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July 31, 2023

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

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Listing: Tokyo Stock Exchange
Securities code: 2130
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Scheduled date to file quarterly securities report: August 3, 2023
Scheduled date to commence dividend payments: —
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the first three months of fiscal year ending March 31, 2024 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2023	4,498	17.4	(562)	—	(548)	—	(389)	—
June 30, 2022	3,831	23.3	(67)	—	(93)	—	(67)	—

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
June 30, 2023	(389)	—	(389)	—	(29.71)	(29.71)
June 30, 2022	(67)	—	(67)	—	(5.10)	(5.10)

Note: Due to the application of IAS 12 “Income Taxes” (amended in May 2021), results for the three-month period ended June 30, 2022, have been retrospectively restated.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of				
June 30, 2023	10,412	5,659	5,659	54.4
March 31, 2023	11,305	6,366	6,366	56.3

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

2. Cash dividends

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

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

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

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half(cumulative)	9,940	21.0	(160)	—	(165)	—	(169)	—
Full year	21,500	21.7	1,500	4.0	1,480	5.8	1,051	4.4

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
First half(cumulative)	(200)	—	(15.10)
Full year	1,051	4.4	79.34

(Note) Changes from the latest financial forecast: None

1. The above consolidated earnings forecast is based on IFRS.

2. “Basic earnings per share” was calculated based on the average number of shares in FY 3/2023 (13,246,173).

3. Due to the application of IAS 12 “Income Taxes” (amended in May 2021), the percentage of change from the same period of the previous year has been calculated using retrospectively restated figures.

*** Notes**

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

Newly included: —

Excluded: —

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

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

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

(iii) Changes in accounting estimates: None

Note: Please refer to “2. Summary of Consolidated Financial Statements and Major Notes (6) Notes to Summary of Consolidated Financial Statements (Changes in Accounting Policies)” for details.

(3) Number of issued shares (ordinary shares)

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

As of June 30, 2023	13,421,500 shares
As of March 31, 2023	13,363,700 shares

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

As of June 30, 2023	277,518 shares
As of March 31, 2023	277,518 shares

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

Three months ended June 30, 2023	13,110,372 shares
Three months ended June 30, 2022	13,216,614 shares

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

* Proper use of earnings forecasts, and other special matters

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

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

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

The material for supplementary explanations on financial results will be uploaded to the website of our company on Monday, July 31, 2023.

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

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

(1) Explanation Regarding Business Results

Management’s Explanation and Analysis of Business Results

Due to the climate change caused by global warming, severe natural disasters have been occurring frequently all over the world. In Japan, the Carbon-Neutral policy to virtually eliminate the emission of greenhouse gases such as carbon dioxide, which are a major cause of global warming, by 2050 was announced. We are expecting businesses, including their marketing activities, to transform into a model that facilitates decarbonization and resolution of societal issues by accelerating corporate transformations through the utilization of digital technologies for continuous value creation.

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

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

<Overview of Consolidated Financial Statements>

From the first quarter of this consolidated cumulative period, we started offering the “DGT (Digital Growth Team)” service by integrating the existing EMC and PGT businesses. The DGT service is a hands-on service that promotes and supports the digitalization of client companies by a customer-dedicated team that consists of 3 or more digital creators with various specialized skills, including data analysis, UX(*1), and engineering. Our Digital creators directly pursue the improvement of digital business results of client companies, and continuously support their operation through hypothesis verification process. In addition, starting this fiscal year, we will support improvement of our clients’ carbon productivity (*2) through digital business operation and implement various actions that lead to decarbonization in our daily operation work.

In this fiscal year ending March 31, 2024, we will steadily increase the operating rate of our digital creators by further strengthening our sales structure through the separation of production and sales with the aim of increasing the number of companies we offer services by DGTs or Result-oriented Team Models (*3). To this end, we will attempt to improve profitability and accelerate the area of non-web operation by launching in-house companies that specialize in high-value-added and advanced technology areas other than conventional web operation and thereby increasing the number of digital creators belonging to those specialized companies. Concurrently, we actively promote skill development and job transfer of all digital creators under the leadership of the Skill Development Department. In addition, we will strategically expand mid-career recruitment in order to improve human resource portfolio of the entire group and build a foundation for enhancing our service capabilities.

