previous fiscal year), resulting in an equity ratio of 60.3% (26.9% as of May 31, 2023).

(4) Cash flows

Cash and cash equivalents (hereafter “net cash”) in FY2023 increased by ¥89,127 million, compared with May 31, 2023, to ¥137,047 million. “Net cash” does not include “cash and deposits” corresponding to temporary “deposits received” from customers related to contract projects.

(Cash Flows from Operating Activities)

Net cash provided by operating activities increased by ¥1,435 million, compared with the previous fiscal year,to ¥7,397 million (an increase of ¥5,961 million in the previous fiscal year).

Major cash inflows included profit before income taxes totaling ¥106,251 million (¥16,766 million in the previous fiscal year), depreciation and amortization totaling ¥5,569 million (¥5,126 million in the previous fiscal year), and impairment loss totaling ¥10,811 million (none occurred in the previous fiscal year).

The cash flow from the sale of shares of Benefit One is included in the cash flow from investing activities, and the gain on sale of shares of subsidiaries and affiliates of ¥112,040 million is deducted from the cash flow from operating activities.

(Cash Flows from Investing Activities)

Net cash used in investing activities increased by ¥106,754 million, compared with the previous fiscal year, to ¥94,252 million (a decrease of ¥12,502 million in the previous fiscal year).

Major cash inflows were mainly due to proceeds of ¥115,228 million (none occurred in the previous fiscal year) from the sale of shares of a subsidiary resulting in a change in the scope of consolidation, as a result of the sale of shares of Benefit One.

Major cash outflows were mainly due to the purchase of property, plant, and equipment of ¥15,244 million (¥9,029 million in the previous fiscal year) for the opening of commercial facilities in the Awaji Island Regional Revitalization Solutions project and the construction of new business facilities in the corporate segment, and the purchase of intangible assets of ¥ 4,905 million (¥ 4,591 million in the previous fiscal year) for system capital expenditures.

(Cash Flows from Financing Activities)

Net cash used in financing activities increased by ¥10,586 million, compared with the previous fiscal year, to ¥12,879 million (a decrease of ¥2,292 million in the previous fiscal year).

Major cash inflows included proceeds from long-term loans payable totaling ¥2,500 million (¥15,727 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 ¥10,325 million (¥10,339 million in the previous fiscal year), and dividends paid totaling ¥4,568 million (¥5,169 million in the previous fiscal year).

(Reference) Trends in cash flow-related indicators

Item	FY2019	FY2020	FY2021	FY2022	FY2023
Capital adequacy ratio	22.7%	25.2%	24.5%	19.6%	49.3%
Equity ratio based on market value	35.7%	49.0%	40.3%	24.7%	28.4%
Cash flow to debt ratio	3.2 years	1.8 years	5.3 years	9.9 years	5.8 years
Interest coverage ratio	57.9	64.5	35.4	15.9	16.6

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 34.8% (33.9% 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 Company efficiently secure funds necessary for the Group's growth and enhancement of corporate value, including IT-related investments to optimize business processes in the area of HR solutions, capital investments to improve profitability of regional development and tourism solutions, and human capital investments such as training DX human resources, as well as ordinary 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 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 has been to maintain a consolidated dividend payout ratio of 30%, but in order to further enhance returns to shareholders, we will raise the consolidated dividend payout ratio to 40% from the fiscal year ending May 31, 2025, and will strive 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 so as 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.

(Agreement with Dai-ichi Life Holdings, Inc. regarding Benefit One Inc.)

On February 8, 2024, the Board of Directors of the Company resolved to enter into an agreement (the "Agreement") with Dai-ichi Life Holdings, Inc. (the "Tender Offeror") that the Company will not tender all of its shares in Benefit One Inc. (the "Target Company," which is a consolidated subsidiary of the Company and belongs to the outsourcing segment), in the tender offer (the "Tender Offer") to be conducted by the Tender Offeror for the common shares of the Target Company. After the consummation of the Tender Offer, the Target Company will conduct a reverse stock split (the "Reverse Stock Split") in which the Tender Offeror and the Company will be the only shareholders and will then conduct a share repurchase (the "Share Repurchase"), whereby the Company will sell all of the shares of the Target Company it holds at that time, etc. Since the share transfer was completed on May 23, 2024, the execution date of this share buyback, the Target Company and its subsidiaries were excluded from the Company's scope of consolidation as of the end of the current fiscal year. For details, please refer to the "Notice Concerning the Execution of an Agreement Relating to Subsidiary Shares, the Expected Recording of Extraordinary Gains/Losses, and Revision of Consolidated Earnings Forecast for the Fiscal Year Ending May 2024 " released on February 8, 2024.
Upon consummation of the Tender Offer as of March 11, 2024, and in accordance with the Agreement, the Company will propose at the Target Company's shareholders meeting (i) a proposal regarding the Reverse Stock Split, (ii) a proposal regarding a capital increase through third-party allotment to be implemented after the effective date of the Reverse Stock Split with the Tender Offeror as the underwriter and a proposal regarding a reduction of capital and reserves (hereinafter "the Capital Increase and Reduction"), (iii) a proposal regarding the Share Repurchase to be implemented after the effective date of the Capital Increase and Reduction, and exercise its voting rights in favor of these proposals. On May 23, the Company sold all of its common shares in the Target Company to the Target Company, which became a wholly-owned subsidiary of the Tender Offeror, and all procedures have been completed.

(Construction contract with Obayashi Corporation)

The Company resolved to enter into a construction contract between the Company and Obayashi Corporation for the "Awaji Island Iwaya Area Hotel Development Project" (total construction cost ranging from 13 billion yen to 14 billion yen) at its Board of Directors meeting held on January 26, 2023. At a meeting of the Board of Directors held on March 27, 2024, the Company resolved to sign the construction contract with Obayashi Corporation. At a meeting of the Board of Directors held on May 29, 2024, the Board of Directors resolved the details of the construction work and the contract amount to be 13.3 billion yen, and the contract was concluded on May 31, 2024.

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 ¥20,171 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.	718	—	1,149	1,867
Career Solutions	2	—	123	125
Outsourcing	171	—	2,837	3,008
Life Solutions	11	—	3	15
Regional Revitalization Solutions	6,921	—	23	6,945
Corporate	7,032	715	460	8,208
Total	14,858	715	4,596	20,171

2. Status of major equipment

Major equipment and employees of the Company as of May 31, 2024 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	159	—	0	532	50	743	268 (63)
GLOBAL HUB SQUARE (Awaji City, Hyogo Prefecture) and 10 other offices	Corporate	Business site equipment	3,931	229	—	3	593	4,757	372 (139)
ZENBO SEINEI (Awaji City, Hyogo Prefecture) and 9 other offices	Regional Revitalization Solution	Commercial facilities	962	50	0	—	204	1,218	-

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 ¥2,500 million.

(2) Subsidiaries in Japan

Company name (location)	Segment	Equipment	Book value (millions of yen)						Number of employees (persons)
			Buildings & structures	Land	Leased assets	Software	Other	Total	
Nijigennomori Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solution	Commercial facilities, etc.	708	—	87	219	591	1,606	18 (22)
Pasona Inc. (Minato-ku, Tokyo)	Expert Services, BPO Services, etc. Career Solution	Business-related systems, etc.	192	1	0	1,298	98	1,590	3,580 (6,312)
Bewith, Inc. (Shinjuku-ku, Tokyo)	Expert Services, BPO Services, etc.	Office facilities, etc.	713	—	—	442	401	1,557	800 (5,397)
Pasona Nihon Somubu Co., Ltd. (Osaka City, Osaka)	BPO services	Office facilities	160	65	34	302	33	597	936 (704)
Pasona Agri-Partners Inc. (Minato-ku, Tokyo)	Regional Revitalization Solution	Commercial facilities, etc.	157	—	—	1	192	351	19 (13)
Pasona Foster Inc. (Minato-ku, Tokyo)	Life Solution	Office facilities, etc.	273	—	—	11	21	306	488 (323)
gotop Co., Ltd. (Matsuzaka City, Mie Prefecture)	BPO Services	Office facilities, etc.	26	217	—	8	18	270	159 (20)
Pasona JOB HUB Inc. (Minato-ku,Tokyo)	Expert Services, BPO Services, etc.	Office facilities, etc.	13	—	—	148	1	163	161 (25)
Tango kingdom Brewery Inc. (Kyotango-City, Kyoto)	Expert Services, BPO Services, etc.	Office facilities, etc.	51	—	62	—	7	122	12 (27)

Note 1: The trade name was changed from Pasona Panasonic Business Service Co., Ltd.

Note 2:"Other" in book value includes structures, vehicles, tools, furniture, and fixtures, telephone subscription rights, and construction in progress.

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

Note 4: In addition to the above table, there are lease and guarantee deposits totaling ¥4,544 million.

Note 5: The above amounts do not include consumption tax, etc.

Note 6: Currently, there is no idle equipment.

Note 7: The number in parentheses in the “Number of employees” column represents the average number of contract employees and part-timers during the year.

(1) Overseas subsidiaries

Company name (location)	Segment	Equipment	Book value (millions of yen)						Number of employees (persons)
			Buildings & structures	Land (Area in m²)	Leased assets	Software	Other	Total	
Pasona N A, Inc. (New York, U.S.A.)	Global Sourcing	Office facilities, etc.	0	—	252	—	12	265	127 (3)
PT. Dutagriya Sarana (Jakarta, Indonesia)	Global Sourcing	Office facilities, etc.	12	93	13	—	9	129	34 (33)

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 (millions of yen)		Financing method
			Total amount	Paid amount	
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solutions	Commercial facilities	13,000 ～14,000	5,519	Funds on hand
Pasona Inc. (Minato-ku, Tokyo)	Expert services, BPO services, etc.	Business system	5,000	659	Funds on hand
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Corporate	Seawalls/ Structure	4,400	1,883	Funds on hand
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Corporate	Seawalls/ Land Improvement	4,200	3,916	Funds on hand
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Corporate	Expo-related facilities	2,500	1,527	Funds on hand
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Corporate	Business Facilities	2,500	102	Funds on hand
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solutions	Commercial facilities	2,400	31	Funds on hand
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Corporate	Company housing	1,000	395	Funds on hand
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solutions	Commercial facilities	800	—	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: Certain commercial facilities that were under planning at the end of the previous fiscal year have been excluded from the above table due to a review of their plans.

(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, 2024)	Number of issued shares as of the date of submission (August 23, 2024)	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, 2024

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	20	92	160	20	10,049	10,362	—
Number of shares held (unit)	—	48,399	9,901	50,094	95,187	141	212,819	416,541	36,200
Percentage of shares held (%)	—	11.62	2.38	12.03	22.85	0.03	51.09	100.00	—

Note 1: Of 1,439,224 treasury shares, 14,392 units are included in “Individual & other,” while 24 shares are included in “Status of shares less than one unit.”

Note 2: Of the 601,862 shares of the Company held by the Stock Benefit Trust (BBT), 601,800 shares (6,018 units) are included in "Financial Institutions," and 62 shares are included in "Status of Odd-lot Shares.
Of the 464,274 shares of the Company held by the Stock Benefit Trust (J-ESOP) 464,200 shares (4,642 units) are included in "Financial Institutions," and 74 shares are included in "Status of Odd-lot Shares."

(6) Status of major shareholders

As of May 31,2024

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	36.68
Nambu Enterprise Inc.	1-30, 3-chome, Minami-Aoyama, Minato-ku, Tokyo	3,738,500	9.29
Master Trust Bank of Japan Ltd. (Trust account)	Akasaka Intercity AIR 8-1, 1-chome, Akasaka, Minato-ku, Tokyo	2,554,700	6.35
CEPLUX-THE INDEPENDENT UCITS PLATFORM 2 (Standing proxy: Custody Operations Department, Citibank, N.A. Tokyo Branch)	31, Z.A. BOURMICHT, L-8070, BERTRANGE, LUXEMBOURG (27-30, 6-chome, Shinjuku, Shinjuku-ku, Tokyo)	1,082,000	2.69
Custody Bank of Japan, Ltd. (Trust E account)	8-12, 1-chome, Harumi, Chuo-ku, Tokyo	1,066,136	2.65
NOMURA INTERNATIONAL PLC A/C JAPAN FLOW (Standing proxy: Nomura Securities Co.)	1 ANGEL LANE, LONDON, EC4R 3AB, UNITED KINGDOM (13-1, 1-chome, Nihonbashi, Chuo-ku, Tokyo)	922,000	2.29
JP JPMSE LUX RE UBS AG LONDON BRANCH EQ CO (Standing proxy: The Bank of Mitsubishi UFJ, Ltd.)	BAHNHOFSTRASSE 45 ZURICH SWITZERLAND 8098 (7-1, 2-choume, Marunouchi, Chiyoda-ku, Tokyo)	803,400	2.00
THE BANK OF NEW YORK MELON, 140040 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (Shinagawa Intercity Tower A, 15-1, 2-chome, Konan, Minato-ku, Tokyo)	722,100	1.79
Custody Bank of Japan, Ltd. (Trust account)	8-12, 1-chome, Harumi, Chuo-ku, Tokyo	644,600	1.60
Gratitude Ltd.	3-1, 2-chome, Atago, Minato-ku, Tokyo)	596,600	1.48
Total	-	26,893,236	66.81

Note 1: In addition to the above, there are 1,439,244 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 1,066,136 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 December 27, 2023, Tempered Investment Management LTD. is stated to own the following shares as of December 20, 2023. 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	1,912,100	4.59

(7) Status of voting rights

(i) Issued shares

As of May 31, 2024

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 1,439,200	—	—
Shares with voting rights (Other)	Common shares 40,214,900	402,149	—
Shares less than one unit	Common shares 36,200	—	—
Total number of issued shares	41,690,300	—	—
Voting rights of all shareholders	—	402,149	—

Note 1: Common shares in the “Shares with voting rights (Other)” column include 601,800 shares of the Company (the number of voting rights: 6,018) held by the Board Benefit Trust (BBT) and 464,200 shares of the Company (the number of voting rights: 4,642) 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 24 shares of treasury stock held by the Company, 62 shares held by the Stock Benefit Trust (BBT), and 7 shares held by the Stock Benefit Trust (J-ESOP).

