This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document, the Japanese original shall prevail.

Consolidated Financial Results for FY 2023 [Japanese GAAP]

May 10, 2024

Listed company name Solasto Corporation — Listing: Tokyo Stock Exchange

Code No. 6197 — URL: https://www.solasto.co.jp

Representative — Title: President and Representative Director CEO — Name: Toru Noda

Contact — Title: General Manager of Corporate Communications and IR Department — Name: Akane Unno — TEL: 03(6890)8904

Scheduled date of ordinary general meeting of shareholders: June 26, 2024

Scheduled date of commencement of dividend payment: June 7, 2024

Scheduled date of the financial statements submission: June 27, 2024

Preparation of supplementary material on financial results : Yes

Holding of presentation meeting for financial results : Yes (For institutional investors and analysts)

(Amounts are less than one million yen have been rounded)

1.Consolidated Financial Results for FY2023 (April 1, 2023 to March 31, 2024)

(1) Consolidated Results of Operations

(% : Changes from the previous period)

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2023	135,139	3.1	5,517	(12.8)	5,564	(17.5)	2,257	(28.8)
FY 2022	131,088	11.8	6,325	0.1	6,747	7.1	3,172	(9.4)

NOTE: Comprehensive income FY 2023 2,243 Million yen (31.2%) FY 2022 3,260 Million yen (6.7%)

	Per share Net income	Fully diluted Net income per share	Shareholders' equity Net income margin	Total assets Ordinary profit margin	Net sales Operating profit margin
	Yen	Yen	%	%	%
FY 2023	24.11	24.11	10.7	7.7	4.1
FY 2022	33.53	33.53	15.2	9.6	4.8

Reference: Equity in earnings of affiliates FY 2023 - Million yen FY 2022 - Million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity Ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2023	75,199	20,485	27.2	222.07
FY 2022	69,852	21,572	30.9	227.83

Reference: Shareholders' equity FY 2023 20,477 Million yen FY 2022 21,564 Million yen

(3) Consolidated Cash Flows

	Operating activities Cash Flows	Investing activities Cash Flows	Financing activities Cash Flows	Cash and cash equivalents Balance at end of year
	Million yen	Million yen	Million yen	Million yen
FY 2023	7,858	-2,762	-1,837	15,115
FY 2022	9,012	-2,171	-5,211	11,857

2.Dividends

	Dividend per share					Total dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (consolidated)
	End of first quarter	End of second quarter	End of the third quarter	Term end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2022	-	10.00	-	10.00	20.00	1,893	59.6	9.1
FY 2023	-	10.00	-	10.00	20.00	1,863	83.0	8.9
FY2024 (Forecast)	-	10.00	-	10.00	20.00		74.9	

3.Forecast of Consolidated Financial Results for FY 2024 (April 1, 2024 to March 31, 2025)

	Net sales		Operating profit		Ordinary profit		Net income		Per share Net income
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	139,000	2.9	6,200	12.4	6,050	8.7	2,500	10.7	26.69

※ Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in changes in the scope of consolidation): Yes
Newly included: 2 news (company name) Solasto Care Co., Ltd., Possible Medical Science Co., Ltd.
NOTE: Solasto Care Network Co., Ltd. was a specific subsidiary when it became a consolidated subsidiary through the acquisition of shares in the first quarter of the FY2023 under review, but it did not fall under the category of a specified subsidiary at the end of the FY2023 under review.

(2) Changes in accounting policies and changes or restatement of accounting estimates

(1) Changes in accounting policies due to revision of accounting standards:	None
(2) (1) Changes in accounting policies other than the above:	None
(3) Changes in accounting estimates:	None
(4) Restatement of revisions:	None

(3) Number of shares outstanding (common shares)

(1) Number of shares outstanding at the end of the period, including treasury stock	FY 2023	94,741,793 Shares	FY 2022	94,653,362 Shares
(2) Number of treasury stock at the end of the period	FY 2023	2,531,133 Shares	FY 2022	258 Shares
(3) Average number of shares during the period	FY 2023	93,661,631 Shares	FY 2022	94,626,613 Shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for FY 2023 (April 1, 2023 to March 31, 2024)

(1) Overview of Non-Consolidated Results of Operation (% : Changes from the previous period)

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2023	105,459	(0.6)	3,548	(23.4)	3,592	(25.7)	(1,321)	-
FY 2022	106,056	15.7	4,630	(3.6)	4,832	0.1	3,303	15.6

