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Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending October 31, 2023 (Under IFRS)

September 14, 2023

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Securities code: 7378
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Planned date of quarterly report submission:
Planned start date for payment of dividends:
Preparation of supplemental explanatory material for quarterly results:
Holding of briefing for quarterly results:

Listing: Tokyo Stock Exchange
URL: <https://asiro.co.jp/>

September 14, 2023

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Yes

Yes

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results of the First Nine months of the Fiscal Year Ending October 31, 2023 (November 1, 2022 to July 31, 2023)

(1) Consolidated Operating Results

(Percentage figures represent year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended July 31, 2023	2,338	47.2	149	(64.5)	142	(65.8)	55	(79.9)	77	(72.7)	55	(81.2)
Nine months ended July 31, 2022	1,588	41.6	420	58.4	416	60.2	275	61.7	282	65.8	295	88.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended July 31, 2023	10.47	10.43
Nine months ended July 31, 2022	41.89	37.40

(Reference) EBITDA:

Nine months ended July 31, 2023 244 million yen (down 47.4%)

Nine months ended July 31, 2022 464 million yen (up 52.8%)

Adjusted EBITDA:

Nine months ended July 31, 2023 191 million yen (down 57.0%)

Nine months ended July 31, 2022 444 million yen (up 59.3%)

(Note) EBITDA and adjusted EBITDA are disclosed as useful comparative information on the Company's performance. Please see "1. Qualitative Information on Operating Result (3) Explanation of Cash Flows (Reference Information)" on page 4 of the attached materials for information on the definitions and calculation methods of each indicator.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent
	Millions of yen	Millions of yen	Millions of yen	%
As of July 31, 2023	3,611	2,318	2,304	63.8
As of October 31, 2022	4,001	2,647	2,611	65.3

2. Dividend Status

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	4Q-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended October 31, 2022	—	0.00	—	12.45	12.45
Fiscal year ending October 31, 2023	—	0.00	—		
Fiscal year ending October 31, 2023 (forecast)				13.61	13.61

Note: Revisions to most recently announced dividend forecast: No

3. Consolidated Earnings Forecasts of the Fiscal Year Ending October 31, 2023 (November 1, 2022 to October 31, 2023)

(Percentage figures represent year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Full year	3,167	43.8	80	(83.5)	75	(84.2)	7	(97.9)	33	(90.5)	Yen 4.29

Note: Revisions to most recently announced earnings forecasts: No

* Notes

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

Newly added: - companies

Excluded: - companies

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

(i) Changes in accounting policies required by IFRS: None

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

(iii) Changes in accounting estimates: None

- (3) Number of shares issued (common stock)

- (i) Number of shares issued at the end of the period (including treasury stock)

As of July 31, 2023 7,350,568 shares

As of October 31, 2022 7,768,768 shares

- (ii) Number of treasury stock at the end of the period

As of July 31, 2023 118,802 shares

As of October 31, 2022 135,629 shares

- (iii) Average number of shares during the period

Nine months ended July 31, 2023 7,361,689 shares

Nine months ended July 31, 2022 6,737,306 shares

* This report is exempt from the quarterly review by certified public accountants or auditing firms.

* Explanation on appropriate use of results forecasts and other notes

The results forecasts and other forward-looking statements shown in these materials are based on information obtained by the Company at present, and certain assumptions deemed to be reasonable. They are not intended to be a promise by the Company to achieve the results. Furthermore, actual results, etc. may vary significantly due to a variety of factors.

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1. Qualitative Information on Operating Result

(1) Explanation of Operating Results

During the nine months ended July 31, 2023, although the Japanese economy proceeded to return to normal due to various restrictions being relaxed such as the novel coronavirus (COVID-19) being classified as Class 5, the situation remained uncertain due to factors such as global increases in resource prices caused by Russia's invasion of Ukraine, rising interest rates caused by ongoing inflation, and associated management instability of financial institutions.

In the Internet advertising market surrounding the Group, advertising expenditures continued to grow consistently to 3.0912 trillion yen (up 14.3% year on year), and exceeded advertising expenditures in the four forms of mass media (aggregate of advertising expenses in the newspapers, magazines, radio and television) as in 2021. (Source: Dentsu Inc. "2022 Advertising Expenditures in Japan")

In such business conditions, the Group is conducting business centered on Legal Media & Other, and operates Legal Media primarily with attorneys as customers and Other Media for customers other than attorneys. Furthermore, in addition to Legal Media & Other, the Company operates Human Resources providing personnel referral services for professionals such as attorneys and CPAs, and administrative department personnel, and Insurance selling legal fee insurance covering part of the expense of hiring attorneys.

In Legal Media that accounts for a large portion of revenue, as a result of promoting development of new customers and focusing on lowering the churn rate and receiving additional orders from existing customers, the number of advertising slots posted (Note 1) in July 2023 was 2,347 (up 28.7% year on year), and the number of advertising customers (Note 2) was 940 (up 30.0% year on year), with business growing steadily.

(Note 1) The number of advertising slots posted is the total number, and multiple slots are counted in cases where the same customer has multiple advertising slots.