(ii) Treasury shares, etc.

As of May 31, 2024

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	1,439,200	—	1,439,200	3.45
Total	—	1,439,200	—	1,439,200	3.45

Note 1: 601,800 shares of the Company (1.44%) held by the Board Benefit Trust (BBT) and 464,200 shares of the Company (1.11%) 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 24 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 8th 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 May 31, 2024)

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.

464,274 shares (As of May 31, 2024)

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	80	0
Treasury stock acquired during the period	80	0

Note: Treasury stock acquired during the period does not include shares less than one unit purchased from August 1, 2024 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	1,439,224	–	1,439,304	–

Note 1: The 601,862 shares held by the Stock Benefit Trust (BBT) and the 464,274 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, 2024 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 in order to further enhance returns to shareholders, we will strive to maintain continuous and stable dividends by raising the dividend payout ratio to 40% starting from fiscal year ending May 31, 2025.

As announced in the "Resolution on Special Dividend and Revision of Year-End Dividend Forecast for the Fiscal Year Ending May 31, 2024" dated April 12, 2024, the Company resolved to pay a special dividend of 60 yen per share for each of the five fiscal years from the fiscal year ending May 31, 2024 to the fiscal year ending May 31, 2028, as a measure to expand shareholder returns due to the sale of shares in consolidated subsidiaries.

Therefore, the year-end dividend for the current fiscal year is 75 yen per share, consisting of an ordinary dividend of 15 yen and a special dividend of 60 yen per share.

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 12, 2024: Resolution by the Board of Directors	3,018	75.0

4. Status of corporate governance, etc.

(1) Outline of corporate governance

(i) Basic policy on corporate governance

Ever since its founding, Pasona Group has promoted diversity based on a clear and transparent corporate philosophy of providing “Solutions to Society's Problems" and has built various forms of social infrastructure enabling anyone to freely select the jobs they like and gain opportunities to work.

Pasona Group's job is to harness the potential of the individual. In other words, to coin a phrase, the job is to: "Life Produce"; to support the creation of a comfortable lifestyle for people everywhere. Creating a society in which everyone can design their own lives of abundance according to their ways of working that suit their own lifestyles—those who consistently maintain a strong will and seek to reintegrate into society, those who seek the challenges of a new life, who boldly tackle their life's goals—this is the corporate social responsibility (CSR) of the Pasona Group. In order to meet its social responsibilities, Pasona Group has laid forth "The Pasona Group Corporate Behavior Charter." All executives and employees from Pasona Group, from top management downward, are required to have a correct understanding of this charter, as it consists of action guidelines.

It is part of the Pasona Group’s basic corporate mission to accomplish continuous enhancement of corporate value for its stakeholders (interested parties). To do so, we will boost corporate governance in harmony with the spirit of the “Corporate Governance Code” as stated in the Listing Regulations of the Tokyo Stock Exchange, considering this to be an important management issue. We will achieve medium- to long-term enhancement of corporate value through swift and bold decision-making while also ensuring the effectiveness of management oversight and management transparency.

(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								
		Management	HR Development	New Business Development	Compliance/ Risk Management	Finance/ Accounting	Regional revitalization/ Culture/Arts	Sustainability /ESG	Global	Well-being
Yasuyuki Nambu	Group CEO & President	●	●	●			●	●	●	●
Hirotaka Wakamoto	Executive Officer & Vice President, Chief Operating Officer,	●	●	●				●		
Junko Fukasawa	Executive Officer & Vice President	●	●				●	●		●
Kinuko Yamamoto	Executive Officer & Vice President	●	●	●			●			●
Makiya Nambu	Managing Executive Officer & Director			●					●	
Kazufumi 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	Group CEO & President	100% (16/16 times)
Hirotaka Wakamoto	Executive Officer & Vice President, Chief Operating Officer,	100% (16/16 times)
Junko Fukasawa	Executive Officer & Vice President	100% (16/16 times)
Kinuko Yamamoto	Executive Officer & Vice President	100% (16/16 times)
Makiya Nambu	Managing Executive Officer & Director	100% (16/16 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)
Yutaka Atomi	Outside Director (Member of the Audit and Supervisory Committee)	100% (13/13 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.)
Conflict of interest transactions
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 2023

In April 2024, we conducted a questionnaire survey of directors regarding the following items for fiscal 2023.

(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 Jun 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" .

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, Mr. Hirotaka Wakamoto,Ms. Junko Fukasawa, Ms. Kinuko Yamamoto, Mr. Makiya Nambu), one Full-time Audit and Supervisory Committee member (Mr. Kazufumi Nomura), and 14 Executive Officers (Ms. Yuko Nakase, Mr. Akira Kamitomai, 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, Ms. Azusa Mitsuda, Ms. Takako Yagi, and Mr. Koichi Itabashi).

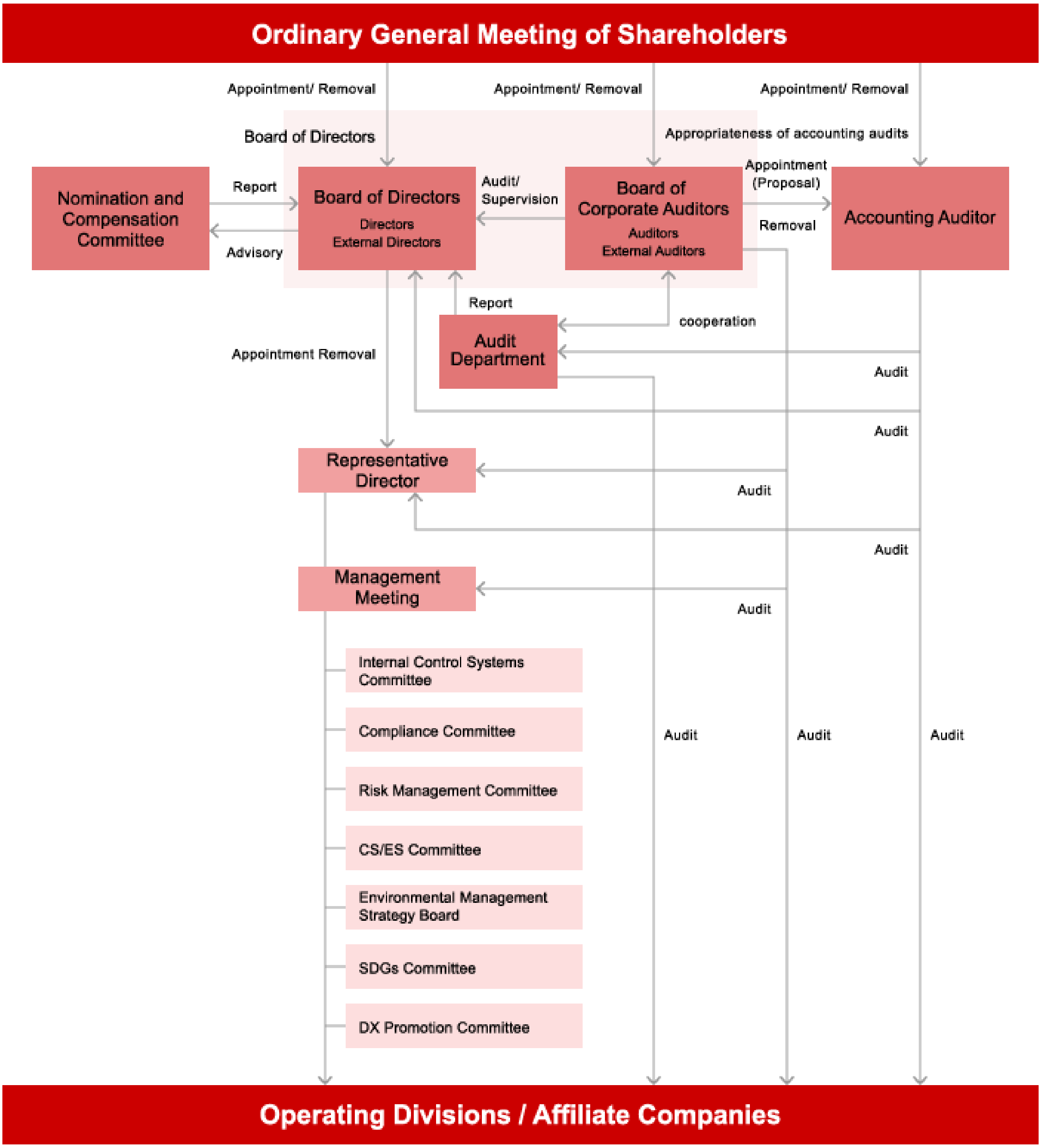
The Management Meeting is chaired by the President and Representative Director.

e. Internal Control 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 Committee
(ii) Compliance Committee
(iii) Risk Management Committee
(iv) CS/ES Committee
(v) Environmental Management Strategy Board
(vi) SDGs 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 Audit Department and the Group Internal Audit Department 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 Audit Department and the Group Internal Audit Department 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 Audit Department and the Group Internal Audit Department 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 Committee of the Company shall formulate an internal control evaluation plan, monitor the internal control evaluation conducted by the Group Internal Audit Department prepare an internal control report, and submit it to the Board of Directors in accordance with the Internal Control Committee Rules.

(f) Matters concerning Directors and employees assisting the Audit and Supervisory Committee
Personnel of the Audit Department shall assist the Audit and Supervisory Committee in its duties as 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 perform their duties under the direction and orders of the Audit and Supervisory Committee when instructed to do so by 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 Audit Department, the Group Internal Audit Department, 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	Yasuyuki Nambu	Jan 5, 1952	Feb. 1976 Apr. 1991 Mar. 1992 Mar. 1996 Apr. 1999 Jun. 2000 Aug. 2004 Dec. 2007 Jun. 2010 Aug. 2011	Established Man Power Center Inc. (currently Nambu Enterprise Inc.), Senior Managing Director Representative Director, Man Power Center Inc. Representative Director, Temporary Sunrise Inc. (currently Pasona Inc.) Director, Business Coop Inc. (currently Benefit One Inc.) President & CEO, Pasona Inc. (currently Nambu Enterprise Inc.) Group CEO, Pasona Inc. Group CEO & President, General Manager of the Sales and Marketing Headquarters, Pasona Inc. Group CEO & President, Pasona Group Inc. (to present) Chairman & Director, Benefit One Inc. Chairman & Representative Director, Pasona Inc. (to present)	(Note3)	14,763,200
Executive Officer & Vice President, Chief Operating Officer, General Manager of the Growth Strategy General Headquarters & General Manager of the Corporate Planning Headquarters	Hirotaka Wakamoto	Nov 2, 1960	Apr. 1984 Jun. 1989 Sep. 2006 Dec. 2007 Jun. 2010 Jul. 2012 Aug. 2017 Aug. 2018 Jun. 2019 Aug. 2020 Dec. 2021 Feb. 2023 Aug. 2023	Joined Saitama Bank, Limited (currently Resona Bank, Limited, Saitama Resona Bank, Limited) Joined Temporary Center Inc. (currently Nambu Enterprise Inc.) Managing Director, responsible for the Legal Department, Affiliated Company Department, and International Business Department, General Manager of the Corporate Planning Department, Pasona Inc. Managing Director, responsible for the CMO Department and the International Business Department, General Manager of the Corporate Planning Division, Pasona Group Inc. Director, Benefit One Inc. Senior Managing Director, responsible for the Corporate Planning Division, Pasona Group Inc. Senior Managing Director, General Manager of the Corporate Planning & Administration Headquarters, Pasona Group Inc. Executive Officer & Vice President, Chief Operating Officer, General Manager of the Growth Strategy Headquarters , Pasona Group Inc. President & CEO, Pasona Knowledge Partner Inc. (to present) Director. Bewith, Inc. (to present) Executive Officer & Vice President, Chief Operating Officer, General Manager of the Growth Strategy Headquarters & General Manager of the Corporate Planning Headquarters, Pasona Group Inc. President & COO, Pasona Force Inc. (to present) Executive Officer & Vice President, Chief Operating Officer, General Manager of the Growth Strategy General Headquarters & General Manager of the Corporate Planning Headquarters, Pasona Group Inc. (to present)	(Note 3)	44,700

Executive Officer & Vice President, General Manager of the Pasona Way General Headquarters, responsible for the Social Contribution Department	Junko Fukasawa	May 28, 1953	Apr. 1974 Jul. 1978 Sep. 1981 Jan. 1990 Jun. 2000 Apr. 2003 Dec. 2007 Jun. 2015 Jun. 2017 Aug. 2017 Aug. 2018 Aug. 2024	Joined Mitsui Toatsu Chemicals Inc. (currently Mitsui Chemicals, Inc.) Joined DENTSU INC (currently Dentsu Group Inc.) Joined Temporary Center Inc. (currently Nambu Enterprise Inc.) Director, General Manager of the Public Relations Department, Temporary Center Inc. Senior Managing Executive Officer, General Manager of the Human Resources & Planning Headquarters, Pasona Inc. President & COO, Pasona Heartful Inc. (to present) Senior Managing Director, responsible for the Human Resources Division, Public Relations and Advertising Department, General Manager of the Social Contribution Department, Pasona Group Inc. Senior Managing Director, General Manager of the Human Resources & Planning Headquarters, responsible for the Social Contribution Department, Pasona Group Inc. Chairman & Director, Benefit One Inc. (to present) Executive Officer & Vice President, General Manager of the Human Resources & Planning Headquarters, responsible for the Social Contribution Department, Pasona Group Inc. 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 Pasona Way General Headquarters, responsible for the Social Contribution Department, Pasona Group Inc. (to present)	(Note 3)	195,600
Executive Officer & Vice President, General Manager of the NATUREVERSE General Headquarters,	Kinuko Yamamoto	Nov 5, 1955	Feb. 1979 Jan. 1990 Jun. 2000 Jun. 2005 Dec. 2007 Sep. 2012 Jun. 2015 Dec. 2016 Aug. 2017 Sep. 2018 Aug. 2024	Joined Man Power Center Inc. (currently Nambu Enterprise Inc.) Director, responsible for the Osaka Sales Headquarters, Man Power Center Inc. Managing Executive Officer, General Manager of the Employment Development Department, Pasona Inc. President & COO, Kansai Employment Creation Organization Inc. (currently Pasona Masters, Inc.) Executive Officer, responsible for Corporate Senior Managing Director, responsible for the New Business Development Division, Pasona Group Inc. President & COO, Pasona Furusato Incubation Inc. Senior Managing Director, General Manager of the New Business Development Headquarters, Pasona Group Inc. President & COO, Nijigennomori Inc. Executive Officer & Vice President, General Manager of the New Business Development Headquarters, General Manager of the Smart Life Initiative Headquarters, Pasona Group Inc. Executive Officer & Vice President, General Manager of the New Business Development Headquarters, Pasona Group Inc. (to present) Executive Officer & Vice President, General Manager of the NATUREVERSE General Headquarters, Pasona Group Inc. (to present)	(Note 3)	144,900
Managing Executive Officer & Director, General Manager of the International Business Headquarters & Deputy General Manager of the Corporate Planning Headquarters	Makiya Nambu	Jul 31, 1984	Apr. 2008 Jun. 2013 Sep. 2018 Dec. 2018 Sep. 2021 Aug. 2022	Joined Mitsubishi Corporation Joined Pasona Inc. Executive Officer, General Manager of the Global Business Division, Pasona Inc. General Manager of the International Business Division, Pasona Group Inc. (to present) Managing Executive Officer, General Manager of the Global Business Division, Pasona Inc Managing Director & the General Manager of the Global Business Division, Pasona Inc. (to present) Managing Executive Officer & Director, General Manager of the International Business Headquarters & Deputy General	(Note 3)	200