	Per share Net income	Fully diluted Net income per share
	Yen	Yen
FY 2023	-14.11	-
FY 2022	34.92	34.91

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity Ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2023	68,253	15,066	22.1	163.30
FY 2022	67,920	19,748	29.1	208.55

Reference: Shareholders' equity FY 2023 15,058 Million yen FY 2022 19,739 Million yen

<Reasons for differences in non-consolidated results from the results of the FY2022>
There was a difference between the actual figures for FY2022 and the actual figures for FY2023 due to factors such as the consolidation of offices, impairment losses for elderly care business centers, etc., and extraordinary losses resulting from the business restructuring of the Smart Hospital Business and the Education Business and the implementation of the restructuring of the internal organization, etc., resulting in a decrease in net income.

* The financial results are outside the scope of audits by a certified public accountant or an auditing firm.

* Explanations and other special notes concerning the appropriate use of business performance forecasts

(1) The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and do not constitute guarantees by the Company of future performance. Actual results may differ materially from the forecast depending on a range of factors. Please refer to "1. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results, (b) Forecast for FY 2024" in P.4"1. of the Attached Materials for the assumptions on which the forecasts are based and notes for using the forecasts.

(2) Supplementary materials for financial results and materials for the financial results briefing (live distribution, language available in Japanese only) for institutional investors and analysts scheduled to be held on May 13, 2024 are scheduled to be posted on our website before the briefing on May 13.
(Company website URL)
https://www.solasto.co.jp/ir/en/

Index of the Attachment

1. Analysis of Operating Results and Financial Position 2
(1) Analysis of Operating Results 2
(2) Summary of Financial Position for FY 2023 5
(3) Basic Policy on Profit Distribution and Dividends for FY 2023 and FY 2024 5
2. Basic Approach to Selection of Accounting Standards 6
3. Consolidated Financial Statements and Supplementary Notes 7
(1) Consolidated Balance Sheet 7
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income 9
Consolidated Profit and Loss Statement 9
Consolidated Statements of Comprehensive Income 9
(3) Consolidated Statements of Changes in Shareholders' Equity 10
(4) Consolidated Statements of Cash Flows 12
(5) Notes to Consolidated Financial Statements 13
(Notes on Going Concern Assumptions) 13
(Segment Information) 13
(Per Share Information) 16
(Significant Subsequent Events) 17

1.Analysis of Operating Results and Financial Position

(1) Analysis of Operating results

(a) Operating Results for FY 2023

<Business results>

Environment surrounding our Group and the changes that took place during FY2023 under review were as follows.

- In the Medical Outsourcing Business there was stable demand for medical administrative services generated by hospitals and other medical institutions. Additionally, supported by the government's workstyle reform for medical professionals that came into effect in April 2024, there was great demand for dispatched administrative staff for physicians to reduce the burden of administrative work on physicians.
- In the Elderly Care Business, demand for elderly care services steadily increased, driven by the aging of the population. The number of people in Japan that were 75 years of age or older in 2023 reached 20.05 million people, exceeding 20 million people for the first time, an increase of 0.72 million people compared to the previous year (source: Population Estimates, Ministry of Internal Affairs and Communication).
- COVID-19 was reclassified as a class five infectious disease on May 8, 2023. Society, the economy and the living environment are returning to the normal pre-COVID-19 situation, and this same trend was observed in the elderly care industry by users of the services. Meanwhile, the elderly care industry was partially affected by COVID-19. Due to the 9th wave of COVID-19 infections in the summer and the wave of infections concurrent with seasonal influenza in the winter, day service users were discouraged from using the services.
- The employment environment continues to improve, with the average effective job-to-applicant ratio in 2023 being 1.31 (seasonally adjusted), 0.03 percentage points higher than the previous year (source: Employment referrals for general workers, Ministry of Health, Labour and Welfare). On the other hand, the recruitment of timely and appropriate personnel in the medical administration, elderly care and childcare sectors remains a key issue for the industry as a whole, with the job-to-applicant ratio in the elderly care sector being more than three times higher than the ratio in other sectors.