(Note 2) The number of advertising customers is the actual number of customers with advertising slots.

Furthermore, in Other Media, there was an increase in business in the "Carism" career change media based on factors such as continuation of heightened recruiting motivation of companies due to the normalization of the economy and active publishing of advertisements, and the number of inquiries during the nine months ended July 31, 2023 increased significantly to 37,980 (up 48.6% year on year).

The Company acquired all shares of Bikkore Co., Ltd. ("Bikkore") on March 31, 2023, and began operation of services such as the "Bikkore" point site business and the "Bikkore FX" FX demo trading app. Due to the basic business model of Bikkore being similar to Other Media, it has been included in the Other Media segment, and it has been recorded as consolidated results since April 2023. Furthermore, an acquisition-type merger was completed with Bikkore becoming defunct and ASIRO as the surviving company on June 1, 2023.

Consequently, the results for the nine months ended July 31, 2023 under IFRS were as follows. Revenue was 2,338,434 thousand yen (up 47.2% year on year), operating profit was 149,382 thousand yen (down 64.5% year on year), profit before tax was 142,293 thousand yen (down 65.8% year on year), profit was 55,393 thousand yen (down 79.9% year on year) and profit attributable to owners of parent was 77,071 thousand yen (down 72.7% year on year).

The Company has established a Medium-term Management Plan with the main targets of 5.5 billion yen in revenue and 1.1 billion yen in operating profit for the fiscal year ending October 31, 2025, and due to this fiscal year being positioned as a "growth investment period" for actively increasing investment for medium- to long-term growth as a measure for implementing this, profit has decreased year on year in each phase of profit.

Operating results by segment were as follows. Revenues are before elimination of intersegment transactions.

The Group has newly added "Insurance" as a reportable segment from the fiscal year ended October 31, 2022 due to the acquisition of shares in ASIRO SSI Inc. (name changed from Kailash Small Amount and Short Term Insurance on September 1, 2022), which operates a small-amount short-term insurance business, to make it a subsidiary on April 28, 2022. With this change, the segment information for the nine months ended July 31, 2022 have been restated using the changed segment classifications.

The Bikkore business was newly added to Other Media included in Legal Media & Other.

[Legal Media & Other]

In addition to the increase in advertising revenue associated with the increases in the number of slots posted and the number of advertising customers in Legal Media, rebranding was implemented including changing the site name from “Attorney Search” series to “BenNavi” as a rebranding measure for the purpose of securing a stable number of users in the medium to long term, and mass advertising such as television commercials also serving as test marketing were implemented in the nine months ended July 31, 2023. Furthermore, due to the increase in business in the “Carism” career change media in Other Media as mentioned above and the new addition of the Bikkore business, revenue was 2,198,179 thousand yen (up 47.0% year on year) and segment profit was 638,700 thousand yen (down 5.5% year on year).

Legal Media revenue was 1,356,540 thousand yen (up 27.4% year on year) and operating profit was 433,501 thousand yen (down 7.5% year on year). Other Media revenue was 841,639 thousand yen (up 95.5% year on year) and operating profit was 205,199 thousand yen (down 1.0% year on year).

[Human Resources]

The number of personnel has been significantly increased to strengthen systems aimed at future growth, and focus was placed on the development of new personnel during the nine months ended July 31, 2023. With regard to revenue and operating profit, although there was a steady increase in registrants and contracts in personnel referral services, active recruitment of personnel and publishing of advertisements resulted in revenue of 92,976 thousand yen (up 18.5% year on year), and segment loss of 79,540 thousand yen (profit of 26,710 thousand yen in the same period of the previous fiscal year).

[Insurance]

The Group operates the small-amount insurance business under ASIRO SSI, Inc. (hereinafter “ASIRO SSI”; name changed from Kailash Small Amount and Short Term Insurance on September 1, 2022) that became a consolidated subsidiary due to the additional acquisition of shares on April 28, 2022 and began consolidation of income statements from the nine months ended July 31, 2022. Revenue was 47,020 thousand yen (up 227.1% year on year), and segment loss was 98,613 thousand yen (loss of 34,814 thousand yen in the same period of the previous fiscal year).

[Other]

New businesses, etc. that currently lack significance as a business segment not included in reportable segments are classified and disclosed as “Other.” Revenue was 259 thousand yen (up 33.3% year on year), and segment loss was 2,464 thousand yen (loss of 27,506 thousand yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

(i) Assets

Current assets as of July 31, 2023 were 1,661,120 thousand yen, a decrease of 542,319 thousand yen compared to October 31, 2022. This was mainly due to a decrease of 738,544 thousand yen in cash and cash equivalents, which was partially offset by an increase of 145,135 thousand yen in trade and other receivables.

Non-current assets as of July 31, 2023 were 1,950,129 thousand yen, an increase of 152,598 thousand yen compared to October 31, 2022. This was mainly attributable to increases of 136,549 thousand yen in goodwill and 18,513 thousand yen in right-of-use assets.

As a result, total assets as of July 31, 2023 were 3,611,249 thousand yen.