			Aug. 2024	Manager of the Corporate Planning Headquarters, Pasona Group Inc. (to present) Senior Managing Executive Officer, General Manager of the Global Business Division, Pasona Inc (to present)		
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 Director & Full-time Audit and Supervisory Committee Member, Pasona Group Inc. (to present)	(Note 4)	45,900
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)	16,200
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	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.	(Note 4)	13,100

			Aug. 2019	Outside Director and Audit and Supervisory Committee Member of the Company (to present)		
Outside Director (Audit and Supervisory Committee Member)	Ryohei Miyata	Jun 8, 1945	Apr. 1997 Apr. 2004 Dec. 2005 Feb. 2016 Apr. 2016 Jul. 2021 Aug. 2021 May 2022	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 of the Arts (to present) Guest Professor, Nagaoka Institute of Design (to present) 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)	(Note 4)	600
Outside Director (Audit and Supervisory Committee Member)	Yutaka Atomi	Dec 5, 1944	Apr. 1970 Jun. 1988 Jul. 1992 Oct. 1992 Apr. 2004 Apr. 2010 Apr. 2018 Jun. 2018 Apr. 2019 Jun. 2019 Jun. 2022 Jun. 2023 Aug. 2023	Intern Doctor, First Department of Surgery, Faculty of Medicine, University of Tokyo Visiting Researcher, Department of Surgery, University of California, San Francisco Lecturer, First Department of Surgery, Faculty of Medicine, University of Tokyo Professor, First Department of Surgery, Faculty of Medicine, Kyorin University Dean, Faculty of Medicine, Kyorin University President, Kyorin University President Emeritus, Kyorin University (to present) President, Pancreas Research Foundation of Japan President, International Medical Research Foundation (currently International Medical Research Foundation) (to present) External Audit & Supervisory Board Member, SANKI ENGINEERING CO., LTD. (to present) Outside Director, JCR Pharmaceuticals Co., Ltd. (to present) President, Japan China Medical Association (to present) President, Atomi Gakuen (to present) Outside Director and Audit and Supervisory Committee Member of the Company (to present)	(Note 4)	0
Total						15,224,400

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, 2024 and will expire at the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending May 31, 2025.

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, Audit Department, Group Internal Audit Department, 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 five members: one Full-time Internal Director and four External Directors. In addition, in order to enhance the effectiveness of audits by the Audit and Supervisory Committee, the Company has established an Audit Department (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 15 times during the year. The attendance status of each member is shown below.

Name	Number of meetings	Attendance
Kazufumi Nomura	15	15
Haruo Funaashi	15	15
Kazuo Furukawa	15	15
Ryohei Miyata	15	15
Yutaka Atomi	12	12

*Mr. Yutaka Atomi attended all of the 12 meetings of the Audit Committee held since his appointment on August 24, 2023.

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, Audit Department, and Group Internal Audit Department. 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 Audit Department (two staff members) and the Group Internal Audit Department (11 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 Department and the Internal Control 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 Audit Department and the General Manager of the Group Internal Audit Department, and separately hold a regular monthly information exchange meeting with the General Manager of the Audit Department and the General Manager of the Group Internal Audit Department. In addition, a regular information exchange meeting is held once a month with the General Manager of the Audit Department and the General Manager of the Group Internal Audit Department 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

17 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 14 certified public accountants and 24 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	80	0	68	2
Consolidated subsidiary	103	―	111	―
Total	183	0	180	2

Non-audit services of the Submitting Company in the previous consolidated fiscal year consisted of fees for attending Deloitte Tohmatsu School seminars.

Non-audit services of the Submitting Company in the current consolidated fiscal year consisted of advisory services related to compliance with the revised J-SOX standards.

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	2	―	2	―
Total	2	―	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 relating to the policy regarding the determination of the amount of compensation for officers, etc., and its calculation method

a. Executive Compensation Policy

We have established the following compensation policy for officers in harmony with our corporate philosophy of providing "Solutions to Society's Problems," which remains unchanged since the establishment of the Company, and according to the principles of the Corporate Governance Code.

(a) Basic policy

・Compensation should be at a level that ensures diversity on the board of directors and the hiring of global management personnel who have excellent traits and knowledge.

・The compensation system should contribute to the sustainable growth of Pasona Group and to the medium- to long-term enhancement of corporate value.

・The compensation determination process should be highly fair, transparent, and objective.

(b) Compensation Level Concept

・The compensation level should be benchmarked according to third-party compensation surveys of listed companies in Japan.
・The compensation level should be determined by taking into consideration the officer's position, responsibilities, and level of contribution to the Company and should be reviewed according to changes in the external environment and the officer's responsibilities, etc.

(c) Compensation System Concept
・The compensation system should consist of a basic compensation that is fixed and a performance-linked stock compensation aimed to motivate the officers to make greater contributions to the Company's medium- to long-term business performance and enhancement of corporate value.
・The linkage between the compensation for directors, etc., and the Company's business performance and shares should be clear for motivating the officers to make greater contributions to the Company's medium- to long-term business performance and enhancement of corporate value.

(d) Compensation Governance Concept
・Compensation for individual Company directors should be determined by the nomination and compensation committee, which consists of a majority of independent outside directors who meet the Company's independence criteria.

b. 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.

c. 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.

d. 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 regard to fixed remuneration for directors, in order to strengthen fairness, transparency, and objectivity, and to enhance corporate governance, the Company has resolved to delegate the determination of specific details of the amount of remuneration for each individual director to the Nomination and Compensation Committee, which is composed of a majority of independent outside directors who meet the Company's independence criteria. The content of its authority is matters related to individual fixed remuneration for non-audit committee members within the scope approved by the General Meeting of Shareholders, and the committee utilizes external objective data as necessary to make fair judgments. In addition, from the perspective of social compatibility and accountability to stakeholders, the Company discusses the disclosure of directors' remuneration, etc., and reports back to the Board of Directors as necessary. The Nominating and Compensation Committee is composed of three members, two of whom are outside directors and one of whom is an expert in the field, as determined by resolution of the Board of Directors.

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 Nomination and Compensation Committee mainly deliberates and reports to the Board of Directors on the following matters.

i) Matters related to the election and dismissal of Directors (matters to be resolved at the general meeting of shareholders)
ii) Matters concerning the selection and dismissal of Representative Directors
iii) Matters related to the selection and dismissal of Executive Directors
iv) Matters relating individual fixed compensation for Directors that are not Audit and Supervisory Committee Members

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 1, 2022: To determine the remuneration of Directors after the conclusion of the 15th Annual General Meeting of Shareholders
July 12, 2023: To determine the remuneration of Directors after the conclusion of the 16th 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, 2024		Year ending May 31, 2025 (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:

(millions of yen)

Indicators	Fiscal year ended May 31, 2024 Target	Fiscal year ended May 31. 2024 Actual (before subtraction)	Reference: Fiscal year ending May 31, 2025 Target
Consolidated operating profit	16,000	6,794	5,000
Profit attributable to owners of the parent	5,000	95,891	1,300

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)	275	275	—	5
Directors serving as Audit and Supervisory Committee Members (excluding Outside Directors)	16	16	—	1
Outside Officers	45	45	—	4

Note 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 five (including four 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 five Directors that are Audit and Supervisory Committee Members (including four 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	180	Representative Director	Submitting company	126	—
		Representative Director	Pasona Inc.	54	—

(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	12	722
Stocks other than unlisted stocks	2	3

(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	160	Collaboration and creation of business synergies through alliances with portfolio companies, etc.
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.,Ltd.	300	300	(Purpose of holding) Business research and information gathering (Note)	None
	2	1		
PERSOL HOLDINGS CO.,LTD.	3,000	300	(Purpose of holding) Business research and information gathering (Note) A 10-for-1 stock split of shares of common stock with a record date of September 30, 2023.	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 Pasona Inc.
Of the Company and its consolidated subsidiaries, Pasona Inc. (hereinafter referred to as "Pasona") has the second-largest balance sheet value of investment shares after the largest holding company. The following is a summary of Pasona Inc.

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.
Pasona will hold investment shares for purposes other than pure investment when it is able to judge that it can obtain business benefits, such as increased transactions, while promoting the optimal and efficient building of the company's business from a medium- to long-term perspective and strengthening and maintaining relationships of trust with customers and business partners.
In the case of holding investment shares for purposes other than pure investment (but limited to listed shares), the Company’s Board of Directors will determine the appropriateness of continuing to hold such shares after verifying that these purposes have been achieved and that business benefits have been obtained. If the Board determines that holding these shares is no longer reasonable, the shares will be sold.
In exercising voting rights for shares held, we will exercise our voting rights appropriately after determining whether the proposals are in line with the Group's holding policy, as well as whether they contribute to the development of the issuing company and the improvement of shareholder returns and the interests of the Group's shareholders and investors.

(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	2	82
Shares other than unlisted shares	1	272

(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	—	—
Shares other than unlisted shares	1	0

(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 fiscal year Number of shares Amount reported in the balance sheet (millions of yen)	Previous fiscal year Number of shares Amount reported in the balance sheet (millions of yen)	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
Prestige International Inc.	416,000 272	416,000 255	(Purpose of holding shares) Business research and information gathering. We also expect to develop optimal and efficient BPO services through business collaboration in business areas that are in close proximity to the company's BPO business, and to achieve business results in terms of sales. (Outline of business alliance, etc.) Outsourcing, etc., for optimal and efficient operation and implementation of BPO services. (Quantitative effect of holding) The business results for each fiscal year in BPO services and future prospects are verified to determine the reasonableness of holding the company.	No

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, 2023 to May 31, 2024) and the business year (June 1, 2023 to May 31, 2024) 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, 2023)	Current consolidated FY (May 31, 2024)
Assets		
Current assets		
Cash and deposits	*1 123,067	*1 192,281
Notes and accounts receivable – trade Note	*2 73	*2 182
Accounts receivable - trade	*2 40,973	*2 33,594
Contract assets	11,577	9,678
Inventories	*3 3,365	*3 1,781
Income taxes receivable	2,693	1,231
Other	12,643	4,951
Allowance for doubtful accounts	(121)	(63)
Total current assets	194,275	243,637
Non-current assets		
Property, plants, and equipment		
Buildings	*4.5 23,179	*4.5 16,767
Accumulated depreciation	(7,798)	(7,924)
Buildings (net)	15,381	8,843
Structures	4,894	2,214
Accumulated depreciation	(1,083)	(1,221)
Structures (net)	3,810	993
Land	*5 8,063	*5 8,021
Leased assets	2,306	1,521
Accumulated depreciation	(1,171)	(634)
Leased assets (net)	1,134	886
Construction in progress	3,353	15,331
Other	*4 8,109	*4 7,157
Accumulated depreciation	(6,127)	(5,766)
Other (net)	1,981	1,391
Total property, plants, and equipment	33,725	35,467
Intangible assets		
Goodwill	7,353	842
Software	*4 10,027	3,121
Leased assets	7	18
Customer relationship asset	9,067	921
Other	126	107
Total intangible assets	26,582	5,011
Investments and other assets		
Investment securities	*6 6,586	*6 3,288
Long-term loans receivable	34	33
Assets for retirement benefits	2,245	3,165
Deferred tax assets	2,909	1,640
Lease and guarantee deposits	7,773	7,328
Other	1,248	1,417
Allowance for doubtful accounts	(7)	(10)
Total investments and other assets	20,791	16,862
Total non-current assets	81,099	57,341
Deferred assets		

(Millions of yen)

	Previous consolidated FY (May 31, 2023)	Current consolidated FY (May 31, 2024)
Bond issuance costs	130	111
Total deferred assets	130	111
Total assets	275,504	301,090

(Millions of yen)