Looking at our group's performance in this business environment, in FY2023 both sales and operating profit increased year on year. Net sales increased 3.1% year on year to 135,139 million yen, mainly due to M&A activities in the Elderly Care Business in FY2022 and FY2023, thereby achieving sales growth for the 11th consecutive year. Operating profit decreased by 12.8% from the previous year to 5,517 million yen due to an increase in personnel expenses resulting from higher-than-usual compensation, start-up costs incurred from new contracts in the Medical Outsourcing Business, and an increase in corporate expenses. Ordinary profit decreased 17.5% from the previous year to 5,564 million yen. Regarding extraordinary profit/loss, in the Elderly Care Business, a gain on negative goodwill of 2,828 million yen was recorded due to the acquisition of Solasto Care Co.,Ltd. (former name: Mitsui Sumitomo Insurance Care Network Co.,Ltd) and Solasto Care Network Co., Ltd. (former name: Sogo Care Network Co., Ltd) as its subsidiaries in June 2023. However, the Company recorded impairment losses on the consolidation of offices and elderly care offices, business restructuring costs in the Smart Hospital Business and the Education Business and other costs related to reorganization within the Company. As a result, net income decreased by 28.8% year-on-year to 2,257 million yen.

The results in FY2023 are as follows:

(Millions of yen)

	FY 2022	FY 2023	YoY Change	YoY Change %
Net sales	131,088	135,139	+4,051	+3.1%
Operating profit	6,325	5,517	-808	(12.8%)
Margin	4.8%	4.1%		
Ordinary profit	6,747	5,564	-1,182	(17.5%)
Margin	5.1%	4.1%		
Net income	3,172	2,257	-915	(28.8%)
Margin	2.4%	1.7%		

<Results by Business Segment>

[Medical Outsourcing Business]

In the Medical Outsourcing Business, the company worked to establish next-generation operations to significantly improve quality, sales and operational capabilities. Net sales in the Medical Outsourcing Business decreased by 2.2% from the previous year to 70,464 million yen.This was mainly due to COVID-19 related services decreasing JPY 5.2 billion from the previous year, because of the reclassification of COVID-19 as a class five infectious disease, despite favorable growth due to new contracts in the contracted service and worker dispatching services. Operating profit decreased 8.4% from the previous year to 8,204 million yen despite the increased profit due to the growth of sales of contracted services and worker dispatching services. This was mainly due to the decrease in profit from COVID-19 related services, increased personnel costs because of

the improvement of compensation which was higher than usual, start-up costs related to new contracts, and an increase in sales supporting system-related costs due to initiatives to shift to next-generation operations.

[Elderly Care Business]

In the Elderly Care Business, the number of elderly care offices increased by 61 from the end of FY2022 due to the acquisition of subsidiaries Solasto Care and Solasto Care Network in June 2023 and subsidiaries Kabushikigaisha Medical Life Care and POSSIBLE MEDICAL SCIENCE Kabushikigaisya in July 2023. Net sales increased 11.0% from the previous year to 53,895 million yen due to M&As activities in FY2022 and FY2023, the contributions of newly opened offices to the business's performance, and an improvement in the number of users of day care services, which had been stagnant due to the prolonged COVID-19 pandemic. Operating profit increased 10.2% from the previous year to 2,777 million yen due to a recovery from COVID-19 as seen in the increase in the number of users of elderly care services such as day care services, and the absence of the effect of accounting treatment related to the Wage Improvement Support Subsidy for elderly care and childcare workers in FY2022, despite the negative factors such as increased personnel costs following the improvement of compensation, the cost of due diligence and brokerage commissions incurred in M&A activities.

[Children Business]

In the Children Business, there was a decrease in sales mainly due to the absence of the five months of results from February to June 2022 recorded in the first quarter of FY2022 (due to the accounting treatment associated with a change in the fiscal year period) following the change in the fiscal year period of Cocoro Care Plan Corporation, which became a subsidiary of the Company in February 2022. On the other hand, net sales increased 2.5% year on year to 10,174 million yen, exceeding 10 billion yen for the first time, mainly due to higher unit prices resulting from the revision of official prices in 2023 and an increase in the number of children due to the opening of two new licensed centers in April 2023. Operating profit increased 8.4% from the previous year to 546 million yen due to an improvement in the utilization ratio resulting from an increase in the number of children in childcare centers, despite a decrease in profit due to the impact of the accounting treatment associated with the change in the fiscal year end.

[Others]

In the Education Business, net sales declined 22.1% from the previous year, mainly due to the completion of the temporary increase in the number of books sold following the revision of medical reimbursement in April 2022.