(ii) Liabilities

Current liabilities as of July 31, 2023 were 669,799 thousand yen, a decrease of 89,540 thousand yen compared to October 31, 2022. This was mainly due to increases of 34,049 thousand yen in lease liabilities and 19,908 thousand yen in bonds and borrowings, which were offset by decreases of 104,470 thousand yen in income taxes payable and 44,953 thousand yen in other financial liabilities.

Non-current liabilities as of July 31, 2023 were 623,190 thousand yen, an increase of 28,921 thousand yen compared to October 31, 2022. This was mainly due to an increase of 33,274 thousand yen in bonds and borrowings.

As a result, total liabilities as of July 31, 2023 were 1,292,989 thousand yen.

(iii) Equity

Total equity as of July 31, 2023 was 2,318,259 thousand yen, a decrease of 329,102 thousand yen compared to October 31, 2022. This was mainly due to a decrease of 308,016 thousand yen in capital surplus resulting from the cancellation of treasury shares acquired during the fiscal period under review.

(3) Explanation of Cash Flows

Cash and cash equivalents as of July 31, 2023 amounted to 1,136,989 thousand yen, a decrease of 738,544 thousand yen compared to October 31, 2022.

The status of cash flows and factors therein during the nine months ended July 31, 2023 were as follows.

(Cash flows from operating activities)

Cash flows from operating activities for the nine months ended July 31, 2023 were net outflows of 223,130 thousand yen (net inflows of 380,984 thousand yen for the nine months ended July 31, 2022). This was mainly due to the increases caused by the recording of 142,293 thousand yen in profit before tax and 96,354 thousand yen in depreciation and amortization, which were offset by decreases caused by 239,348 thousand yen in income taxes paid, an increase of 128,478 thousand yen in trade and other receivables, a decrease of 45,599 thousand yen in other financial liabilities and an increase of 45,322 thousand yen in other current assets.

(Cash flows from investing activities)

Cash flows from investing activities for the nine months ended July 31, 2023 were net outflows of 120,871 thousand yen (net outflows of 189,994 thousand yen for the nine months ended July 31, 2022). This was mainly due to decreases caused by 56,673 thousand yen in payments for acquisition of subsidiaries, 42,303 thousand yen in purchase of property, plant and equipment and 34,256 thousand yen in payments for leasehold deposits and guarantee deposits.

(Cash flows from financing activities)

Cash flows from financing activities for the nine months ended July 31, 2023 were net outflows of 394,543 thousand yen (net inflows of 218,918 thousand yen for the nine months ended July 31, 2022). This was mainly due to the increase caused by 294,330 thousand yen in proceeds from long-term borrowings from banks, and decreases caused by 301,875 thousand yen in purchase of treasury shares, 209,416 thousand yen in repayments of long-term borrowings, 95,033 thousand yen in payment of dividends, 51,249 thousand yen in repayments of lease liabilities and 35,000 thousand yen in redemption of bonds.

(Reference information)

The Group has decided to publish EBITDA and adjusted EBITDA as reference indicators on operating results for the purpose of providing useful information for investors to evaluate the Group's results and understand the pure growth of the Group's corporate value without being limited by differences in accounting standards. EBITDA excludes the impact of non-cash expense items (depreciation and amortization) etc. from operating profit. Furthermore, adjusted EBITDA excludes the impact of non-cash expense items associated with application of IFRS (share-based payment expenses, depreciation of right-of-use assets, etc.) from EBITDA.

The calculation formulae and calculation methods for EBITDA and adjusted EBITDA are as follows.

- EBITDA = Operating profit + Depreciation and amortization – Other income + Other expenses
- Adjusted EBITDA = EBITDA ± Non-cash expense items associated with application of IFRS

(Units: thousands of yen)

	Nine months ended July 31, 2022 (November 1, 2021 to July 31, 2022)	Nine months ended July 31, 2023 (November 1, 2022 to July 31, 2023)
Operating profit on financial statements	420,242	149,382
+ Depreciation and amortization	46,506	96,354
– Other revenue	(2,676)	(1,506)
+ Other expenses	0	83
Subtotal	43,831	94,931
EBITDA	464,072	244,313
+ Provision of allowance for paid leave	2,641	4,498
+ Share-based payment expenses	3,744	7,500
+ Adjustment of leasehold deposits recorded	11	123
– Adjustment of depreciation of right-of-use assets	(25,104)	(63,318)
– Adjustment of direct increase in expenses for equity transactions	(874)	(1,991)
Subtotal	(19,582)	(53,189)
Adjusted EBITDA	444,490	191,123

(Note) Figures are rounded to nearest thousand yen.

(4) Explanation of Forward-looking Information such as Consolidated Earnings Forecasts

There are no changes to the earnings forecast announced on June 14, 2023.

Although COVID-19 initially had adverse effects on Other Media such as a decrease in revenue of career change media associated with the deterioration of the jobs-to-applicants ratio, the number of career change media instances increased during the fiscal year ended October 31, 2022 due to companies having heightened hiring interest looking toward the normalization of the economy, and the business is recovering and growing.