For the first quarter of the current consolidated term, revenue was 4,498 million yen (up17.4% from the same quarter of the previous fiscal year), operating loss was 562 million yen (operating loss of 67 million yen in the same quarter of the previous fiscal year), loss before income taxes was 548 million yen (loss before income taxes of 93 million yen in the same quarter of the previous fiscal year), and loss attributable to the owners of the parent was 389 million yen (loss attributable to the owners of the parent of 67 million yen in the same quarter of the previous fiscal year).

Sales revenue increased 17.4% year-on-year and added-value sales (revenue generated by internal resources calculated by subtracting outsourcing and purchasing costs from sales revenue), a key indicator, increased 16.2% year-on-year, reaching a record high as the first quarter of consolidated cumulative period. Operating profit turned into an operating loss due to a temporary decline in the operating rate by the sluggish growth in the number of active digital creators caused by taking time to establish the new organization, and the continued upfront investment in recruitment.

On the other hand, the number of companies we offer the result-oriented team model increased by 7 from the end of the previous fiscal year, and the total number of all customers also increased by 15 from the end of the previous fiscal year. 3 new specialized

companies were established, and the number of digital creators belonging to specialized companies were 501 (an increase of 63 from the end of the previous fiscal year). The added-value sales of specialized companies increased steadily by 41.9% year-on-year. As a result, the sales ratio of non-web operations was 39.0%, up 3.2 points from the end of the previous fiscal year.

Regarding the number of digital creators, we are actively expanding new graduates and mid-career recruitment, aiming for a 25% growth in added-value sales, which is our target growth rate. In this first quarter of consolidated cumulative period, 585 new graduates joined the company in April 2023, and the number of mid-career hires increased to 60. At the end of the first quarter, the number of digital creators was 2,579 on a consolidated basis (an increase of 567 from the end of the previous fiscal year).

We will continue to accelerate our sales strategy through the separation of production and sales as well as the expansion strategy of specialized companies; then aim to complete shifting to a high-growth and high-profit model with added-value sales growth rate of 25% and 10% of operating profit margin in the fourth quarter and eventually achieve the full-year consolidated earnings forecast.

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

<Our Corporate Group’s Policies and Initiatives>

Our company integrated the four internal companies: EMC Company, Members Career Company, Members Edge Company, and Business Platform Company and reorganized them into departments in April 2023, for the purpose of executing our strategies for sales, service, and human resources in a more integrated and group-wide manner. Through this integration, we will accelerate the development of services in non-web operation areas for clients of the former EMC business, and the provision of results-oriented team service to clients of the former PGT business. We have introduced a Digital Growth Team (DGT) service, which is a hands-on continuous execution and growth support service by a dedicated team composed of digital creators with various digital skills, on a groupwide basis.

The details of the strategies for sales, service, and human resources are described on <Overview of Consolidated Financial Statements> above.

The impacts of COVID-19 and energy and geopolitical issues on the Japanese economy are still uncertain, but we believe that digital investment by companies will accelerate further, and at the same time, the shortage of IT/digital human resources will further expand, against the backdrop of further evolution of digital technology, the global effort toward decarbonization, and decline in population in Japan. In such an environment, we will continue to strive to increase the number of high-skilled digital creators, who are the source of value creation for our customers and improve employee engagement by actively recruiting new graduates and mid-career workers and by investing in education and training; then, will realize the position of “World no.1 digital business operation support provider” by sophisticating our DGT service.

As we continue to work on fulfilling our long-term vision, VISION 2030 (https://www.members.co.jp/ir/pdf/20200508_04.pdf), we will take initiatives with the aim of achieving the important KPIs of 100,000 social creators (*4), the total amount of social engagement (*5) of 10 billion, 10,000 employees, and an operating profit of 10 billion yen.