In the Smart Hospital Business, net sales increased 91.9% from the previous year due to an increase in the number of customers in the Remote Medical Administration Services. In terms of profit and loss, the business continued to post a loss as net sales failed to exceed fixed costs, but profitability has been steadily improving since the business restructuring in October 2023.

As a result, other sales increased 2.2% from the previous year to 604 million yen, and operating loss was 542 million yen.

[Corporate Expenses]

Corporate expenses totaled 5,469 million yen due to an increase in depreciation related to IT-related investments and systems and recruiting expenses resulting from aggressive recruiting activities.

[Net sales]

(Millions of yen)

	FY 2022	FY 2023	YoY Change	YoY Change %
Medical Outsourcing Business	72,029	70,464	-1,564	(2.2%)
Elderly Care Business	48,536	53,895	+5,358	+11.0%
Children Business	9,930	10,174	+243	+2.5%
Others	591	604	+13	+2.2%
Total	131,088	135,139	+4,051	+3.1%

[Operating profit and margin]

(Millions of yen)

	FY 2022	FY 2023	YoY Change	YoY Change %
Medical Outsourcing Business	8,960 12.4%	8,204 11.6%	-755	(8.4%)
Elderly Care Business	2,521 5.2%	2,777 5.2%	+256	+10.2%
Children Business	504 5.1%	546 5.4%	+42	+8.4%
Others	-607 -	-542 -	+64	-
Corporate expenses	-5,053 -	-5,469 -	-416	-
Total	6,325 4.8%	5,517 4.1%	-808	(12.8%)

[Numbers of elderly care business centers and child-care facilities]

	End of March, 2023	End of March, 2024	YoY
Number of Elderly care business centers	663	724	+61
Number of Childcare Facilities	66	68	+2

NOTE: "Net sales" in "Business Segment Information" above is "Net sales to external customers" under "3. Consolidated Financial Statements and Supplementary Notes (5) Notes to Consolidated Financial Statements (Segment Information)," and "Corporate expenses" is "Adjustments." "Adjustments" are mainly expenses that do not belong to reportable segments and are not allocated to each reportable segment.

(b) Forecast for FY 2024

Net sales in FY2024 are expected to increase by 2.9% compared to FY2023 to 139,000 million yen, mainly due to new contracts for contracted services and worker dispatching services and sales from existing customers in the Medical Business, and the contributions of both the M&A activities carried out in FY2023 and day services and facility-based services following the COVID-19 pandemic to the performance of the Elderly Care Business. Operating profit is forecast to increase by 12.4% compared to FY2023 to 6,200 million yen, mainly due to improved profitability following structural reforms in the Smart Hospital Business and increased profits from increased sales in the Medical and the Elderly Care Businesses.

In order to further accelerate the synergies between the Medical Outsourcing Business and the Education Business, the name of the reportable segment was changed from Medical Outsourcing Business to Medical Business in 2024, and the Education Business, which was previously included in Others, was included in the Medical Business reportable segment. In addition, in order to more appropriately assess the operating results of each business segment, the Corporate expenses item was eliminated and general and the administrative expenses not belonging to the reportable segments that were previously included in Corporate expenses have been included in the Medical Business, Elderly Care Business, Children Business and Others based on certain reasonable allocation criteria.

Net sales and operating profit by business segment in the table below are compared with the previous year using reference figures that reflect the FY2023 results and the segment changes in FY2024.

[Net sales]

(Millions of yen)

	FY 2023 Reference value	FY 2024 Forecast	YoY Change	YoY Change %
Medical Business	70,833	72,400	+1,566	+2.2%
Elderly Care Business	53,895	56,100	+2,204	+4.1%
Children Business	10,174	10,200	+25	+0.3%
Others	236	300	+63	+27.0%
Total	135,139	139,000	+3,860	+2.9%

[Operating profit and margin]

(Millions of yen)

	FY 2023 Reference value	FY 2024 Forecast	YoY Change	YoY Change %
Medical Business	4,301 6.1%	4,310 6.0%	+8	+0.2%
Elderly Care Business	1,482 2.8%	1,750 3.1%	+267	+18.0%
Children Business	307 3.0%	270 2.6%	-37	+12.3%
Others	-575 -	-130 -	+445	-
Total	5,517 4.1%	6,200 4.5%	+682	+12.4%

(2) Summary of Financial Position for FY2023

(a) Assets, liabilities and net assets

At the end of FY2023, total assets increased by JPY 5,346 million compared to the end of FY2022, mainly due to an increase in property, plant and equipment which includes land as a result of M&A activities, as well as an increase in cash and deposits and accounts receivable.