The Group has made accounting estimates based on currently available information with the assumption that the same situation will continue going forward. There are no significant changes to the estimates made from the previous fiscal year. However, actual results may differ from these estimates due to the uncertainties involved in future trends of COVID-19.

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Units: thousands of yen)

	Fiscal year ended October 31, 2022 (as of October 31, 2022)	Nine months ended July 31, 2023 (as of July 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	1,875,533	1,136,989
Trade and other receivables	307,664	452,800
Other current assets	20,241	71,331
Total current assets	2,203,439	1,661,120
Non-current assets		
Property, plant and equipment	92,549	80,325
Right-of-use assets	218,524	237,037
Goodwill	1,301,990	1,438,539
Intangible assets	31,239	25,893
Other financial assets	106,213	115,059
Deferred tax assets	46,421	52,442
Other non-current assets	595	836
Total non-current assets	1,797,531	1,950,129
Total assets	4,000,970	3,611,249

(Units: thousands of yen)

	Fiscal year ended October 31, 2022 (as of October 31, 2022)	Nine months ended July 31, 2023 (as of July 31, 2023)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	231,988	216,574
Bonds and borrowings	132,382	152,289
Insurance contract liabilities	52,299	59,224
Income taxes payable	104,470	—
Lease liabilities	67,237	101,285
Other financial liabilities	91,452	46,499
Other current liabilities	68,252	78,271
Provisions	11,261	15,655
Total current liabilities	759,340	669,799
Non-current liabilities		
Bonds and borrowings	436,632	469,906
Lease liabilities	119,613	102,215
Other financial liabilities	431	280
Provisions	37,594	50,789
Total non-current liabilities	594,269	623,190
Total liabilities	1,353,609	1,292,989
Equity		
Share capital	606,349	608,453
Capital surplus	1,268,815	960,799
Retained earnings	830,589	812,627
Treasury shares	(99,773)	(81,338)
Other components of equity	5,069	3,084
Total equity attributable to owners of parent	2,611,048	2,303,625
Non-controlling interests	36,313	14,635
Total equity	2,647,361	2,318,259
Total liabilities and equity	4,000,970	3,611,249

(2) Condensed Quarterly Consolidated Statements of Income and Comprehensive Income
(Condensed Quarterly Consolidated Statement of Income)

(Units: thousands of yen)

	Nine months ended July 31, 2022 (November 1, 2021 to July 31, 2022)	Nine months ended July 31, 2023 (November 1, 2022 to July 31, 2023)
Revenue	1,588,275	2,338,434
Cost of sales	772,261	1,409,337
Gross profit	816,014	929,097
Selling, general and administrative expenses	398,448	781,138
Other revenue	2,676	1,506
Other expenses	0	83
Operating profit	420,242	149,382
Finance revenue	70	129
Finance expenses	4,221	7,218
Profit before tax	416,090	142,293
Income tax expense	140,982	86,900
Profit	275,109	55,393
Profit attributable to		
Owners of parent	282,209	77,071
Non-controlling interests	(7,100)	(21,678)
Net profit	275,109	55,393
Earnings per share		
Basic earnings per share (yen)	41.89	10.47
Diluted earnings per share (yen)	37.40	10.43

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	(Units: thousands of yen)	
	Nine months ended July 31, 2022 (November 1, 2021 to July 31, 2022)	Nine months ended July 31, 2023 (November 1, 2022 to July 31, 2023)
Profit	275,109	55,393
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured through other comprehensive income	19,225	—
Total of items that will not be reclassified to profit or loss	19,225	—
Items that may be reclassified to profit or loss		
Effective portion of net change in fair value of cash flow hedges	294	104
Total of items that may be reclassified to profit or loss	294	104
Total other comprehensive income	19,519	104
Comprehensive income	294,628	55,497
Comprehensive income attributable to		
Owners of parent	301,728	77,175
Non-controlling interests	(7,100)	(21,678)
Net income	294,628	55,497

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
Nine months ended July 31, 2022 (November 1, 2021 to July 31, 2022)

(Units: thousands of yen)

	Equity attributable to owners of parent				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity
					Share acquisition rights
Balance as of November 1, 2021	542,354	1,150,477	482,835	—	62,561
Profit	—	—	282,209	—	—
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	282,209	—	—
Restricted stock compensation	3,779	(42)	—	—	—
Purchase of treasury shares	—	(565)	—	(99,773)	—
Acquisition of subsidiaries	—	—	4,130	—	—
Changes in interest associated with capital increase of consolidated subsidiary	—	(7)	—	—	—
Exercise of share acquisition rights	1,181	2,267	—	—	(1,090)
Issuance of share acquisition rights	—	—	—	—	1,421
Other	—	—	—	—	(39)
Total transactions with owners	4,960	1,653	4,130	(99,773)	292
Balance as of July 31, 2022	547,315	1,152,130	769,174	(99,773)	62,853

(Units: thousands of yen)

(Units: thousands of yen)