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

(*2) Carbon Productivity: Gross domestic product (GDP) per unit of greenhouse gas emissions. We design for customers our support to formulate and operate their business model with calculating profits per carbon emitted during manufacturing, sales, and collection of customers’ products and services as the carbon productivity.

(*3) The number of companies we offer our unique “result-oriented team” service: The number of companies we offer our unique “result-oriented team” service is counted if the customer was provided services as a dedicated team of 3 or more digital creators.

(*4) Social Creator: A motivated creator (artisan) with design thinking, who tries to resolve societal issues through the promotion of business, systemic design, and output.

(*5) Social Engagement: The number of contacts with the contents, products, and services worked on by Members Group as its policy to resolve societal issues.

(2) Explanation Regarding the Financial Standing

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

The total assets at the first quarter of the current consolidated term were 10,412 million yen (down 893 million yen from the end of the previous consolidated fiscal year). This is primarily due to an increase of 176 million yen in deferred tax assets and an increase of 73 million yen in other current assets, along with a decrease of 570 million yen in cash and cash equivalents and a decrease of 556 million yen in trade receivables and other receivables.

Total liabilities stood at 4,753 million yen (down 186 million yen from the end of the previous consolidated fiscal year). This was primarily due to an increase of 265 million yen in other current liabilities, along with a decrease of 217 million yen in trade payables and other payables, a decrease of 155 million yen in income taxes payable and a decrease of 32 million yen in lease liabilities.

Total equity was 5,659 million yen (down 706 million yen from the end of the previous consolidated fiscal year). This was primarily due to an increase of 43 million yen in capital surplus and an increase of 40 million yen in capital stock, along with a decrease of 781 million yen in retained earnings.

ii) Status of Cash Flows

The cash and cash equivalent (hereinafter referred to as "funds") at the end of the first quarter of the current consolidated term was 3,909 million yen, down 570 million yen from the end of the previous consolidated fiscal year. The status of each cash flow for the first quarter and the factors behind them are as follows.

(Cash Flows from Operating Activities)

The funds used during the first quarter as a result of operating activities amounted to 117 million yen (57 million yen acquired during the same quarter of the previous year). The income was mainly from a decrease of 529 million yen in trade and other receivables, 192 million yen in others, and 128 million yen in depreciation and amortization while the expenditure was mainly from 548 million yen in loss before income taxes, a decrease of 238 million yen in trade and other payables, and 147 million yen paid as income taxes paid.

(Cash Flows from Investing Activities)

The funds used during the first quarter as a result of investing activities amounted to 23 million yen (1,124 million yen used in the same quarter of the previous year). The expenditure was mainly from 23 million yen in purchase of property, plant and equipment.

(Cash Flows from Financing Activities)

The funds used during the first quarter as a result of financing activities amounted to 430 million yen (359 million yen used in the same quarter of the previous year). The income was mainly from 72 million yen in proceeds from exercise of share acquisition rights and the expenditure was mainly from 385 million yen as dividends paid and 117 million yen in expenditure for the repayment of lease liabilities.

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

There are no changes in the consolidated earnings forecast for the cumulative second quarter of FY 3/2024 as well as the entire fiscal year, announced on May 10, 2023.

(Regarding the Dividend Forecast)

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

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

2. Summary of Consolidated Financial Statements and Major Notes

(1) Summary of Quarterly Consolidated Balance Sheets

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2023)	1st quarter of the current consolidated accounting year (Jun. 30, 2023)
Assets		
Current assets		
Cash and cash equivalents	4,479,967	3,909,848
Trade receivables and other receivables	3,387,822	2,830,925
Inventory assets	68,547	84,778
Other current assets	234,311	307,731
Total current assets	8,170,648	7,133,283
Non-current assets		
Tangible fixed assets	349,032	352,182
Rights to use as assets	918,446	865,454
Goodwill	116,115	116,115
Intangible assets	9,897	9,416
Other financial assets	1,340,550	1,358,498
Deferred tax assets	401,188	577,820
Total non-current assets	3,135,231	3,279,488
Total assets	11,305,879	10,412,772