Total liabilities increased by JPY 6,434 million, mainly due to an increase in long-term and short-term borrowings and an increase in accounts payable and deposits received due to the payment of social insurance contributions being carried over to FY2024, as the end of FY2023 was a bank holiday.

Net assets decreased by JPY 1,087million due to dividend payments of JPY 1,887 million and the acquisition of treasury shares of JPY 1,499 million, despite the recording of net income of JPY 2,257 million.

(b) Cash Flow

Net cash provided by operating activities amounted to 7,858 million yen as a result of adjusting income before income taxes and minority interests of 4,141 million yen for impairment loss, recording of non-cash items such as amortization of goodwill and gain on bargain purchase, and an increase in accounts payable and deposits due to the fact that payments of social insurance premiums were carried forward due to the impact of the financial institution holiday, and income taxes paid. Net cash provided by operating activities in FY2022 totaled 9,012 million yen.

Net cash used in investing activities amounted to 2,762 million yen due to M&A and purchases of property, plant and equipment. Net cash used in investing activities was 2,171 million yen in FY2022.

Net cash used in financing activities was 1,837 million yen due to cash dividends paid and the purchase of treasury stock, while net cash provided by financing activities was 1,765 million yen due to the net inflow of new loans and repayment of loans payable. Net cash used in investing activities was 5,211 million yen in FY2022.

As a result, the year-end balance of cash and cash equivalents increased by 3,258 million yen from the end of FY2022 to 15,115 million yen.

(3) Basic Policy on Profit Distribution and Dividends for FY 2023 and FY 2024

Our Group regards the maximization of corporate value for our shareholders as our most important corporate objective. In pursuing this, we also place importance on making efficient and flexible use of capital. In light of these factors, at this point in time, our basic policy is to pay an annual dividend of 20 yen per share in order to continue to actively invest in growth in order to increase our corporate value. When the level of earnings rises and consolidated dividend payout ratio falls around 30%, the Company plans to reexamine its dividend-paying policies.

・Dividends for FY 2023

On May 10, 2024, the Company's Board of Directors declared a year-end cash dividend of 10 yen per share for fiscal 2023. As a result, the annual dividend was 20 yen per share, including the interim dividend of 10 yen, for a consolidated Dividend payout ratio of 83.0%.

・Dividends for FY 2024

In FY 2024, we plan to maintain annual dividends of 20 yen per share, for a consolidated Dividend payout ratio of 74.9%.

2. Basic Approach to Selection of Accounting Standards

In order to ensure comparability with other companies in the same industry in Japan, our Group will apply Japanese Accounting Standards for the time being.

3. Consolidated Financial Statements and Supplementary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	11,957	15,115
Accounts receivable	13,850	15,017
Inventory	83	99
Others	2,291	2,264
Allowance for doubtful accounts	-17	-212
Total current assets	28,164	32,284
Fixed assets		
Fixed assets		
Buildings and structures, net	9,228	9,252
Land	2,695	5,685
Lease assets, net	2,472	2,218
Other, net	315	347
Total fixed asset, plant and equipment	14,711	17,503
Intangible assets		
Goodwill	16,656	15,377
Others	1,241	1,230
Total intangible assets	17,897	16,608
Investments and other assets		
Investment securities	920	418
Lease deposits	2,488	2,273
Deferred tax assets	3,339	3,789
Others	2,347	2,342
Allowance for doubtful accounts	-16	-21
Total investments and other assets	9,079	8,803
Total noncurrent assets	41,688	42,915
Total assets	69,852	75,199
Liabilities		
Current liabilities		
Short-term borrowings	500	500
Current portion of long-term loans payable	3,682	4,782
Accounts payable-other	9,198	10,859
Income taxes payable	1,649	1,359
Consumption tax payable	1,303	1,675
Contractual liabilities	1,034	1,212
Provision for bonuses	2,026	2,219
Provision for directors' bonuses	21	15
Allowance other	-	22
Others	965	1,933
Total current liabilities	20,382	24,582
Long-term liabilities		
Long-term debt	18,275	19,942
Lease obligations	3,429	3,291
Deferred tax liabilities	814	1,120
Provision for loss on compensation for damages	505	383
Obligations for retirement pay	1,848	2,083
Asset retirement obligations	1,365	1,467
Others	1,659	1,841
Total long-term liabilities	27,897	30,132
Total liabilities	48,280	54,714