	Equity attributable to owners of parent					
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Total	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of November 1, 2021	(15,095)	(734)	46,732	2,222,398	—	2,222,398
Profit	—	—	—	282,209	(7,100)	275,109
Other comprehensive income	19,225	294	19,519	19,519	—	19,519
Total comprehensive income	19,225	294	19,519	301,728	(7,100)	294,628
Restricted stock compensation	—	—	—	3,738	—	3,738
Purchase of treasury shares	—	—	—	(100,338)	—	(100,338)
Acquisition of subsidiaries	(4,130)	—	(4,130)	—	3,476	3,476
Changes in interest associated with capital increase of consolidated subsidiary	—	—	—	(7)	45,607	45,600
Exercise of share acquisition rights	—	—	(1,090)	2,358	—	2,358
Issuance of share acquisition rights	—	—	1,421	1,421	—	1,421
Other	—	—	(39)	(39)	—	(39)
Total transactions with owners	(4,130)	—	(3,838)	(92,868)	49,083	(43,785)
Balance as of July 31, 2022	—	(440)	62,413	2,431,258	41,983	2,473,241

Nine months ended July 31, 2023 (November 1, 2022 to July 31, 2023)

(Units: thousands of yen)

	Equity attributable to owners of parent				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity
					Share acquisition rights
Balance as of November 1, 2022	606,349	1,268,815	830,589	(99,773)	5,368
Profit	—	—	77,071	—	—
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	77,071	—	—
Restricted stock compensation	—	7,500	—	—	—
Purchase of treasury shares	—	(1,382)	—	(299,884)	—
Disposal of treasury shares	—	(11,457)	—	11,457	—
Cancellation of treasury shares	—	(306,862)	—	306,862	—
Dividends of surplus	—	—	(95,033)	—	—
Exercise of share acquisition rights	2,104	4,052	—	—	(1,956)
Forfeiture of share acquisition rights	—	133	—	—	(133)
Total transactions with owners	2,104	(308,016)	(95,033)	18,435	(2,089)
Balance as of July 31, 2023	608,453	960,799	812,627	(81,338)	3,279

(Units: thousands of yen)

(Units: thousands of yen)

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity		Equity attributable to owners of parent		
	Cash flow hedges	Total			
Balance as of November 1, 2022	(299)	5,069	2,611,048	36,313	2,647,361
Profit	—	—	77,071	(21,678)	55,393
Other comprehensive income	104	104	104	—	104
Total comprehensive income	104	104	77,175	(21,678)	55,497
Restricted stock compensation	—	—	7,500	—	7,500
Purchase of treasury shares	—	—	(301,266)	—	(301,266)
Disposal of treasury shares	—	—	—	—	—
Cancellation of treasury shares	—	—	—	—	—
Dividends of surplus	—	—	(95,033)	—	(95,033)
Exercise of share acquisition rights	—	(1,956)	4,200	—	4,200
Forfeiture of share acquisition rights	—	(133)	—	—	—
Total transactions with owners	—	(2,089)	(384,599)	—	(384,599)
Balance as of July 31, 2023	(195)	3,084	2,303,625	14,635	2,318,259

(4) Condensed Quarterly Consolidated Statements of Cash Flows

	(Units: thousands of yen)	
	Nine months ended July 31, 2022 (November 1, 2021 to July 31, 2022)	Nine months ended July 31, 2023 (November 1, 2022 to July 31, 2023)
Cash flows from operating activities		
Profit before tax	416,090	142,293
Depreciation and amortization	46,506	96,354
Finance revenue	(70)	(129)
Finance expenses	4,221	7,218
Decrease (increase) in trade and other receivables	(61,980)	(128,478)
Decrease (increase) in other current assets	(8,280)	(45,322)
Increase (decrease) in trade and other payables	71,456	1,174
Increase (decrease) in insurance contract liabilities	17,414	6,925
Increase (decrease) in other current liabilities	46,255	(20,670)
Increase (decrease) in other financial liabilities	(25,090)	(45,599)
Share-based payment expenses	3,744	7,500
Other	(2,093)	(1,835)
Subtotal	508,174	19,430
Interest received	6	8
Interest paid	(1,293)	(3,220)
Income taxes paid	(125,904)	(239,348)
Cash flows from operating activities	380,984	(223,130)
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,879)	(42,303)
Purchase of intangible assets	—	(995)
Payments for acquisition of subsidiaries	(113,518)	(56,673)
Payments for asset retirement obligations	—	(11,260)
Payments for leasehold deposits and guarantee deposits	(70,597)	(34,256)
Proceeds from refund of leasehold deposits and guarantee deposits	1,000	25,325
Other	—	(710)
Cash flows from investing activities	(189,994)	(120,871)
Cash flows from financing activities		
Proceeds from issuance of shares	2,358	4,200
Capital contribution from non-controlling interests	45,600	—
Payment of dividends	—	(95,033)
Proceeds from long-term borrowings	—	294,330
Repayments of long-term borrowings	(50,728)	(209,416)
Proceeds from issuance of bonds	343,970	—
Redemption of bonds	—	(35,000)
Repayments of lease liabilities	(22,787)	(51,249)
Purchase of treasury shares	(100,588)	(301,875)
Other	1,093	(500)
Cash flows from financing activities	218,918	(394,543)
Net increase (decrease) in cash and cash equivalents	409,908	(738,544)
Cash and cash equivalents at beginning of period	1,303,843	1,875,533
Cash and cash equivalents at end of period	1,713,751	1,136,989

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policies)

Not applicable.