	Previous consolidated FY (May 31, 2023)	Current consolidated FY (May 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	7,427	3,423
Short-term borrowings	*5 10,296	*5 9,263
Lease obligations	383	342
Accounts payable - other	10,334	6,333
Accrued expenses	17,009	16,756
Income taxes payable	3,061	1,138
Accrued consumption tax	4,482	3,033
Contract liabilities	7,488	2,111
Deposits received	*1 78,690	*1 56,374
Provision for employee’s bonuses	4,667	4,205
Provision for Directors’ bonuses	26	13
Assets retirement obligations	17	98
Other	897	793
Total current liabilities	144,783	103,889
Non-current liabilities		
Bonds payable	3,224	2,630
Long-term borrowings	*5 43,505	*5 29,427
Lease obligations	924	678
Provision for share awards for Directors (and other Officers)	600	418
Provision for employee stock ownership plan	566	281
Liabilities for retirement benefits	2,409	2,407
Deferred tax liabilities	2,366	1,320
Asset retirement obligations	2,554	2,326
Other	2,945	3,048
Total non-current liabilities	59,096	42,539
Total liabilities	203,880	146,428
Net assets		
Shareholders’ equity		
Share capital	5,000	5,000
Capital surplus	17,094	17,495
Retained earnings	32,941	127,449
Treasury shares	(2,378)	(2,685)
Total shareholders’ equity	52,658	147,260
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	853	121
Foreign currency translation adjustment	348	604
Accumulated retirement benefit adjustments	138	501
Total accumulated other comprehensive income	1,340	1,228
Share warrant	2	2
Non-controlling interests	17,622	6,171
Total net assets	71,624	154,661
Total liabilities and net assets	275,504	301,090

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

Consolidated profit & loss statement

(Millions of yen)

	Previous consolidated FY (June 1, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to March 31, 2024)
Sales	*1 372,579	*1 356,733
Cost of sales	281,053	271,907
Gross profit	91,525	84,825
Selling, general, and administrative expenses	*2 77,148	*2 78,030
Operating profit	14,377	6,794
Non-operating profit		
Interest income	41	43
Share of profit of entities accounted for using equity method	153	131
Sponsorship money income	100	83
Subsidy income	968	523
Other	525	363
Total non-operating profit	1,788	1,145
Non-operating expenses		
Interest expenses	393	439
Commitment fee	60	64
Other	344	283
Total non-operating expenses	798	787
Ordinary profit	15,366	7,152
Extraordinary profit		
Gain on sales of non-current assets	*3 33	*3 2
Gain on sales of investment securities	1,267	0
Gain on sales of shares of subsidiaries and associates	17	112,040
Gain on change in equity	213	17
Total extraordinary profit	1,530	112,060
Extraordinary losses		
Loss on retirement of non-current assets	*4 131	*4 299
Impairment loss	—	*5 10,811
Loss on sales of investment securities	—	685
Cost on sale of shares of subsidiaries and associates	—	1,164
Total extraordinary losses	131	12,961
Profit before income taxes	16,766	106,251
Income taxes - current	7,508	4,926
Income taxes - deferred	(1,450)	1,886
Total income taxes	6,058	6,813
Profit	10,707	99,438
Profit attributable to non-controlling interests	4,608	3,547
Profit income attributable to owners of parent	6,099	95,891

Consolidated statement of comprehensive income

	Previous consolidated FY (June 1, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
		(Millions of yen)
Profit	10,707	99,438
Other comprehensive income		
Valuation difference on available-for-sale securities	(534)	(725)
Foreign currency translation adjustment	162	274
Adjustment for retirement benefits	132	364
Share of other comprehensive income of affiliates accounted for by the equity method	0	0
Total other comprehensive income	*1 (239)	*1 (86)
Comprehensive income	10,468	99,351
(Breakdown)		
Comprehensive income attributable to owners of parent	6,099	95,779
Comprehensive income attributable to non-controlling interests	4,368	3,572

(iii) Consolidated statements of changes in net assets

Previous consolidated FY (June 1, 2022 to May 31, 2023)

(Millions of yen)

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

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,131	197	10	1,339	4	17,155	67,146
Changes during period							
Dividends of surplus				―			(1,396)
Profit attributable to owners of parent				―			6,099
Purchase of treasury stock				―			(0)
Disposal of treasury stock by stock payment trust				―			0
Change in ownership interest of parent due to transaction with non-controlling interests				―			(688)
Capital increase of consolidated subsidiaries				―			(3)
Net changes in items other than shareholders' equity	(278)	150	127	0	(1)	467	465
Total changes during period	(278)	150	127	0	(1)	467	4,477
Balance at end of period	853	348	138	1,340	2	17,622	71,624

Current consolidated FY (June 1, 2023 to May 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,000	17,094	32,941	(2,378)	52,658
Changes during period					
Dividends of surplus			(1,396)		(1,396)
Profit attributable to owners of parent			95,891		95,891
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		318		279	597
Treasury shares possession of stock ownership plan trust				(597)	(597)
Disposal of treasury shares by stock benefit trust				11	11
Change in scope of consolidation			12		12
Change in ownership interest of parent due to transactions with non-controlling shareholders		82			82
Capital increase of consolidated subsidiaries		(0)			(0)
Net changes in items other than shareholders' equity					―
Total changes during period	―	401	94,507	(306)	94,601
Balance at end of period	5,000	17,495	127,449	(2,685)	147,260

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	853	348	138	1,340	2	17,622	71,624
Changes during period							
Dividends of surplus				―			(1,396)
Profit attributable to owners of parent				―			95,891
Purchase of treasury shares				―			(0)
Disposal of treasury shares				―			597
Treasury shares possession of stock ownership plan trust				―			(597)
Disposal of treasury shares by stock benefit trust				―			11
Change in scope of consolidation				―			12
Changes in the parent company's interest in transactions with non-controlling shareholders				―			82
Capital increase of consolidated subsidiaries				―			(0)
Net changes in items other than shareholders' equity	(731)	255	363	(112)	(0)	(11,451)	(11,564)
Total changes during period	(731)	255	363	(112)	(0)	(11,451)	83,037
Balance at end of period	121	604	501	1,228	2	6,171	154,661

(iv) Consolidated statements of cash flows

(Millions of yen)

	Previous consolidated FY (June 1, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Cash flows from operating activities		
Profit before income taxes	16,766	106,251
Depreciation	5,126	5,569
Impairment loss	—	10,811
Amortization of goodwill	721	750
Increase (decrease) in allowance for doubtful accounts () indicates decrease	62	53
Increase (decrease) in provision for bonuses () indicates decrease	(96)	(479)
Increase (decrease) in retirement benefit liability () indicates decrease	(0)	(4)
Decrease (increase) in retirement benefit asset () indicates increase	(120)	(369)
Increase (decrease) in provision for share awards for directors (and other officers) () indicates decrease	2	—
Increase (decrease) in provision for employees stock ownership plan trust () indicates decrease	(5)	(25)
Interest and dividends income	(82)	(85)
Interest expenses	393	439
Subsidy income	(968)	(523)
Sponsorship income	(100)	(83)
Share of loss (profit) of entities accounted for using equity method () indicates decrease	(153)	(131)
Costs related on sales of shares of subsidiaries and associates	—	1,164
Loss on sales and retirement of non－current assets () indicates decrease	97	297
Loss (gain) on sales of investment securities () indicates gain	(1,267)	(0)
Loss (gain) on valuation of investment securities () indicates gain	—	685
Loss (gain) on sale of shares of subsidiaries and associates () indicates gain	(17)	(112,040)
Decrease (increase) in accounts receivable－trade and contract assets () indicates increase	(1,188)	4,177
Decrease (increase) in inventories () indicates increase	199	(567)
Decrease (increase) in other assets () indicates increase	(3,023)	(1,267)
Increase (decrease) in trade payable () indicates decrease	(901)	(932)
Increase (decrease) in accrued consumption taxes () indicates decrease	39	(960)
Increase (decrease) in deposits received () indicates decrease	1,061	(1,281)
Increase (decrease) in other liabilities () indicates decrease	1,717	21
Other, net	(161)	(2)
Subtotal	18,102	11,468
Interest and dividends received	98	103
Interest paid	(374)	(445)
Subsidy received	968	723
Support money received	100	83
Income taxes paid	(12,932)	(4,535)
Net cash provided by (used in) operating activities	5,961	7,397

(Millions of yen)

	Previous consolidated FY (June 1, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Cash flows from investment activities		
Decrease (increase) in time deposits	(21)	60
Purchase of property, plants, and equipment	(9,029)	(15,244)
Proceeds from sales of property, plants, and equipment	99	5
Purchase of intangible assets	(4,591)	(4,905)
Purchase of investment securities	(595)	(417)
Proceeds from sales of investment securities	1,790	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,268)	–
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	–	*2 115,228
Loans advances	(10)	(6)
Proceeds from collection of loans receivable	20	8
Payments of leasehold and guarantee deposits	(638)	(815)
Proceeds from refund of leasehold and guarantee deposits	1,962	642
Payments for asset retirement obligation	(79)	(49)
Payments for acquisition of business	–	(207)
Other, net	(140)	(47)
Net cash used in investment activities	(12,502)	94,252
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings () indicates decrease	(14)	153
Proceeds from long-term borrowings	15,727	2,500
Repayments of long-term borrowings	(10,339)	(10,325)
Repayments of finance lease liabilities	(448)	(446)
Redemption of bonds	(586)	(586)
Proceeds from share issuance to non-controlling shareholders	201	559
Purchase of treasury shares	(0)	(597)
Proceeds from disposal of treasury shares	–	597
Purchase of treasury shares of subsidiaries	(1,506)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(162)	(164)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	5	–
Dividends paid	(1,392)	(1,392)
Dividends paid to non-controlling interests	(3,776)	(3,176)
Net cash provided by (used in) financing activities	(2,292)	(12,879)
Effect of exchange rate change on cash and cash equivalents	174	298
Net increase (decrease) in cash and cash equivalents (△ indicates a decrease.)	(8,658)	89,068
Cash and cash equivalents at beginning of period	56,578	47,919
Increase in cash and cash equivalents resulting from inclusion of subsidiaries from consolidation	–	59
Cash and cash equivalents at end of period	*1 47,919	*1 137,047

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

59 companies

(ii) Names of major consolidated subsidiaries

Pasona Inc.
Bewith, Inc.
Pasona Nihon Somubu Co., Ltd. (Note 1)
Nijigennomori Inc.

(iii) Newly consolidated subsidiaries

3 companies

Establishment:
Japanese Kosyukura Inc.

Share acquisition:
TECHNORESEARCH CO., LTD.

Change from non-consolidated subsidiary
Pasona Force Inc. (Note 2)

(iv) Subsidiaries excluded from consolidation

13 companies

CAPLAN Corporation (Note 3)
Pasona Japan Creative University Inc. (Note 4)
Benefit One Deutchland Gmbh (Note 5)
Benefit One Inc. and its subsidiaries (Note 6)

Note 1: The trade name was changed from Pasona Panasonic Business Service Co., Ltd.
Note 2: Transferred from a non-consolidated subsidiary due to increase in materiality.
Note 3: Merged with Pasona HR Solution Inc., a consolidated subsidiary of the Company, and was dissolved
Note 4: Merged with Pasona HR HUB Inc., a consolidated subsidiary of the Company, and was dissolved
Note 5:.Excluded from the scope of consolidation due to completion of liquidation
Note 6: Benefit One Inc. and its nine subsidiaries were excluded from the scope of consolidation due to the sale of all shares of Benefit One Inc.

(2) Non-consolidated subsidiaries

(i) Number of non-consolidated subsidiaries

4 companies

(ii) Names of major non-consolidated subsidiaries

Tangokura 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

5 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) New affiliated companies that are accounted for by the equity method

1 company

Share acquisition Shadow Consulting Inc. (Note 1)

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

1 company

Trust Co., Ltd. (Note 2)

Note 1: The Company's subsidiary, Bewith, Inc. acquired new shares.

Note 2: As a result of the sale of all shares of Benefit One Inc., its affiliated company Trust Co., Ltd. were excluded from the scope of application of the equity method.

(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

5 companies

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

Tangokura 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 17 other companies is the same as the consolidated fiscal year end. The fiscal year end of Pasona Human Resources (Shanghai) Co., Ltd., PT. Dutagriya Sarana 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 "(1) Notes to Consolidated Financial Statements (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 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 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.

(Material accounting estimates)

1. Valuation of non-current assets belonging to the Regional Revitalization Solutions 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, 2023)	Current consolidated FY (May 31, 2024)
Property, plants, and equipment	Buildings (net)	7,996	2,123
	Structures (net)	3,579	619
	Land	183	29
	Leased assets (net)	165	151
	Construction in progress	140	5,811
	Other (net)	909	300
Total property, plants, and equipment		12,974	9,035
Intangible assets	Software	400	220
	Leased assets	0	0
	Other	5	1
Total intangible assets		405	221
Investments and other assets	Other	86	376
Total investments and other assets		86	376
Total non-current assets		13,466	9,633
Impairment loss		―	9,977

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

Of the total ¥41,677 million in property, plant and equipment, intangible assets, etc. recorded in the consolidated financial statements for the current fiscal year, ¥9,633 million are fixed assets related to several commercial facility management businesses that belong to the Regional Revitalization Solutions segment, and impairment losses of ¥9,977 million were recorded in the current consolidated fiscal year. The main circumstances that led to the impairment loss are described in “(1) Notes to Consolidated Financial Statements (Consolidated Statements of Income)” .

For the Regional Revitalization Solutions segment, each commercial facility is primarily considered as an asset grouping unit. This segment recorded an operating loss of ¥2,588 million for the fiscal year ended May 31, 2024, and the Company has identified signs of impairment for certain asset groups. In determining whether to recognize impairment losses on fixed assets, undiscounted future cash flows are calculated based on the business plan for each cash-generating unit approved by management.

For the Regional Revitalization Solutions segment, each commercial facility is primarily considered as an asset grouping unit. This segment recorded an operating loss of ¥2,588 million for the consolidated fiscal year ended May 31, 2024, and the Company has identified signs of impairment for certain asset groups. In determining whether to recognize impairment losses on fixed assets, undiscounted future cash flows are calculated based on the business plan for each cash-generating unit approved by management.

An important assumption in estimating undiscounted future cash flows is growth driven by an increase in the number of users as outlined 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 upfront expenses during the period after the opening of a commercial facility until the number of users reaches a certain level. In addition, the number of users may fall below projections due to weather, disasters, or other factors, or if measures to increase the appeal of the service to users are inadequate or if users are not highly satisfied with the service.