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Net assets		
Shareholders' equity		
Capital	658	686
Capital surplus	5,557	5,586
Retained earnings	15,259	15,629
Treasury Stock	-0	-1,500
Total shareholders' equity	21,476	20,402
Other accumulated comprehensive income		
Valuation difference on securities	28	-
Remeasurements of defined benefit plans	59	74
Total other accumulated comprehensive income	88	74
Stock acquisition rights	8	8
Total net assets	21,572	20,485
Total liabilities and net assets	69,852	75,199

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Profit and Loss Statement

(Millions of yen)

	FY2022 For the fiscal year ended March 31, 2023	FY2023 For the fiscal year ended March 31, 2024
Net sales	131,088	135,139
Cost of sales	109,335	113,205
Gross profit	21,752	21,934
Selling, general and administrative expenses	15,426	16,416
Operating profit	6,325	5,517
Non-operating profit		
Subsidy income	803	408
Others	150	171
Total non-operating profit	953	579
Non-operating expenses		
Interest expenses	272	288
Compensation for lost work time for employees	55	-
Others	205	244
Total non-operating expenses	532	532
Ordinary profit	6,747	5,564
Extraordinary gains		
The gain from negative goodwill	-	2,828
Subsidy income	297	-
Total extraordinary profit	297	2,828
Extraordinary loss		
Loss on reduction of the fixed assets	297	-
Impairment loss	664	3,015
Loss on valuation of investment security	115	309
Valuation loss on share of affiliate	-	150
Compensation for damages	44	-
Provision for loss on compensation for damages	505	-
The levy for employment the physically disabled	-	181
Restructuring expenditures related to Structure	-	197
Transfer-related expenses	-	216
Provision for bad debt	-	180
Total extraordinary loss	1,626	4,251
Income before income taxes	5,418	4,141
Income taxes	2,393	2,205
Income taxes-deferred	-148	-321
Total income taxes	2,245	1,884
Net income	3,172	2,257
Profit attributable to owners of parent	3,172	2,257

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2022 For the fiscal year ended March 31, 2023	FY2023 For the fiscal year ended March 31, 2024
Net income	3,172	2,257
Other comprehensive income		
Valuation difference on securities	28	-28
Adjustments for retirement benefits	58	14
Total other comprehensive income	87	-14
Comprehensive income	3,260	2,243
Comprehensive income attributable to		
Comprehensive profit attributable to owners of the parent	3,260	2,243
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Shareholders' Equity

FY2022 : From April 1, 2022, to March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury Stock	Total shareholders 'equity
Opening balance	630	5,530	13,979	-0	20,139
Change during the year					
Issuance of new shares	27	27			55
Dividend of surplus			-1,892		-1,892
Net income			3,172		3,172
Net change in items other than shareholders' equity					
Total changes in current term	27	27	1,280	-	1,336
Closing balance	658	5,557	15,259	-0	21,476

	Other accumulated comprehensive income			Stock acquisition rights	Total net assets
	Valuation difference on securities	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Opening balance	-	1	1	7	20,149
Change during the year					
Issuance of new shares					55
Dividend of surplus					-1,892
Net income					3,172
Net change in items other than shareholders' equity	28	58	87	0	87
Total changes in current term	28	58	87	0	1,423
Closing balance	28	59	88	8	21,572

FY2023: From April 1, 2023 to March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury Stock	Total shareholders' equity
Opening balance	658	5,557	15,259	−0	21,476
Change during the year					
Issuance of new shares	28	28			56
Dividend of surplus			-1,887		-1,887
Net income			2,257		2,257
Acquisition of treasury stock				-1,499	-1,499
Net change in items other than shareholders' equity					
Total changes in current term	28	28	370	-1,499	-1,073
Closing balance	686	5,586	15,629	-1,500	20,402

	Other accumulated comprehensive income			Stock acquisition rights	Total net assets
	Valuation difference on securities	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Opening balance	28	59	88	8	21,572
Change during the year					
Issuance of new shares					56
Dividend of surplus					-1,887
Net income					2,257
Acquisition of treasury stock					-1,499
Net change in items other than shareholders' equity	-28	14	-14	-	-14
Total changes in current term	-28	14	-14	-	-1,087
Closing balance	-	74	74	8	20,485