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2023)	1st quarter of the current consolidated accounting year (Jun. 30, 2023)
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Lease liabilities	360,860	346,196
Trade payables and other payables	1,201,535	983,807
Income taxes payable	204,338	48,356
Contract liabilities	66,737	39,131
Other current liabilities	2,551,526	2,817,115
Total current liabilities	4,384,998	4,234,607
Non-current liabilities		
Lease liabilities	301,917	284,480
Allowance	252,658	233,960
Total non-current liabilities	554,576	518,440
Total liabilities	4,939,574	4,753,048
Shareholders' equity		
Capital stock	1,017,504	1,057,702
Capital surplus	342,670	385,699
Treasury shares	(300,140)	(300,140)
Other components of equity	30,845	22,420
Retained earnings	5,275,424	4,494,042
Total equity attributable to owners of the parent	6,366,305	5,659,723
Total shareholders' equity	6,366,305	5,659,723
Total liabilities and equity	11,305,879	10,412,772

(2) Summary of Quarterly Consolidated Statements of Income

[unit: thousand yen]

	1Q FY2023 (Apr. 1, 2022 to Jun. 30, 2022)	1Q FY2024 (Apr. 1, 2023 to Jun. 30, 2023)
Revenue	3,831,740	4,498,469
Cost of sales	2,658,477	3,786,278
Gross profit	1,173,263	712,191
Selling, general and administrative expenses	1,239,555	1,275,150
Other income	4,254	2,240
Other expenses	5,353	1,956
Operating profit (loss)	(67,390)	(562,674)
Finance income	—	18,343
Finance costs	26,177	3,771
Profit (loss) before income taxes	(93,567)	(548,102)
Income taxes	(26,154)	(158,606)
Profit (loss) for the period	(67,414)	(389,496)
Profit (loss) attributable to		
Owners of parent	(67,414)	(389,496)
Net profit (loss)	(67,414)	(389,496)
Earnings per share		
Basic earnings (loss) per share (yen)	(5.10)	(29.71)
Diluted earnings (loss) per share (yen)	(5.10)	(29.71)

(3) Summary of Quarterly Consolidated Statements of Comprehensive Income

[unit: thousand yen]

	1Q FY2023 (Apr. 1, 2022 to Jun. 30, 2022)	1Q FY2024 (Apr. 1, 2023 to Jun. 30, 2023)
Profit (loss) for the period	(67,414)	(389,496)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	—	180
Total items that will not be reclassified to profit or loss	—	180
Other comprehensive income after tax	—	180
Comprehensive income total	(67,414)	(389,316)
Comprehensive income attributable to		
Owners of parent	(67,414)	(389,316)
Comprehensive income	(67,414)	(389,316)

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

Consolidated first quarter of the prior fiscal year ended March 2023 (Apr. 1, 2022 to Jun. 30, 2022)

[unit: thousand yen]

	Equity attributable to owners of parent						Total Equity
	Capital stock	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	
Balance on April 1, 2022	963,358	281,704	(8,477)	52,190	4,606,602	5,895,377	5,895,377
Changes in accounting policies	—	—	—	—	(7,857)	(7,857)	(7,857)
Restated balance	963,358	281,704	(8,477)	52,190	4,598,744	5,887,519	5,887,519
Profit (loss) for the period	—	—	—	—	(67,414)	(67,414)	(67,414)
Total comprehensive income	—	—	—	—	(67,414)	(67,414)	(67,414)
Exercise of share acquisition rights	38,796	38,796	—	(8,625)	—	68,966	68,966
Expiration of share acquisition rights	—	—	—	(19)	19	—	—
Dividends	—	—	—	—	(328,194)	(328,194)	(328,194)
Total transactions with owners	38,796	38,796	—	(8,645)	(328,174)	(259,227)	(259,227)
Balance on June 30, 2022	1,002,154	320,500	(8,477)	43,544	4,203,156	5,560,877	5,560,877

Consolidated first quarter of the current fiscal year ending March 2024 (Apr. 1, 2023 to Jun. 30, 2023)

[unit: thousand yen]