In this segment, which includes the food and beverage, amusement, and lodging businesses, the Group has been aggressively opening new facilities in anticipation of a post-COVID-19 world. During the period under review, while inbound marketing was successful and some facilities saw an increase in the number of visitors due to foreign visitors to Japan, the growth in the number of domestic visitors slowed down, partly due to the dispersion of tourist destinations. The accounting estimates for impairment of fixed assets, etc., are based on the current business conditions and on

information available at the time of preparation of the consolidated financial statements. Thus, they are subject to the following factors: an increase in the number of customers due to the repeat business of domestic travelers, a further increase in overseas tourists, and the expected spillover effects and synergies from the World Expo 2025 Osaka, Kansai, at which we will have a pavilion. On the other hand, the estimate reflects an increase in the cost of sales ratio due to a sharp rise in raw material costs and an increase in personnel expenses due to improved compensation.
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 fiscal year.

(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.

(Change in Presentation Method)

[(Matters related to the consolidated profit & loss statement)]

"Real estate rent" and "Rent estate rental expenses," which were separately presented in the consolidated profit and loss statement in the previous fiscal year, are included in "Other" under "Non-operating profit" and "Other" under "Non-operating expenses," respectively, in the current fiscal year, because the amounts are insignificant.
In addition, "Sponsorship income," which was included in "Other" under "Non-operating profit" in the previous fiscal year, is presented as a separate line item in the current fiscal year due to its increased importance in terms of amount.
The consolidated financial statements for the previous fiscal year have been reclassified to reflect these methods of presentation.
As a result of the above, "Real estate rent" of ¥185 million and "Other" of ¥440 million in "Non-operating profit" in the consolidated profit and loss statement for the previous fiscal year have been reclassified as "Sponsorship income" of ¥100 million and "Other" of ¥525 million, and "Real estate rental expenses" of ¥141 million and "Other" of ¥203 million in "Non-operating expenses" have been reclassified as "Other" of ¥344 million.

(Related to the consolidated cash flows)

"Costs related to sales of shares of subsidiaries and associates," which was included in "Other" under "Cash flows from operating activities" in the previous fiscal year, is presented as a separate line item in the current fiscal year because it has become significant in terms of amount.
In addition, "Sponsorship income" and "Support money received," which were included in "Cash flows from operating activities" in the consolidated statements of cash flows in the previous fiscal year, are separately presented in the current fiscal year due to their increased monetary importance.
The consolidated statements of cash flows for the previous fiscal year have been reclassified to reflect these presentation methods.
As a result of the above, in the consolidated statements of cash flows for the previous fiscal year, "Other" of ¥(178) million in "Cash flows from operating activities" was reclassified as "Costs related to sales of shares of subsidiaries and associates" of ¥(17) million and "Other" of ¥(161) million, and "Sponsorship income" of ¥(100) million and "Support money received" of ¥(100) million were separately presented.

(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 ¥842 million and 601,862 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 ¥666 million and 464,274 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.

(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, 2023)	Current consolidated FY (May 31, 2024)
Deposits received	74,869	54,975

*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, 2023)	Current consolidated FY (May 31, 2024)
Merchandise	2,539	1,104
Supplies	300	298
Work in process	79	69
Finished goods	93	93
Raw materials	351	215

*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, 2023)	Current consolidated FY (May 31, 2024)
Amount of reduction entry	57	26
(Of which, buildings)	8	7
(Of which, other property, plants, and equipment)	49	19
(Of which, software)	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, 2023)	Current consolidated FY (May 31, 2024)
Buildings	474	0
Land	25	0
Total	499	0

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

	Previous consolidated FY (May 31, 2023)	Current consolidated FY (May 31, 2024)
Short-term borrowings	90	90
Long-term borrowings	1,305	1,215
Total	1,395	1,305

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

	Previous consolidated FY (May 31, 2023)	Current consolidated FY (May 31, 2024)
Investment securities (stocks)	1,528	1,731

(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:

(Millions of yen)

	Previous consolidated FY (June 1, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Salaries and bonuses	30,426	32,791
Provision for employee bonuses	3,031	2,189
Provision for Director bonuses	26	13
Retirement payments	607	428
Provision for share awards for Directors (and other Officers)	2	—
Provision for employee stock ownership plans	23	(1)
Rent expenses on land and buildings	6,308	5,625
Depreciation	2,872	2,442
Allowance for doubtful accounts	35	41
Amortization of goodwill	721	750

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

	Previous consolidated FY (June 1, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Gain on sales	33	2
Land	27	—
Other property, plants, and equipment	6	2

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

	Previous consolidated FY (June 1, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Loss on disposal	131	299
Buildings	79	139
Other property, plants, and equipment	39	38
Software	12	121
Loss on sales	0	0
Other property, plants, and equipment	0	0

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

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

Not applicable.

Current consolidated fiscal year (June 1, 2023 to May 31, 2024)

(1)Summary of major asset groups that recognized impairment losses

Location	Usage	Type
Awaji City, Hyogo	Commercial and business assets	Buildings and structures, etc.
Kadoma City, Osaka	Commercial assets	Buildings and software, etc.
Osaka City, Osaka	Business assets	Goodwill

(2(Main reasons for the impairment loss

As a result of reviewing future business plans for some of the commercial and business assets, the recoverable amount fell below the book value, and the entire book value was recorded as an impairment loss. In addition, for some consolidated subsidiaries, the book value of goodwill generated at the time of acquisition of subsidiaries was reduced to the recoverable amount because it became difficult to achieve the initial business plans and as the recoverable amount was lower than the book value. The amount of this reduction was recorded as an impairment loss.

(3)Amount of impairment loss

(Millions of yen)

Type	Amount
Buildings	6,188
Structure	2,955
Tools, furniture, and fixtures	465
Land	224
Goodwill	721
Other assets	256

(Note) “Tools, furniture and fixtures” are included in “Other” under tangible fixed assets in the consolidated balance sheets.

(4)Asset grouping method

In principle, the Group groups assets as the smallest unit that generates independent cash flow, mainly corporations as the basic unit, but in some cases, facilities are grouped as the basic unit.

(5)Calculation method of recoverable amount

The recoverable amount of the above asset groups is measured by value in use or net realizable value. The value in use is calculated based on future cash flows (discount rate of 4.50% to 8.49%) and is assumed to be zero for those for which no future cash flows are expected. Net realizable value is calculated based on the assessed value of fixed assets for property tax purposes.

(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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Valuation difference on available-for-sale securities		
Amount generated in the period	(58)	(993)
Amount of reclassification adjustment	(711)	(363)
Before tax effect adjustment	(769)	(1,357)
Tax effect amount	235	631
Valuation difference on available-or-sale securities	(534)	(725)
Foreign currency translation adjustment		
Amount generated in the period	162	279
Amount of reclassification adjustment	—	(5)
Before tax effect adjustment	162	274
Tax effect amount	—	—
Foreign currency translation adjustment	162	274
Adjustment for retirement benefits		
Amount generated in the period	208	756
Amount of reclassification adjustment	(2)	(208)
Before tax effect adjustment	205	547
Tax effect amount	(73)	(183)
Adjustment for retirement benefits	132	364
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount generated in the period	0	0
Total other comprehensive income	(239)	(86)

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

Previous 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

Class of 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 To be issued	Number of shares to be issued (shares)				Balance at the end of current consolidated fiscal year (Millions of yen)
			Beginning of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year	
Reporting Company	—	—	—	—	—	—	—
Consolidated subsidiaries	Stock acquisition rights as stock options	—	—	—	—	—	2
Total			—	—	—	—	2

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, 2022 Board of Directors	Common shares	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.

(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 14, 2023 Board of Directors	Common shares	Retained earnings	1,396	35.0	May 31, 2023	August 10, 2023

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).

Current consolidated fiscal year (June 1, 2023 to May 31, 2024)

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)	2,515,520	354,080	364,240	2,505,360

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 297,514 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 601,862 shares of the Company held by trust banks based on the Board Benefit Trust (BBT) and 464,274 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 3: Of the 354,080 shares increase in the number of treasury stock (common stock), 354,000 shares represent an increase in shares held by the Stock Benefit Trust (BBT) and the Stock Benefit Trust (J-ESOP) due to additional contributions to the BBT and J-ESOP, and 80 shares are due to the purchase of odd-lot shares.

Note 4: Of the 364,240 shares decrease in the number of treasury stock (common stock), 354,000 shares were due to additional contributions to the stock benefit trust (BBT) and the stock benefit trust (J-ESOP), and 10,240 shares were due to transfers from 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 (Millions of yen)
			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
Total			―	―	―	―	2

4. Matters regarding dividends

(1) Dividend payment amount

Resolution	Class of shares	Total amount of dividend	Dividend per share	Reference date	Effective date
July 14, 2023 Board of Directors	Common shares	¥1,396 million	¥35.0	May 31, 2023	Aug 10, 2023

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).

(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 12, 2024 Board of Directors	Common shares	Retained earnings	¥3,018 million	¥75.0	May 31,2024	Aug 8, 2024

Note 1: The total amount of dividend includes a total dividend of ¥79 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: The dividend per share includes a special dividend of ¥60 per share.

(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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Cash and deposits	123,067	192,281
Time deposits with a deposit term exceeding three months	(277)	(259)
Account dedicated to insurance agencies	(1)	—
Deposits from customers	(74,869)	(54,975)
Cash and cash equivalents	47,919	137,047

*2: Major breakdown of assets and liabilities of the company that ceased to be consolidated as a result of the sale of shares.

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

Not applicable.

Current consolidated fiscal year (June 1, 2023 to May 31, 2024)

The breakdown of assets and liabilities of Benefit One Inc. and its subsidiaries and others at the time of sale, as well as the sale price of the shares and the proceeds from the sale (net amount), are as follows.

(Millions of yen)

Current assets	24,142
Non-current assets	26,444
Current liabilities	(16,870)
Non-current liabilities	(9,385)
Net unrealized gains on available-for-sale securities	(547)
Foreign currency translation adjustments	(9)
Non-controlling interest	(11,887)
Gain on sales of shares	112,040
Sale value of shares	123,927
Incidental expenses on sale of shares	(223)
Cash and cash equivalents	(8,474)
Difference: Proceeds from sales	115,228

(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 "(1) Notes to Consolidated Financial Statements (Basis of Presenting Consolidated Financial Statements) 4. Matters Related to Accounting Policies (2) Depreciation Methods for Significant Depreciable Assets" .

2. Operating lease transactions (lessee side)

Future lease payments in non-cancelable operating lease transactions

(Millions of yen)

	Previous consolidated FY (May 31, 2023)	Current consolidated FY (May 31, 2024)
Within one year	3,967	4,171
Over one year	14,900	11,618
Total	18,868	15,789

(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.

Certain investment securities are exposed to market price fluctuation risk.

Certain “Investment securities” securities 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, 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.

(Millions of yen)

Category	Consolidated balance sheet amount
Unlisted stocks	3,207

*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.

Current consolidated FY (May 31, 2024)

(Millions of yen)

	Amount recorded in the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Investment securities	299	299	—
Lease and guarantee deposits	7,328	7,005	(323)
Total assets	7,628	7,305	(323)
Bonds payable	3,224	3,114	(109)
Long-term borrowings	29,427	28,428	(999)
Lease obligations	1,020	988	(32)
Total liabilities	33,672	32,530	(1,142)
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.

(Millions of yen)

Category	Consolidated balance sheet amount
Unlisted shares	2,825

*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 ¥162 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, 2023)

(Millions of yen)

Subject	Within 1 year	Over 1 year and within 5 years	Over 5 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

Current consolidated FY (May 31, 2024)

(Millions of yen)

Subject	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash and deposits	192,281	—	—	—
Notes	182	—	—	—
Accounts receivable - trade	33,594	—	—	—
Lease and guarantee deposits	2,191	857	4,016	262
Total	228,250	857	4,016	262

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, 2023)

(Millions of yen)

Subject	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 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

Current consolidated FY (May 31, 2024)

(Millions of yen)

Subject	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term borrowings	192	—	—	—	—	—
Bonds paid	594	530	530	530	530	510
Long-term Borrowings	9,071	5,744	4,967	5,453	4,918	8,343
Lease obligations	342	252	175	208	11	30
Total	10,200	6,527	5,673	6,191	5,460	8,883

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, 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

Current fiscal year (May 31, 2024)

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	299	—	—	299
Total assets	299	—	—	299

(2) Financial assets and liabilities that do not have fair value on the consolidated balance sheet

Previous 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

Current fiscal year (May 31, 2024)

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	*Total*
Lease and guarantee deposits	—	7,005	—	7,005
Total assets	—	7,005	—	7,005
Bonds payable	—	3,114	—	3,114
Long-term borrowings	—	28,428	—	28,428
Lease obligations	—	988	—	988
Total liabilities	—	32,530	—	32,530

(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.

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, 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.

Current consolidated FY (May 31, 2024) (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	299	117	182
	Subtotal	299	117	182
Securities of which the amount reported in the consolidated balance sheet does not exceed the acquisition cost	Stock	—	—	—
	Subtotal	—	—	—
Total		299	117	182

Note: Unlisted stocks (consolidated balance sheet amount: ¥2,825 million) and investments in investment limited partnerships (consolidated balance sheet amount: ¥162 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, 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	—

Current consolidated fiscal year (From June 1, 2023 to May 31, 2024)

(Millions of yen)

Category	Amount of sale	Total gain on sale	Total loss on sale
Stock	0	0	—
Total	0	0	—

3. Securities for which impairment losses were recognized

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

Not applicable.

Current consolidated fiscal year (From June 1, 2023 to May 31, 2024)

Impairment loss of ¥685 million (¥685 million for other securities) was recognized in the current fiscal year.

(Matters related to derivatives transactions)

1. Derivatives transactions for which hedge accounting is applied

(1) Interest rate related

Previous consolidated fiscal year (May 31, 2023)

(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	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.