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2022 For the fiscal year ended March 31, 2023	FY2023 For the fiscal year ended March 31, 2024
Net cash provided by (used in) operating activities		
Income before income taxes	5,418	4,141
Depreciation and amortization	1,402	1,515
Impairment loss	664	3,015
Amortization of goodwill	1,733	1,823
Increase (decrease) in accrued bonuses	-197	100
Increase (decrease) in provision for directors' bonuses	-7	-5
Increase (decrease) in provision for loss on compensation for damages	505	-
Increase (decrease) in liability for retirement benefits	163	163
Interest expenses	272	288
Subsidy income	-297	-
Loss on reduction of the fixed assets	297	-
The gain from negative goodwill	-	-2,828
Loss (gain) on evaluation of marketable equity securities	115	309
Valuation loss on share of affiliate	-	150
Compensation for damages	44	-
Restructuring expenditures related to Structure	-	197
Transfer-related expenses	-	216
Decrease in notes and accounts receivable-trade	1,944	-217
Decrease (increase) in inventory	-55	-16
Decrease (increase) in prepaid expenses	-28	-12
Increase (decrease) in accounts payable-other	86	747
Increase (decrease) in accrued consumption taxes	-216	388
Increase (decrease) in deposits received	-179	843
Others	-202	-181
Subtotal	11,464	10,640
Interest expenses paid	-284	-288
Subsidy received	3	298
Income taxes paid	-2,189	-2,500
Compensation for damage paid	-44	-121
Payments for restructuring charges	-	-31
Payments for relocation-related expenses	-	-173
Others	63	35
Net cash provided by (used in) operating activities	9,012	7,858
Net cash provided by (used in) investing activities		
Purchase of fixed asset, plant and equipment	-1,032	-1,218
Proceeds from sales of fixed asset, plant and equipment	22	0
Purchase of intangible assets	-292	-358
Purchase of investment securities	-403	-
Proceeds from sale of investment securities	0	-
Payments for lease and guarantee deposits	-234	-62
Proceeds from collection of lease and guarantee deposits	31	295
Payments for transfer of business	-193	-51
Acquisition of newly consolidated subsidiaries	-	-1,657
Proceeds from acquisition of newly consolidated subsidiaries	21	384
Others	-91	-95
Net cash provided by (used in) investing activities	-2,171	-2,762
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	-4,712	-20
Proceeds from long-term debt	7,500	6,500
Repayment of long-term loans payable	-5,762	-4,714
Purchase of treasury stock	-	-1,518
Dividends paid	-1,891	-1,886
Principal payments under finance lease obligations	-191	-196
Others	153	-1
Net cash provided by (used in) financing activities	-5,211	-1,837
Net increase (decrease) in cash and cash equivalents	1,628	3,258
Cash and cash equivalents, beginning of year	10,228	11,857
Cash and cash equivalents, end of year	11,857	15,115

(5) Notes to Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Segment Information)

1.The outline of any Reporting Segment

The reportable segments of the Group are the constituent units of the Group for which separate financial information is available and which Board of Directors regularly reviews in order to decide how to allocate resources and evaluate performance.

We have 3 reportable segments: "Medical Outsourcing Business," "Elderly Care Business," and "Children Business" based on our internal performance management-by-service structure.

Medical Outsourcing Business handles reception, accounting, reimbursement, hospital management support services, and other medical administration-related services outsourcing and human resource dispatching.

Elderly Care Business provides elderly care services such as home help service, day service, and elderly care for the living of residents in specified facilities (paid nursing homes with elderly care), urban-type light-cost senior citizen homes (care houses), residential-type private nursing homes, serviced senior citizen homes, short stay, care management planning, group home, small-scale multifunctional elderly care home, home-visit nursing, and rental and sells of welfare equipment.

The Children Business provides childcare services for licensed child care center, certified child care center, small-scale childcare centers, and post-sick childcare rooms.

2. Calculation method for net sales, income or loss, assets, and other items by reportable segment

The method of accounting for reportable business segments is in accordance with the accounting policies used to prepare the consolidated financial statements.

Profits of reportable segments are figures based on operating profit.

Inter-segment sales and transfers are based on prevailing market prices.