(Changes in Accounting Estimates)

Not applicable.

(Segment Information)

(1) Overview of reportable segments

The Group's business segments are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic reviews to determine the distribution of management resources and evaluate business results.

The Group operates multiple media sites and conducts Human Resources, Insurance, etc. but has consolidated business segments with generally similar elements such as services into the three reportable segments of "Legal Media & Other," "Human Resources" and "Insurance" to provide appropriate information on the content of business activities, etc.

"Legal Media & Other" operates Legal Media centered on the "BenNavi" series and Other Media such as "Carism" career change media.

"Human Resources" is licensed by the Minister of Health, Labour and Welfare, and conducts fee-charging employment placement businesses pursuant to the Employment Security Act.

In "Insurance," the Group performs the sale, etc. of legal fee insurance.

(2) Changes in reportable segments

The Group has newly added "Insurance" as a reportable segment from the fiscal year ended October 31, 2022 due to the acquisition of shares in ASIRO SSI Inc. (name changed from Kailash Small Amount and Short Term Insurance on September 1, 2022), which operates a small-amount short-term insurance business, to make it a subsidiary on April 28, 2022. With this change, the segment information for the nine months ended July 31, 2022 have been restated according to the changed segment classifications.

(3) Information on reportable segments

The revenue and business results of the Group's reportable segments are as follows. Profit of reportable segments is shown as figures based on operating profit.

Nine months ended July 31, 2022 (November 1, 2021 to July 31, 2022)

(Units: thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Legal Media & Other	Human Resources	Insurance	Total				
Revenue								
Revenue from external customers	1,495,229	78,477	14,373	1,588,080	194	1,588,275	—	1,588,275
Intersegment revenue	514	—	—	514	—	514	(514)	—
Total	1,495,744	78,477	14,373	1,588,594	194	1,588,789	(514)	1,588,275
Segment profit (loss)	675,738	26,710	(34,814)	667,633	(27,506)	640,127	(219,885)	420,242
Finance revenue	—	—	—	—	—	—	—	70
Finance expenses	—	—	—	—	—	—	—	4,221
Profit before tax	—	—	—	—	—	—	—	416,090

(Notes) 1. The “Other” category is made up of business segments not included in reportable segments, such as new businesses with little significance at present.

2. The adjustments of segment profit or loss are primarily corporate expenses not allocated to each reportable segment.

Nine months ended July 31, 2023 (November 1, 2022 to July 31, 2023)

(Units: thousands of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Legal Media & Other	Human Resources	Insurance	Total				
Revenue								
Revenue from external customers	2,198,179	92,976	47,020	2,338,175	259	2,338,434	—	2,338,434
Intersegment revenue	1,887	1,575	—	3,462	—	3,462	(3,462)	—
Total	2,200,066	94,551	47,020	2,341,638	259	2,341,897	(3,462)	2,338,434
Segment profit (loss)	638,700	(79,540)	(98,613)	460,547	(2,464)	458,084	(308,702)	149,382
Finance revenue	—	—	—	—	—	—	—	129
Finance expenses	—	—	—	—	—	—	—	7,218
Profit before tax	—	—	—	—	—	—	—	142,293

(Notes) 1. The “Other” category is made up of business segments not included in reportable segments, such as new businesses with little significance at present.

2. The adjustments of segment profit or loss are primarily corporate expenses not allocated to each reportable segment.

(Per Share Information)

	Nine months ended July 31, 2022 (November 1, 2021 to July 31, 2022)	Nine months ended July 31, 2023 (November 1, 2022 to July 31, 2023)
Profit attributable to owners of parent (thousand yen)	282,209	77,071
Profit not attributable to common shareholders to owners of parent (thousand yen)	—	—
Profit used for calculation of basic earnings per share (thousand yen)	282,209	77,071
Adjustment of quarterly profit on dilution (thousand yen)	—	—
Profit used for calculation of diluted earnings per share (thousand yen)	282,209	77,071
Weighted average number of common stock (shares)	6,737,306	7,361,689
Increase in the number of common stock due to stock acquisition rights (shares)	809,324	30,184
Diluted weighted-average number of common stock (shares)	7,546,631	7,391,873
Basic earnings per share (yen)	41.89	10.47
Diluted earnings per share (yen)	37.40	10.43
Outline of dilutive shares not included in diluted earnings per share after full dilution due to the absence of dilutive effects	4th share acquisition rights Number of share acquisition rights: 2,030 (Common stock: 203,000 shares)	4th share acquisition rights Number of share acquisition rights: 1,800 (Common stock: 180,000 shares)

(Business Combinations)

Nine months ended July 31, 2022 (November 1, 2021 to July 31, 2022)

On April 28, 2022, the Company acquired an additional 62.31% of the shares of ASIRO SSI, Inc. (hereinafter “ASIRO SSI”; name changed from Kailash Small Amount and Short Term Insurance on September 1, 2022), which operates a small-amount and short-term insurance business. This, along with the existing holding of 14.82%, resulted in holding 77.14% of the outstanding shares of ASIRO SSI, making it a subsidiary.