Current consolidated fiscal year (May 31, 2024)

(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	―	(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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Balance of retirement benefit obligation at beginning of period	5,829	6,004
Service cost	695	704
Interest expense	30	41
Actuarial gains (losses)	(162)	(259)
Retirement benefits paid	(390)	(590)
Other	2	10
Balance of retirement benefit obligation at end of period	6,004	5,910

(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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Balance of pension assets at the beginning of the period	6,520	6,877
Expected return on assets	104	110
Actuarial gains (losses)	46	497
Contribution from employer	442	458
Payment of retirement benefits	(236)	(382)
Other	1	0
Balance of retirement benefit obligation at end of period	6,877	7,560

(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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Balance of liabilities for retirement benefits at the beginning of the period	1,048	1,036
Increase due to acquisition of newly consolidated subsidiaries	127	—
Retirement benefit expenses	107	81
Retirement benefit payments	(145)	(114)
Contributions to the plan	(111)	(115)
Other	10	5
Balance of liabilities for retirement benefits at end of period	1,036	893

(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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Benefit obligation of funded plans	5,830	5,605
Pension assets	7,821	8,637
	(1,990)	(3,032)
Benefit obligation of non-funded plans	2,154	2,275
Net liabilities and assets recorded in the consolidated balance sheets	163	(757)
Liabilities for retirement benefits	2,409	2,407
Assets related to retirement benefits	2,245	3,165
Net liabilities and assets on consolidated balance sheets	163	(757)

(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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Service cost	695	704
Interest expense	30	41
Expected investment income	(104)	(110)
Amortization of actuarial gains and losses	(2)	(208)
Retirement benefit expenses calculated by the simplified method	107	81
Other	(89)	(90)
Net periodic benefit cost for defined benefit plans	637	418

(6) Adjustment for retirement benefits

Items recorded in adjustments to retirement benefits (before tax effect deductions)

(Millions of yen)

	Previous consolidated FY (June 1, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Actuarial gains and losses	205	547
Total	205	547

(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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Unrecognized actuarial gains and losses	208	756
Total	208	756

(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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Securities	42%	39%
Shares	38%	41%
Cash and deposits	6%	7%
General account	9%	8%
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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Discount rate	0.8%	1.5%
Long-term expected rate of return on assets	1.6%	1.6%
Expected rate of salary increase	1.4%	1.3%

3. Defined Contribution Plan

The required contribution to the defined contribution plan of the Company's consolidated subsidiaries was ¥323 million in the previous fiscal year and ¥368 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	734,200	141,400
Granted	—	—
Invalidation	—	—
Vesting	734,200	141,400
Unvested	—	—
Vested (shares)		
At the end of the previous fiscal year	—	—
Vested	734,200	141,400
Exercised	171,000	19,000
Invalidation	—	—
Unexercised balance	563,200	122,400

(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)	2,181	2,294
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 the stock option grant, the fair value per unit intrinsic value of the stock options was used as the valuation unit price of the stock options. The DCF method was used as the valuation method for the company's stock, which is 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 ¥547 million

(2) Total intrinsic value of stock options exercised during the current consolidated fiscal year ¥214 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, 2023)	Current consolidated FY (May 31, 2024)
Deferred tax assets		
Tax loss carryforward (Note 2)	5,320	7,551
Depreciation and amortization	2,044	4,424
Provision for bonuses	1,597	1,446
Allowance for doubtful accounts	80	20
Liabilities for retirement benefits	677	492
Asset retirement obligations	845	740
Accrued business office tax	159	143
Accrued enterprise tax	333	124
Contract liabilities and points	247	—
Asset adjustment account	123	52
Provision for share awards for Directors (and other Officers)	204	144
Provision for employee stock ownership plan	158	71
Adjustment of book value of investments at subsidiaries	735	740
Free rent	820	998
Other	984	980
Subtotal of deferred tax assets	14,331	17,932
Valuation allowance		
Valuation allowance for losses carried forward for tax purposes (Note 2)	(5,250)	(7,419)
Valuation allowance for the total of deductible temporary difference, etc.	(2,584)	(7,445)
Subtotal of valuation allowance (Note 1)	(7,835)	(14,865)
Total deferred tax assets	6,496	3,067
Offset against deferred tax liabilities	(3,586)	(1,427)
Net deferred tax assets	2,909	1,640

(Deferred tax liabilities)

	Previous consolidated FY (May 31, 2023)	Current consolidated FY (May 31, 2024)
Valuation difference on available-for-sale securities	(656)	(61)
Asset for retirement benefits	(697)	(742)
Asset retirement obligations	(345)	(180)
Retained earnings of overseas subsidiaries	(170)	(195)
Customer relationship asset	(2,825)	(323)
Tax effect on sales of shares of subsidiaries and affiliates	(900)	(900)
other	(356)	(342)
Total deferred tax liabilities	(5,953)	(2,747)
Offset against deferred tax assets	3,586	1,427
Net deferred tax liabilities	(2,366)	(1,320)

Note 1: Valuation allowance increased by ¥7,029 million. The increase is mainly due to a review of the corporate classification of the group totaling corporations and an increase in the valuation allowance related to 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, 2023)

(Millions of yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 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.

Current consolidated fiscal year (May 31, 2024)

(Millions of yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Losses carried forward for tax purposes (a)	162	504	483	5	503	5,893	7,551
Valuation allowance	162	503	483	5	503	5,762	7,419
Deferred tax assets	—	0	—	—	—	131	(b) 132

(a) Losses carried forward for tax purposes represent the amount obtained by multiplying the normal effective statutory tax rate.

(b) Deferred tax assets of ¥132 million are recorded for losses carried forward for tax purposes of ¥7,551 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, 2023)	Current consolidated FY (May 31, 2024)
Statutory effective tax rate	30.62	30.62
(Adjustment)		
Entertainment expenses and other items not permanently deductible	1.65	0.47
Per capita inhabitant tax	1.64	0.26
Valuation allowance	1.64	7.87
Amortization of goodwill	0.88	0.17
Consolidation adjustment of gain on sales of subsidiaries and affiliates' stocks	—	2.97
Equity in earnings of affiliates	(0.50)	(0.03)
Dividend income and other items not permanently deductible included in income	(0.42)	(36.06)
Tax credits for wage increase and productivity improvement	(0.77)	(0.14)
Difference in tax rate used	2.77	0.09
Others	(1.37)	0.19
Effective income tax rate after application of tax effect accounting	36.14	6.41

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.

4. Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates

Following the enactment of the "Act for Partial Revision of the Local Tax Act, etc. (Act No. 4 of 2024)" by the Diet on March 28, 2024, the requirements for the application of pro forma standard taxation for corporate enterprise tax will be expanded for consolidated fiscal years beginning on or after April 1, 2026. As a result, for some consolidated subsidiaries, the effective statutory tax rates used to calculate deferred tax assets and deferred tax liabilities for temporary differences expected to be eliminated in the consolidated fiscal years beginning on or after April 1, 2026, have been changed from the rates used in the previous consolidated fiscal year.

As a result of this change in tax rate, the amount of deferred tax assets (after deducting the amount of deferred tax liabilities) and valuation difference on available-for-sale securities increased by ¥60 million and ¥6 million, respectively, and income taxes-deferred decreased by ¥54 million in the current fiscal year.

(Business Combinations, etc.)

Business Divestitures

[Sale of shares of a subsidiary]

On February 8, 2024, the Board of Directors of the Company resolved to enter into an agreement with Dai-ichi Life Holdings, Inc. (the "Tender Offeror") that the Company will not tender all of its shares in the Benefit One Inc.(the "Target Company", which is a consolidated subsidiary of the Company and belongs to the outsourcing segment), in the tender offer (the "Tender Offer") to be conducted by the Offeror for the common shares of the Target Company. After the consummation of the Tender Offer, the Target Company will conduct a reverse stock split in which the Tender Offeror and the Company will be the only shareholders and then conduct a share repurchase (the "Share Repurchase"), whereby the Company will sell all of the shares of the Target Company it holds at that time, etc. Since the share transfer was completed on May 23, 2024, the execution date of this share buyback, the Target and its subsidiaries and others were excluded from the Company's scope of consolidation as of the end of the current fiscal year.

(1) Outline of Business Divestiture

ⅰ.Name of the company to be divested

Dai-ichi Life Holdings, Inc.

ⅱ Name and Business of the Separated Subsidiary

Name of subsidiary:	Benefit One Inc.
Description of business:	Employee benefit business, personal business, CRM (Customer Relationship Management) business, Incentive Business, Health Care Business, Purchasing, Reimbursement Agency Business, Payment Business

ⅲ. Main Reasons for Business Divestiture

The Target Company belongs to the outsourcing segment of the Company and generates synergies in sales activities with the temporary staffing, placement and BPO services provided by the Group, and the Company has held shares of the Target Company for the purpose of enhancing the medium- to long-term corporate value of the Company and the Target Company. On the other hand, in the course for the Target Company, including the transfer of shares to a new partner, with a view to further increasing its corporate value. The Company received a proposal from the Offeror that it plans to commence the Tender Offer. After careful examination of the proposal received and the content of the public announcement, the Company concluded that the Offeror's proposal was economically rational and would contribute to improving the Company's corporate value and decided to transfer the shares.

4. Date of Business Separation

May 23, 2024

5. Other matters related to the outline of the transaction, including legal form

Share transfer for which the consideration to be received is cash or other assets only

(2) Summary of accounting procedures performed

ⅰ. Amount of profit (loss) on transfer

Gain on sales of shares of subsidiaries and associates ¥112,040 million

ⅱ. Appropriate book value of assets and liabilities related to the transferred business and their major Breakdown

Current assets	¥24,142	million
Fixed assets	¥26,444	million
Total assets	¥50,587	million
Current liabilities	¥16,870	million
Long-term liabilities	¥9,385	million
Total liabilities	¥26,256	million

ⅲ. Accounting treatment

The difference between the consolidated book value of the transferred shares and the sale price is recorded as "Gain on sales of shares of subsidiaries and associates" in extraordinary profit.

(3) Reportable segments in which the divested business was included

Outsourcing

(4) Estimated amount of profit/loss related to the separated business recorded in the consolidated statement of income for the current fiscal year

Net sales ¥38,962 million

Operating profit ¥7,615 million

（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 1.9% based on an estimated period of use of one 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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Balance at the beginning of the period	2,323	2,572
Increase due to acquisition of property, plant, and equipment	319	112
Increase due to the acquisition of consolidated subsidiaries	6	—
Adjustments due to the passage of time	7	7
Decrease due to the fulfillment of asset retirement obligations	(85)	(46)
Increase (decrease) due to change in estimate	—	(1)
Decrease due to exclusion of subsidiaries from consolidation	—	(220)
Balance at the end of period	2,572	2,425

(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 "(1) Notes to Consolidated Financial Statements (Segment Information)" .

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., 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, 2022 to May 31, 2023)		Current consolidated FY (June 1, 2023 to May 31, 2024)	
	beginning balance	ending balance	beginning balance	ending balance
Receivables arising from contracts with customers	40,973	41,047	41,047	33,776
Contract assets	10,008	11,577	11,577	9,678
Contract liabilities	8,453	7,488	7,488	2,111

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 ¥5,724 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 ¥4,745 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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Due within one year	35,357	12,607
Due after one year through two years	15,407	6,526
Due after two years through three years	8,018	3,949
Over three years	13,419	12,285
Total	72,203	35,369

(Segment information, etc.)

Segment information

1.Outline of reportable segments

(1) Method of determining reportable segments

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.

Benefit One Inc. and its subsidiaries, which was in charge of “Outsourcing, were excluded from the scope of consolidation due to the sale of the Company's shares in Benefit One Inc.

(2) Matters concerning changes in reportable segments, etc.

Following the reorganization of subsidiaries in the third quarter of the consolidated fiscal year, in consideration of the organizational structure and business activities after the reorganization, the Company has reviewed and changed the content that corresponds to “BPO Services” and “HR Consulting, Education/Training, and Others” in the revenue breakdown information. The revenue breakdown information for the previous consolidated fiscal year is also presented in the amount after the change.

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, 2022 to May 31, 2023) (Millions of yen)

	Reporting segments					Total	Adjustment (Note 1)	Figures in consolidated statements of income
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing					
Net Sales								
Expert Services	146,655	—	—	—	—	146,655	—	146,655
BPO Services	139,669	—	—	—	—	139,669	—	139,669
HR Consulting, Education & Training, Other	7,185	—	—	—	—	7,185	—	7,185
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 revenue	—	—	—	—	—	—	—	—
Net sales to outside 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 profit (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 items								
Depreciation and Amortization	1,166	140	1,674	51	1,160	4,194	932	5,126
Amortization of Goodwill	426	—	294	—	—	721	—	721
Impairment losses	—	—	—	—	—	—	—	—
Increase in tangible and intangible fixed assets	3,746	230	3,767	144	2,534	10,422	5,918	16,341

Notes:

1. The following are included in the adjustment item.
   (1) Adjustment of segment loss totaling ¥(12,819) million includes Group management costs relating to the Company and incubation cost of our new business totaling ¥(13,074) million, as well as intersegment sales and transfers totaling ¥255 million.
   (2) Adjustment of segment assets totaling ¥21,582 million includes the Company’s cash and deposits and assets relating to Group management totaling ¥54,816 million, as well as intersegment sales and transfers totaling ¥(33,234) million.
   (3) Adjustment of depreciation and amortization totaling ¥932 million is mainly comprised of depreciation and amortization of assets relating to Group management totaling ¥982 million, as well as intersegment sales and transfers totaling ¥(50) million.
   (4) Adjustment of increase in tangible and intangible fixed assets totaling ¥5,918 million is mainly comprised of an increase of assets relating to Group management and headquarters functions totaling ¥6,037 million, as well as intersegment sales and transfers totaling ¥(119) million.
2. Segment profit is adjusted with operating profit under consolidated statements of income.