	Equity attributable to owners of parent						Total Equity
	Capital stock	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	
Balance on April 1, 2023	1,017,504	342,670	(300,140)	30,845	5,275,424	6,366,305	6,366,305
Profit (loss) for the period	—	—	—	—	(389,496)	(389,496)	(389,496)
Other comprehensive income	—	—	—	180	—	180	180
Total comprehensive income	—	—	—	180	(389,496)	(389,316)	(389,316)
Exercise of share acquisition rights	40,197	40,197	—	(8,102)	—	72,293	72,293
Share-based compensation transactions	—	2,831	—	—	—	2,831	2,831
Issuance of share acquisition rights	—	—	—	195	—	195	195
Expiration of share acquisition rights	—	—	—	(700)	700	—	—
Dividends	—	—	—	—	(392,585)	(392,585)	(392,585)
Total transactions with owners	40,197	43,028	—	(8,606)	(391,885)	(317,265)	(317,265)
Balance on June 30, 2023	1,057,702	385,699	(300,140)	22,420	4,494,042	5,659,723	5,659,723

(5) Summary of Quarterly Consolidated Statements of Cash Flows

[unit: thousand yen]

	1Q FY2023 (Apr. 1, 2022 to Jun. 30, 2022)	1Q FY2024 (Apr. 1, 2023 to Jun. 30, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	(93,567)	(548,102)
Depreciation and amortization	119,828	128,606
Finance income	—	(18,343)
Finance costs	25,495	3,160
(Increase) decrease in inventories	(28,589)	(16,230)
(Increase) decrease in trade and other receivables	586,345	529,388
Increase (decrease) in trade and other payables	(152,984)	(238,198)
Other	(94,318)	192,644
Subtotal	362,208	32,925
Grant received	1,383	—
Interest paid	(2,120)	(2,693)
Income taxes paid	(304,197)	(147,289)
Income taxes refund	—	28
Cash flows from operating activities	57,273	(117,028)
Cash flows from investing activities		
Purchase of property, plant and equipment	(131,582)	(23,668)
Purchase of intangible assets	(2,904)	—
Expenditure on acquisition of investments	(992,459)	—
Proceeds from collection of deposits and security deposits	—	656
Other	2,588	—
Cash flows from investing activities	(1,124,358)	(23,012)
Cash flows from financing activities		
Repayments of lease liabilities	(107,781)	(117,315)
Proceeds from issuance of share acquisition rights	—	195
Proceeds from exercise of share acquisition rights	68,966	72,293
Dividends paid	(320,666)	(385,250)
Cash flows from financing activities	(359,481)	(430,077)
Net increase (decrease) in cash and cash equivalents	(1,426,566)	(570,118)
Cash and cash equivalents at beginning of period	5,226,706	4,479,967
Cash and cash equivalents at end of period	3,800,140	3,909,848

(6) Notes to Summary of Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no related information.

(Changes in Accounting Policies)

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

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

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

As a result of the application of the standard, the previous fiscal year’s consolidated financial statements have been retrospectively restated. The effect of the application decreased deferred tax assets by 9,391 thousand yen and retained earnings by 9,391 thousand yen. In addition, the effect decreased income tax expenses by 19 thousand yen and decreased profit for the period by the same amount in the Consolidated Statements of Income for the first three-month period of fiscal year ended March 31, 2023.

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

(Significant Subsequent Events)

(Disposal of Treasury Stocks as Restricted Stock)

At the Board of Directors meeting held on June 16, 2023, we resolved to dispose of treasury stocks as restricted stock (hereinafter referred to as “disposal”). On July 14, 2023, we disposed of treasury stocks and completed the payment procedure as follows.

Disposal Overview

(1) Type and number of shares disposed of	1,822 common shares of the company
(2) Disposal price	1,585 yen per share
(3) Total disposal amount	2,887,870 yen
(4) Buyers of the treasury stocks, the number of the buyers, and the number of shares to be disposed of	Directors of the company (excluding directors who are Audit Committee Members and Outside Directors) 2 directors, 752 shares Executive officers who do not concurrently serve as directors of the Company 5 officers, 1,070 shares
(5) Disposal date	July 14, 2023