(1) Overview of business combination

(i) Name and content of business of acquired company

Name of acquired company: ASIRO SSI, Inc.

Content of business: Small-amount insurance business such as selling legal fee insurance
“BenNavi Attorney’s Fee Insurance”

(ii) Acquisition date

April 28, 2022

(iii) Percentage of equity interest with voting rights acquired

The Company had held 14.82% of ASIRO SSI shares with voting rights immediately before the business combination date, but made an additional acquisition of 62.31% of the shares on the business combination date, making it a subsidiary.

(iv) Main reasons for the business combination

ASIRO SSI was registered as a small-amount short-term insurance company on February 14, 2020, and commenced operation of its small-amount short-term insurance business on April 1, 2020, selling legal fee insurance. As legal fee insurance is a product that uses insurance payments to cover part of the expenses arising when hiring attorneys to resolve trouble encountered in everyday life, parties insured by the insurance have the potential for legal trouble and are prepared for the possibility of hiring attorneys.

Meanwhile, the Company operates Legal Media, and attracts users with manifest legal problems who feel the need to hire attorneys in areas such as divorce problems and labor issues. Users of the Company’s Legal Media and people insured by ASIRO SSI have similar attributes, and the Company had made a partial investment in the operating funds associated with the commencement of ASIRO SSI’s business in 2020 due to the significant potential for a business partnership, and held 14.82% of voting rights.

More than one year has elapsed since the commencement of ASIRO SSI’s business, and the accumulation of insurance contracts has been confirmed. Furthermore, including the contracts the Company has brokered as an insurance agent, over 80% of the insured have been attracted via the Internet, and the Company has determined that the number of contracts held can be increased by making ASIRO SSI a subsidiary and applying our web marketing technology. In addition, by strengthening business partnership by making ASIRO SSI a subsidiary, the Company will be able to reach customers who potentially face legal trouble, and using ASIRO SSI’s platform will make it possible to diversify revenue sources by developing and selling new insurance products in the future. For these reasons, it was determined that making ASIRO SSI a subsidiary would lead to further business expansion and improvement of competitiveness of the Group.

(v) Method of acquisition of control of the acquired company

Acquisition of shares in exchange for cash

(2) Expenses related to acquisition

The expenses related to acquisition for the business combination were 9,500 thousand yen, and the entire amount was recorded as an expense under “selling, general and administrative expenses.”

(3) Breakdown of consideration for acquisition

(Units: thousands of yen)

Cash and cash equivalents	141,360
Fair value of equity interest held immediately before acquisition	33,630
Total	174,990

(4) Gain due to acquisition in stages

As a result of re-measurement of the fair value on the acquisition date of the 14.82% held by the Group on the acquisition date, a gain of 4,130 thousand yen due to acquisition in stages was recognized from the business combination. This gain is included in the net change in fair value of financial assets measured through other comprehensive income on the Condensed Quarterly Consolidated Statements of Comprehensive Income.

(5) Fair values of consideration for acquisition, acquired assets, liabilities assumed and non-controlling interests as of the acquisition date

(Units: thousands of yen)

Fair value of consideration for acquisition	174,990
Fair value of acquired assets and liabilities assumed	
Cash and cash equivalents	27,842
Trade and other receivables	7,057
Other current assets	311
Other financial assets (non-current assets)	10,000
Total assets	45,210
Trade and other payables	3,997
Insurance contract liabilities	24,765
Income taxes payable	685
Other financial liabilities (current liabilities)	242
Other current liabilities	320
Non-current liabilities	—
Total liabilities	30,010
Fair value of acquired assets and liabilities assumed	15,201
Non-controlling interests (Note 1)	(3,476)
Goodwill (Note 2)	163,265
Total	174,990

- (Notes) 1. Non-controlling interests are measured using the equity interest of non-controlling shareholders in relation to the fair value of the identifiable net assets of the acquired company.
2. Goodwill arises mainly from reasonable estimates of the future expected excess earning power.
- Note that there is no amount expected to be included in losses for tax purposes with regard to the goodwill.

(6) Cash flows associated with the acquisition

(Units: thousands of yen)

Cash and cash equivalents paid due to the additional acquisition	141,360
Cash and cash equivalents held by the acquired company at the time of acquisition	(27,842)
Purchase of subsidiaries	113,518

(7) Impact on performance

The amounts of revenue and net profit or loss of the acquired company recognized on the Condensed Quarterly Consolidated Statements of Income for the reporting period are as follows.

(Units: thousands of yen)

Revenue	14,373
Profit (loss)	(31,056)

Furthermore, the impact on the Group's revenue and profit for the nine months under review assuming the business combination took place at the start of the period is immaterial. The relevant pro forma information has not undergone a quarterly review.

Nine months ended July 31, 2023 (November 1, 2022 to July 31, 2023)

In a meeting of the Board of Directors held on March 17, 2023, the Company resolved to acquire all shares of Bikkore Co., Ltd., which operates the “Bikkore” point site and the “Bikkore FX” FX demo trading app, making it a subsidiary. As a result, a share transfer agreement was concluded on March 17, 2023, and the shares were acquired in March 31, 2023.