Current consolidated fiscal year (June 1, 2023 to May 31, 2024) (Millions of yen)

	Reporting segments					Total	Adjustment (Note 1)	Figures in consolidated statements of income
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing					
Net Sales								
Expert Services	133,964	—	—	—	—	133,964	—	133,964
BPO Services	140,144	—	—	—	—	140,144	—	140,144
HR Consulting, Education & Training,Other	7,476	—	—	—	—	7,476	—	7,476
Global Sourcing	10,791	—	—	—	—	10,791	—	10,791
Career Solutions	—	13,031	—	—	—	13,031	—	13,031
Outsourcing	—	—	38,431	—	—	38,431	—	38,431
Life Solutions	—	—	—	7,229	—	7,229	—	7,229
Regional Revitalization Solutions	—	—	—	—	5,663	5,663	—	5,663
Revenue from contracts with customers	292,376	13,031	38,431	7,229	5,663	356,733	—	356,733
Other revenue	—	—	—	—	—	—	—	—
Net sales to outside customers	292,376	13,031	38,431	7,229	5,663	356,733	—	356,733
Intersegment sales and transfers	4,709	22	530	563	559	6,385	(6,385)	—
Total	297,085	13,054	38,962	7,792	6,223	363,118	(6,385)	356,733
Segment profit (loss)	11,770	4,042	7,615	128	(2,588)	20,968	(14,174)	6,794
Segment assets	139,606	22,030	—	2,208	13,648	177,492	123,597	301,090
Other items								
Depreciation and Amortization	1,182	106	2,249	59	1,171	4,768	801	5,569
Amortization of Goodwill	455	—	294	—	0	750	—	750
Impairment losses	834	—	—	—	9,977	10,811	—	10,811
Increase in tangible and intangible fixed assets	2,138	127	3,019	15	6,948	12,249	8,231	20,480

Notes:

1. The following are included in the adjustment item.
   (1) Adjustment of segment profit totaling ¥(14,174) million includes Group management costs relating to the Company and incubation cost of our new business totaling ¥(14,228) million, as well as intersegment sales and transfers totaling ¥53 million.
   (2) Adjustment of segment assets totaling ¥123,597 million includes the Company's cash and deposits and assets relating to Group management totaling ¥159,144 million, as well as intersegment sales and transfers totaling ¥(35,546) million.
   (3) Adjustment of depreciation and amortization totaling ¥801 million is mainly comprised of depreciation and amortization of assets relating to Group management.
   (4) Adjustment of increase in tangible and intangible fixed assets totaling ¥8,231 million is mainly comprised of an increase of assets relating to Group management and headquarters functions totaling ¥8,240 million, as well as intersegment sales and transfers totaling ¥(8) million.
2. Segment profit is adjusted with operating profit under consolidated statements of income.
3. Benefit One Inc. and its subsidiaries, a consolidated subsidiary of the Company that was responsible for outsourcing during the current consolidated fiscal year, were excluded from the scope of consolidation. As a result, no segment assets were recorded at the end of the current consolidated fiscal year.

[additional information]

Change in segment classification from the following fiscal year

In the current fiscal year, the Group's reportable segments were divided into "Expert Services, BPO Services, etc.," "Career Solutions," "Outsourcing," "Life Solutions," and "Regional Revitalization Solutions," but some of these segments were reclassified in the following fiscal year, The Group's reportable segments were "BPO Solutions, Expert Solutions," "Career Solutions," "Global Solutions," "Life Solutions," and "Regional Revitalization and Tourism Solutions".

Benefit One Inc., a consolidated subsidiary of the Company, which was responsible for outsourcing in the current consolidated fiscal year, and its subsidiaries, etc., were excluded from the scope of consolidation; therefore, there is no outsourcing from the following consolidated fiscal year.

Information on sales and profit or loss by reportable segment for the current fiscal year based on the segment classification after the change is as follows.

Current consolidated fiscal year (June 1, 2023 to May 31, 2024)

	Reporting segments						Total	Adjustment (Note 1)	Figures in consolidated statements of income
	HR Solutions		Global Solutions	Life Solutions	Regional Revitalization and Tourism Solutions	Outsourcing			
	BPO Solutions, Expert Solutions	Career Solutions							
Net Sales									
BPO Solutions	145,059	—	—	—	—	—	145,059	—	145,059
Expert Solutions	136,501	—	—	—	—	—	136,501	—	136,501
Career Solutions	—	13,031	—	—	—	—	13,031	—	13,031
Global Solutions	—	—	10,791	—	—	—	10,791	—	10,791
Life Solutions	—	—	—	7,229	—	—	7,229	—	7,229
Regional Revitalization and Tourism Solutions	—	—	—	—	5,688	—	5,688	—	5,688
Outsourcing	—	—	—	—	—	38,431	38,431	—	38,431
Revenue from contracts with customers	281,560	13,031	10,791	7,229	5,688	38,431	356,733	—	356,733
Other revenue	—	—	—	—	—	—	—	—	—
Net sales to outside customers	281,560	13,031	10,791	7,229	5,688	38,431	356,733	—	356,733
Intersegment sales and transfers	3,101	22	233	563	922	530	5,372	(5,372)	—
Total	284,661	13,054	11,024	7,792	6,610	38,962	362,106	(5,372)	356,733
Segment profit (loss)	11,582	4,042	270	128	(2,671)	7,615	20,968	(14,174)	6,794

Notes:

1. Adjustment of segment profit totaling ¥(14,174) million includes Group management costs relating to the Company and incubation cost of our new business totaling ¥(14,228) million, as well as intersegment sales and transfers totaling ¥53 million
2. Segment profit is adjusted with operating profit under consolidated statements of income

(Related information)

Previous 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.

Current consolidated fiscal year (From June 1, 2023 to May 31, 2024)

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 1,2022 to May 31, 2023)

Not applicable.

Current consolidated fiscal year (From June 1, 2023 to May 31, 2024)

This information is omitted because the same information is disclosed in the segment information.

Information on the amortization amount of goodwill and the unamortized balance by reported segment

Previous consolidated fiscal year (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

Current consolidated fiscal year (June 1, 2023 to May 31, 2024)

(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	842	—	—	—	—	—	842

(Note) Benefit One Inc., a consolidated subsidiary of the Company that was in charge of outsourcing, and its subsidiaries were excluded from the scope of consolidation at the end of the consolidated fiscal year under review. As a result, there is no unamortized balance of goodwill in the outsourcing segment at the end of the current fiscal year.

Information on gain from negative goodwill by reported segment

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

Not applicable

Current consolidated fiscal year (From June 1, 2023 to May 31, 2024)

Not applicable

Information on related parties

1. Transactions with related parties

(1) Transactions between the company submitting the consolidated financial statements and related parties

ⅰ Subsidiaries and affiliates of companies submitting consolidated financial statements

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

Not applicable

Current consolidated fiscal year (June 1, 2023 to May 31, 2024)

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)
subsidiaries	Benefit One Inc. (Note 3)	Shinjuku-ku, Tokyo	1,527	Welfare benefit agency service business	Ownership Directly 50.0	Concurrent directors (1 person)	Gain on sale of shares (Note 4)	112,040	—	—

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. As a result of the transfer of all shares held by the Company to Benefit One Inc. on May 23, 2024, the Company is no longer a related party. The transaction amounts above are for the period during which the companies were related parties. The percentage of voting rights, etc. owned is the percentage at the time of ceasing to be a related party.
4. The sale of shares represents the transfer of shares of Benefit One Inc. held by the Company as a result of a share buyback conducted by the company. The transfer price was determined based on the results of a stock price calculation by a third-party institution.

ⅱ Directors and major shareholders of the company submitting the consolidated financial statements

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

Not applicable

Current consolidated fiscal year (From June 1, 2023 to May 31, 2024)

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 (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 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	61	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 (June 1, 2023 to May 31, 2024)

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	21	—	—
Foundations whose directors and their immediate family members serve as representative directors	Pasona Foundation for the Preparation of the Establishment of Pasona Professional Graduate School	Awaji-shi, Hyogo prefecture	—	(Note4)	—	—	Donation	680	—	—

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 directors of our subsidiary Pasona Inc.
4. The purpose of the foundation's activities is to establish a graduate university with the aim of developing human resources who can contribute to the creation of attractive regions by utilizing the unique resources of each region, such as the natural environment, history, culture, and food.
5 The amount of donation to Pasona Foundation for the Preparation of the Establishment of Pasona Professional Graduate School is determined based on a resolution of the Board of Directors of the Company's subsidiary.

2. Notes on the parent company or any material affiliated company

Not applicable

(Per share information)

Item	Previous consolidated FY (June 1, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Net assets per share	¥1,378.40	¥3,789.42
Profit per share	¥155.70	¥2,447.56
Diluted profit per share	¥155.22	¥2,446.80

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 601,862 shares in the current fiscal year, and 297,514 shares for the stock benefit trust (J-ESOP) in the previous fiscal year and 464,274 shares in the current fiscal year. The average number of shares of treasury stock deducted from the calculation of profit per share is 424,862 shares for the year ended May 31, 2023 and 572,362 shares for the year ended May 31, 2024 for the stock benefit trust (BBT), 297,664 shares for the year ended May 31, 2023 and 441,470 shares for the year ended May 31, 2024 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, 2022 to May 31, 2023)	Current consolidated FY (June 1, 2023 to May 31, 2024)
Profit attributable to owners of parent (millions of yen)	6,099	95,891
Amount not attributable to common shareholders (millions of yen)	―	―
Profit attributable to owners of parent related to common shares (millions of yen)	6,099	95,891
Average number of common shares during the period (shares)	39,174,636	39,178,295
Diluted profit per share		
Adjustment to profit attributable to owners of the parent (millions of yen)	(18)	(29)
(Adjustment due to latent shares of consolidated subsidiaries) (millions of yen)	((18))	((29))
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, 2023)	Current consolidated FY (May 31, 2024)
Total net assets (millions of yen)	71,624	154,661
Amount deducted from total net assets (millions of yen)	17,625	6,173
Net assets related to common stock (millions of yen)	53,998	148,488
Number of shares of common stock for the calculation of net assets per share at end of period (shares)	39,174,780	39,184,940

(Significant events after reporting period)

Not applicable.

5) Consolidated supplementary schedules

[Schedule of corporate bonds]

Company	Name	Issue Date	Balance, beginning of period (Millions of yen)	Balance, end of period (Millions of yen)	Interest Rate (%)	Collateral	Redemption date
Pasona Group Inc.	1st unsecured bond	March 28, 2018	120	64 (64)	0.31	none	March 28, 2025
Pasona Group Inc.	2nd unsecured bond	April 30, 2020	1,750	1,500 (250)	0.21	none	March 29, 2030
Pasona Group Inc.	3rd unsecured bond	June 11, 2021	1,940	1,660 (280)	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 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
594	530	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	102	192	7.85	—
Long-term borrowings to be repaid within 1 year	10,194	9,071	0.70	—
Lease obligations to be repaid within 1 year	383	342	1.99	—
Long-term borrowings (excluding loans to be repaid within 1 year)	43,505	29,427	0.83	2025 to 2032
Lease obligations (excluding lease obligations to be repaid within 1 year)	924	678	1.99	2025 to 2033
Total	55,109	39,712	—	—

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 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years
Long-term borrowing	5,744	4,967	5,453	4,918
Lease obligations	252	175	208	11
Total	5,997	5,143	5,661	4,930

[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)		1st quarter	2nd quarter	3rd quarter	Current consolidated FY
Net sales	(¥ mil.)	89,881	179,316	265,558	356,733
Net quarterly profit before income taxes	(¥ mil.)	2,159	3,820	4,467	106,251
Net quarterly Profit attributable to owners of parent or net quarterly loss attributable to owners of parent	(¥ mil.)	187	145	(753)	95,891
Net quarterly profit per share or net quarterly loss per share	(¥)	4.79	3.72	(19.23)	2,447.56

(Accounting period)		1st quarter	2nd quarter	3rd quarter	4th quarter
Net quarterly profit per share or net quarterly loss per share	(¥)	4.79	(1.07)	(22.95)	2,466.47

2. Financial statements, etc.

(1) Financial statements

(i) Balance Sheet

(Millions of yen)

	Previous fiscal year (June 1, 2022 to May 31, 2023)	Current fiscal year (June 1, 2023 to May 31, 2024)
Assets		
Current assets		
Cash and deposits	22,942	121,517
Accounts receivable - trade	*1 582	*1 638
Raw materials and supplies	17	32
Prepaid expenses	*1 451	*1 787
Short-term loans receivable	*1 70	*1 116
Accounts receivable - other	*1 3,089	*1 2,330
Deposits received from CMS	*1 3,937	*1 4,517
Other	*1 2,493	*1 1,053
Allowance for doubtful accounts	(154)	(3,416)
Total current assets	33,430	127,576
Non-current assets		
Property, plants, and equipment		
Buildings	9,983	6,398
Structures	796	565
Machinery and equipment	0	0
Vessels	69	119
Tools, furniture, and fixtures	805	537
Land	7,017	7,537
Leased assets	402	343
Construction in progress	3,261	15,134
Total Property, plants, and equipment	22,336	30,637
Intangible assets		
Software	557	593
Other	14	9
Total intangible assets	572	602
Investments and other assets		
Investment securities	1,250	725
Shares of subsidiaries and associates	35,880	31,086
Long-term loans receivables	*1 6	*1 78
Prepaid pension cost	165	195
Deferred tax assets	1,004	—
Guarantee deposits	*1 2,636	*1 2,500
Other	*1 549	*1 770
Total investments and other assets	41,492	35,356
Total non-current assets	64,401	66,596
Deferred assets		
Bond issuance costs	130	111
Total deferred assets	130	111
Total assets	97,963	194,284

(Millions of yen)

	Previous fiscal year (June 1, 2022 to May 31, 2023)	Current fiscal year (June 1, 2023 to May 31, 2024)
Liabilities		
Current liabilities		
Short-term borrowings	9,046	8,903
Current portion of bonds payable	586	594
Deposits received from CMS	*1 24,375	*1 26,864
Lease obligations	70	67
Account payable-other	*1 1,917	*1 2,671
Accrued expenses	531	871
Accrued income taxes	29	136
Provision for bonuses	110	150
Asset retirement obligations	16	93
Other	*1 354	*1 337
Total current liabilities	37,038	40,690
Non-current liabilities		
Bonds payable	3,224	2,630
Long-term borrowings	34,777	28,302
Lease obligations	357	298
Long-term guarantee deposits received	1	12
Provision for share awards for Directors (and other Officers)	418	418
Provision for employee stock ownership plan	176	160
Deferred tax liabilities	—	116
Asset retirement obligations	225	155
Other	2,347	2,643
Total non-current liabilities	41,528	34,738
Total liabilities	78,567	75,429
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus		
Legal capital surplus	5,000	5,000
Other capital surplus	7,653	7,971
Total capital surplus	12,653	12,971
Retained earnings		
Other retained earnings		
Retained earnings brought forward	4,080	103,527
Total retained earnings	4,080	103,527
Treasury shares	(2,338)	(2,645)
Total shareholders' equity	19,394	118,853
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1	1
Total valuation and translation adjustments	1	1
Total net assets	19,396	118,855
Total liabilities and net assets	97,963	194,284

(ii) Profit and Loss Statement

(Millions of yen)

	Previous fiscal year (June 1, 2022 to May 31, 2023)	Current fiscal year (June 1, 2023 to May 31, 2024)
Sales	*1 15,646	*1 10,004
Cost of sales	*1 1,418	*1 1,484
Gross profit	14,228	8,520
Selling, general and administrative expenses	*1,2 13,230	*1,2 13,726
Operating profit	997	(5,206)
Non-operating profit		
Interest income	*1 32	*1 38
Subsidy income	64	1
Real estate rent	*1 438	*1 336
Sponsorship income	114	*1 101
Other	*1 155	*1 166
Total non-operating profit	806	644
Non-operating expenses		
Interest expenses	*1 330	*1 376
Commitment fee	48	52
Provision of allowance for doubtful accounts	24	3,264
Real estate rental expenses	*1 639	*1 440
Other	*1 69	*1 81
Total non-operating expenses	1,112	4,215
Ordinary profit	691	(8,778)
Extraordinary profit		
Gain on sales of non－current assets	―	0
Gain on sales of shares of subsidiaries and affiliates	―	*3 122,329
Total extraordinary profit	―	122,329
Extraordinary losses		
Loss on sales and retirement of non－current assets	67	148
Loss on impairment of non－current assets	―	4,727
Loss on valuation of investment securities	―	685
Loss on valuation of shares of subsidiaries and associates	*4 983	*4 5,962
Cost on sale of shares of subsidiaries and associates	―	1,164
Total extraordinary losses	1,051	12,687
Profit before taxes	(359)	100,864
Income taxes -current	(1,478)	(1,099)
Income taxes - deferred	(914)	1,120
Total income taxes	(2,392)	20
Profit	2,033	100,843

(iii) Statement of changes in net assets

Previous 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 Retained earnings brought forward	Total retained earnings
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

Current fiscal year (June 1, 2023 to May 31, 2024)

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance, beginning of period	5,000	5,000	7,653	12,653	4,080	4,080
Changes during the period						
Dividends of surplus				—	(1,396)	(1,396)
Profit				—	100,843	100,843
Purchase of treasury shares				—		—
Disposal of treasury shares			318	318		—
Treasury shares possession of stock ownership plan trust				—		—
Disposal of treasury shares by stock benefit trust				—		—
Changes (net) during the year in items other than Shareholders' equity				—		—
Total changes during period	—	—	318	318	99,446	99,446
Balance, end of period	5,000	5,000	7,971	12,971	103,527	103,527

	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)	19,394	1	1	19,396
Changes during the period					
Dividends of surplus		(1,396)		—	(1,396)
Profit		100,843		—	100,843
Purchase of treasury shares	(0)	(0)		—	(0)
Disposal of treasury shares	279	597		—	597
Treasury shares possession of stock ownership plan trust	(597)	(597)		—	(597)
Disposal of treasury shares by stock benefit trust	11	11		—	11
Changes (net) during the year in items other than Shareholders' equity		—	0	0	0
Total changes during period	(306)	99,458	0	0	99,459
Balance, end of period	(2,645)	118,853	1	1	118,855

[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

Leased assets related to finance lease transactions that do not transfer ownership

Depreciation is computed by 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 fiscal year (May 31, 2023)	Current fiscal year (May 31, 2024)
Property, plants, and equipment	Buildings	4,765	1,171
	Structures	581	165
	Machinery and equipment	—	0
	Vehicles	—	5
	Tools, furniture and fixtures	343	93
	Land	154	29
	Lease assets	1	0
	Construction in progress	77	5,615
Total property, plants, and equipment		5,925	7,083
Intangible assets	Software	3	—
	Other	2	0
Total intangible assets		6	0
Investments and other assets		1	0
Total investments and other assets		1	0
Total non-current assets		5,933	7,083
Impairment loss		—	4,727

(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 ¥31,883 million recorded in the financial statements for the current fiscal year, ¥7,083 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)" , 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 fiscal year (May 31, 2023)	Current fiscal year (May 31, 2024)
Shares of subsidiaries and affiliates	5,821	3,169

(2) Other information that contributes to the understanding of accounting estimates by the users of the financial statements

The ¥31,086 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, ¥3,169 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 ¥5,074 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.

(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 fiscal year (May 31, 2023)	Current fiscal year (May 31, 2024)
Short-term monetary claims	7,483	7,389
Short-term monetary liabilities	25,763	28,078
Long-term monetary claims	39	99

2. Contingent liabilities are as follows:

(Millions of yen)

	Previous fiscal year (May 31, 2023)	Current fiscal year (May 31, 2024)
Guarantee of borrowings Nijigennomori Inc.	1,435	1,273
Guarantee of facility loan PT. Dutagriya Sarana	46	79
Guarantee of Debt for Travel Agency Services Nagasaki diamond staff	6	5

(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 fiscal year (June 1, 2022 to May 31, 2023)	Current fiscal year (June 1, 2023 to May 31, 2024)
Net sales	14,183	8,345
Cost of sales	17	18
Selling, general and administrative expenses	3,730	3,431
Non-business transactions	395	122,754

*2: The approximate percentage of expenses included in selling expenses was 2.2% in the previous fiscal year and 2.1% in the current fiscal year, and the approximate percentage of expenses included in general and administrative expenses was 97.8% in the previous fiscal year and 97.9% in the current fiscal year.

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

(Millions of yen)

	Previous fiscal year (June 1, 2022 to May 31, 2023)	Current fiscal year (June 1, 2023 to May 31, 2024)
Salaries and bonuses	3,099	3,719
Provision for bonuses	104	141
Provision for employee stock ownership plan	4	—
Rent expenses on land and buildings	2,006	1,343
Depreciation	781	758
Outsourcing expenses	2,153	2,335

*3 Gain on sales of subsidiaries and affiliates' stocks

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

Not applicable.

Current fiscal year (June 1, 2023 to May 31, 2024)

The sale of shares of a consolidated subsidiary, Benefit One Inc.

*4. Loss on valuation of investments in subsidiaries and affiliates

Previous 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 "(1) Financial Statements Notes (Significant Accounting Estimates) 2. Valuation of shares of affiliated companies in the Regional Revitalization Solutions segment" .

Current fiscal year (June 1, 2023 to May 31, 2024)

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 "(1) Financial Statements Notes (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, 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

Current fiscal year (May 31, 2024)

(Millions of yen)

Type	Balance sheet amount	Market value	Difference
Shares of subsidiaries	1,632	14,462	12,829
Shares of affiliates	0	779	779
Total	1,632	15,241	13,608

(Note) Carrying amount of non-marketable equity securities of subsidiaries and affiliates not included in the above table

(Millions of yen)

Category	Previous fiscal year (May 31, 2023)	Current fiscal year (May 31, 2024)
Subsidiary company shares	32,476	29,249
Affiliated company shares	174	204
Total	32,650	29,454

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Deferred tax assets) (Millions of yen)

	Previous fiscal year (May 31, 2023)	Current fiscal year (May 31, 2024)
Depreciation	459	1,791
Allowance for doubtful accounts	47	1,046
Provision for bonuses	33	46
Accrued business office taxes	9	4
Accrued business taxes	2	35
Accrued expenses	9	9
Shares of subsidiaries and affiliates due to corporate separation	843	843
Adjustment of book value of investments in subsidiaries	736	740
Loss on valuation of shares of subsidiaries and associates	3,690	5,516
Loss carried forward	1,756	3,953
Asset retirement obligations	74	76
Free rent	807	998
Other	479	765
Subtotal of deferred tax assets	8,950	15,828
Valuation allowance for tax loss carryforwards	(1,756)	(3,953)
Valuation allowance for total tax loss carryforwards	(6,044)	(11,845)
Subtotal of valuation allowance	(7,800)	(15,798)
Total deferred tax assets	1,149	29

(Deferred tax liabilities) (Millions of yen)

	Previous fiscal year (May 31, 2023)	Current fiscal year (May 31, 2024)
Prepaid pension cost	(50)	(59)
Unrealized gains (losses) on available-for-sale securities	(0)	(0)
Asset retirement obligations	(44)	(35)
Other	(49)	(49)
Total deferred tax liabilities	(145)	(146)
Balance: Net deferred tax assets	1,004	(116)

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 fiscal year (May 31, 2023)	Current fiscal year (May 31, 2024)
Normal effective statutory tax rate	—	30.62
(adjustment)		
Items that are not deductible forever, such as social expenses	—	0.19
Items that are not included in income forever, such as dividend income	—	(38.77)
Inhabitant tax on per capita basis	—	0.02
Dividend withholding tax on foreign subsidiaries	—	0.02
Valuation allowance	—	7.93
Other	—	0.01
Burden ratio of corporation tax, etc., after application of tax effect accounting	—	0.02

(Note) Information is omitted because the Company posted a loss before income taxes for the previous 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 "(1) Consolidated Financial Statements Notes (Revenue recognition) " .

(Material post-balance sheet events)

Not applicable.

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	9,983	1,158	4,103 (3,908)	640	6,398	2,006
	Structures	796	282	437 (384)	75	565	191
	Machinery and equipment	0	0	—	0	0	0
	Vehicles and delivery equipment	69	117	0	67	119	288
	Tools, furniture, and fixtures	805	267	241 (233)	294	537	1,370
	Land	7,017	715	195 (195)	—	7,537	—
	Leased assets	402	9	4	63	343	122
	Construction in progress	3,261	11,911	38	—	15,134	—
	Total	22,336	14,461	5,020 (4,721)	1,141	30,637	3,979
Intangible assets	Software	557	248	2 (2)	210	593	1,195
	Others	14	—	2 (2)	3	9	—
	Total	572	248	4 (4)	213	602	1,195

(*) Figures in parentheses in the “Decrease during the period” column represent the amount of impairment loss recorded for the period.

Notes: 1 Main items of increase in buildings

New multi-story parking lot	¥373 million
Establishment of Toshima Scola	¥367 million

2 Main items of decrease in buildings

Impairment loss on commercial facilities	¥3,908 million

3. Main items of decrease in structures
Impairment loss on commercial facilities ¥384 million

4 Main items of increase in tools, furniture, and fixtures
Establishment of Toshima Scola ¥107 million

5 Main items of decrease in tools, furniture, and fixtures
Impairment loss on commercial facilities ¥233 million

6 Main items of increase in land
Stores, offices, etc. ¥715 million

7 Main items of decrease in land
Impairment loss on commercial facilities ¥195 million

8 Main items of increase in construction in progress

Hotel Development Project in Iwaya Area	¥5,387 million
Iwaya Seawall Construction	¥3,960 million
Expo-related	¥1,680 million
Employee's residence	¥443 million

[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	154	3,285	22	3,416
Provision for bonuses	110	150	110	150
Provision for retirement benefits	(165)	40	69	(195)
Provision for share awards for Directors (and other Officers)	418	—	—	418
Provision for employee ownership plan	176	—	16	160

(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	-
Purchas 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	1. Lottery-type shareholder special benefit: The tickets or products for our group's accommodation facilities, etc. will be awarded by drawing among shareholders that are recorded in our shareholders' register as of May 31, 2024 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 7, 2024.) 2. Discount coupons for use of food & beverages facilities on Awaji Island: All shareholders on our shareholders' register as of May 31, 2024 will receive a 30% discount coupon for up to 4 people to 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 7, 2024) 3. Discount coupons for Awaji Island attractions: All shareholders of record as of May 31,2024 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 7, 2024)

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 16th fiscal year (June 1, 2022 to May 31, 2023)
Submitted to the Director-general of the Kanto Finance Bureau on August 25, 2023

(2) Internal control report and accompanying documents
Submitted to the Director-general of the Kanto Finance Bureau on August 25, 2023

(3) Quarterly securities report and confirmation letter
The first quarter of the 17th fiscal year (June 1, 2023 to August 31, 2023)
Submitted to the Director-general of the Kanto Finance Bureau on October 16, 2023

The second quarter of the 17th fiscal year (September 1, 2023 to November 30, 2023)
Submitted to the Director-general of the Kanto Finance Bureau on January 15, 2024

The third quarter of the 17th fiscal year (December 1, 2023 to February 29, 2024)
Submitted to the Director-general of the Kanto Finance Bureau on April 15, 2024

(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 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Resolution at General Meeting of Shareholders)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 25, 2023

Extraordinary Report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 3-12 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Changes in specified subsidiaries and events that significantly affect the Company's financial position, operating results, and cash flows)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2023

Extraordinary Report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Items 3, 12 and 19 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Changes in specified subsidiaries and events that significantly affect the financial position, operating results, and cash flows of the Company and its group companies)
Submitted to the Director-General of the Kanto Local Finance Bureau on February 9, 2024

Extraordinary Report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Items 12 and 19 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Events that significantly affect the financial position, operating results, or cash flows of the Company and its consolidated subsidiaries)
Submitted to the Director-General of the Kanto Local Finance Bureau on July 12, 2024

(5) Revised Report for Extraordinary Report
Revised Report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Items 3 and 12 (Changes in specified subsidiaries and events significantly affecting the Company's financial position, business performance, and cash flows)
Submitted to the Director-General of the Kanto Local Finance Bureau on December 12, 2023

Revised Report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Items 3 and 12 (Changes in specified subsidiaries and events significantly affecting the Company's financial position, business performance, and cash flows)
Submitted to the Director-General of the Kanto Local Finance Bureau on January 16, 2024

Revised Report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Items 3 and 12 (Changes in specified subsidiaries and events significantly affecting the Company's financial position, business performance, and cash flows)
Submitted to the Director-General of the Kanto Local Finance Bureau on February 9, 2024

Part II: Information on the Reporting Company’s Guarantor Company, etc.

Not applicable.