The outstanding amount of net cash was scheduled to be paid as a price adjustment clause for the acquisition of shares on May 31, 2023 under the share transfer agreement, but after acquiring the shares, content believed to partially infringe upon the provisions of the share transfer agreement was found, and as a result of repeated consultation with the seller, Media Beats Co., Ltd., it was agreed that the already paid 300,000 thousand yen acquisition value of common shares specified in the share transfer agreement would be reduced to 150,000 thousand yen, and an amending memorandum of understanding on the agreement was concluded. As a result, the 74,214 thousand yen difference with the net cash payment of 75,786 thousand yen was refunded on the same day. The accounting and notes for the nine months ended July 31, 2023 reflect the content of these transactions.

Furthermore, Bikkore Co., Ltd. became defunct through an acquisition-type merger with ASIRO as the surviving company on June 1, 2023.

(1) Overview of business combination

(i) Name and content of business of acquired company

Name of acquired company: Bikkore Co., Ltd

Content of business: Operation of services such as the “Bikkore” point site and the “Bikkore FX” FX demo trading app

(ii) Acquisition date

March 31, 2023

(iii) Percentage of equity interest with voting rights acquired

100%

(iv) Main reasons for the business combination

The Company formulated a Medium-term Management Plan ending in the fiscal year ending October 31, 2025 (hereinafter referred to as “MTMP”), and is actively promoting investment and measures aimed at the achievement of the numerical targets of the MTMP and achieving 10 billion yen in revenue as soon as possible. As part of this, the Company is focusing on the launch of new areas in addition to the mainstay career change area in the Other Media business that is one of the main businesses.

Bikkore Co., Ltd. was established as a subsidiary of Media Beats Co., Ltd. in July 2022, and is a company operating the “Bikkore” point site and the “Bikkore FX” FX demo trading app having assigned these businesses from Media Beats Co., Ltd. on the same day. The services of Bikkore are characterized by granting users points that can be exchanged for bitcoin on certain conditions set by the advertiser are met. Bikkore has a business model in which it does not hold an inventory of bitcoin and is not subject to the price fluctuation risk.

The business of Bikkore Co., Ltd. is compatible with ASIRO’s Other Media business, and the Company has taken the opportunity of this acquisition to enter the area of finance in the Other Media business. Furthermore, the target company has designed user incentives granting users points that are exchangeable for bitcoin, and we would like to develop services with greater appeal for users by acquiring that know-how. In addition, we believe we can contribute to increasing the ability Bikkore Co., Ltd. has to attract customers to its services by utilizing the SEO know-how and advertising operation know-how ASIRO has developed, and this is expected to create a high level of synergy.

(v) Method of acquisition of control of the acquired company

Acquisition of shares in exchange for cash

(2) Expenses related to acquisition

The expenses related to acquisition were 19,889 thousand yen, and the entire amount was recorded as an expense under “selling, general and administrative expenses.”

(3) Breakdown of consideration for acquisition

(Units: thousands of yen)

Cash and cash equivalents (Note)	225,786
Total	225,786

(Note) This is the amount after offsetting the initial payment amount and the refund associated with the conclusion of the amending memorandum of understanding.

(4) Fair values of consideration for acquisition, acquired assets, liabilities assumed and non-controlling interests as of the acquisition date

(Units: thousands of yen)

Fair value of consideration for acquisition	225,786
Fair value of acquired assets and liabilities assumed	
Cash and cash equivalents	169,114
Trade and other receivables	16,656
Other current assets	5,769
Deferred tax assets	6,067
Total assets	197,605
Trade and other payables	11,780
Income taxes payable	47,969
Other financial liabilities (current liabilities)	389
Other current liabilities	30,690
Provisions	17,539
Non-current liabilities	—
Total liabilities	108,367
Fair value of acquired assets and liabilities assumed	89,238
Goodwill (Note)	136,549
Total	225,786

(Notes) Goodwill arises mainly from reasonable estimates of the future expected excess earning power.

Note that there is no amount expected to be included in losses for tax purposes with regard to the goodwill.

(5) Cash flows associated with the acquisition

(Units: thousands of yen)

Cash and cash equivalents paid due to the acquisition (Note)	225,786
Cash and cash equivalents held by the acquired company at the time of acquisition	(169,114)
Purchase of subsidiaries	56,673

(Note) This is the amount after offsetting the initial payment amount and the refund associated with the conclusion of the amending memorandum of understanding.

(6) Impact on performance

The amounts of revenue and net profit or loss of the related to acquired company recognized on the Condensed Quarterly Consolidated Statements of Income for the reporting period are as follows.

(Units: thousands of yen)

Revenue	62,847
Profit	200

Furthermore, pro forma information assuming that the business combination took place at the beginning of the fiscal year ending October 31, 2023 is revenue of 2,529,547 thousand yen and profit of 96,794 thousand yen. The relevant pro forma information is made up of approximate values and has not undergone a quarterly review.

(Significant Events after Reporting Period)

Not applicable.