3. Information on net sales, income or loss, assets, and other items by reportable segment and breakdown of revenue

FY2022 : From April 1, 2022, to March 31, 2023

(Millions of yen)

	Reportable segments				Others (NOTE1)	Total	Adjustments due (NOTE2)	Carrying value (NOTE3)
	Medical Outsourcing Business	Elderly Care Business	Children Business	Total				
Net sales								
Medical: Contracted service	63,933	-	-	63,933	-	63,933	-	63,933
Medical: Worker dispatching	7,242	-	-	7,242	-	7,242	-	7,242
Elderly care	-	48,536	-	48,536	-	48,536	-	48,536
Children	-	-	9,930	9,930	-	9,930	-	9,930
Others	853	-	-	853	572	1,425	-	1,425
Income from contracts with customers	72,029	48,536	9,930	130,496	572	131,069	-	131,069
Other income	-	-	-	-	19	19	-	19
Sales to customers	72,029	48,536	9,930	130,496	591	131,088	-	131,088
Intersegment sales	-	-	-	-	-	-	-	-
Total	72,029	48,536	9,930	130,496	591	131,088	-	131,088
Segment profit (loss)	8,960	2,521	504	11,986	-607	11,378	-5,053	6,325
Segment assets	8,991	36,931	11,077	57,000	216	57,217	12,635	69,852
Other items								
Depreciation and amortization	57	819	200	1,077	20	1,098	303	1,401
Amortization of goodwill	2	1,408	323	1,733	-	1,733	-	1,733
Increase in fixed asset, plant and equipment, and intangible assets	178	1,333	552	2,064	24	2,089	201	2,291

NOTE: 1. The "Others" category includes Education Business, Smart Hospital Business, real estate leasing and non-life insurance agency operations that are not included in the reportable segments.

2.Contents of adjustments are as follows.

(1) The adjustments of 5,053 million yen for segment profit (loss) (−) is corporate expenses that are not allocated to the reportable segments. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(2) The adjustments of 12,635 million yen to segment assets is corporate assets that are not allocated to each reportable segment. Corporate assets mainly consist of surplus funds, etc. not attributable to reportable segments.

(3) The adjustments of 303 million yen to depreciation and amortization is corporate expenses that are not allocated to each reportable segment. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(4) Adjustments to increase in property, plant and equipment and intangible assets of 201 million yen represent capital expenditures for corporate assets not allocated to each reportable segment.

3.Segment profit (loss) (−) is reconciled to operating profit in the consolidated financial statements.

FY2023 : From April 1, 2023, to March 31, 2024

(Millions of yen)

	Reportable segments				Others NOTE:1	Total	Adjustments NOTE:2	Consolidated NOTE:3
	Medical Outsourcing Business	Elderly Care Business	Children Business	Total				
Net sales								
Medical: Contracted service	62,091	-	-	62,091	-	62,091	-	62,091
Medical: Worker dispatching	7,371	-	-	7,371	-	7,371	-	7,371
Elderly care	-	53,809	-	53,809	-	53,809	-	53,809
Children	-	-	10,174	10,174	-	10,174	-	10,174
Others	1,001	80	-	1,082	557	1,639	-	1,639
Income from contracts with customers	70,464	53,889	10,174	134,528	557	135,086	-	135,086
Other income	-	5	-	5	47	53	-	53
Sales to customers	70,464	53,895	10,174	134,534	604	135,139	-	135,139
Intersegment sales	-	-	-	-	-	-	-	-
Total	70,464	53,895	10,174	134,534	604	135,139	-	135,139
Segment profit (loss)	8,204	2,777	546	11,529	-542	10,986	-5,469	5,517
Segment assets	9,266	40,361	10,061	59,689	216	59,905	15,294	75,199
Other items								
Depreciation and amortization	84	916	186	1,187	23	1,210	304	1,515
Amortization of goodwill	8	1,513	301	1,823	-	1,823	-	1,823
Increase in fixed asset, plant and equipment, and intangible assets	216	7,105	37	7,359	47	7,406	360	7,767

NOTE: 1. The “Others” category includes Education Business, Smart Hospital Business, real estate leasing and non-life insurance agency operations that are not included in the reportable segments.

2.Contents of adjustments are as follows.

(1) The adjustments of 5,469 million yen for segment profit (loss) (−) is corporate expenses that are not allocated to the reportable segments. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(2) The adjustments of 15,294 million yen to segment assets is corporate assets that are not allocated to each reportable segment. Corporate assets mainly consist of surplus funds, etc. not attributable to reportable segments.

(3) The adjustments of 304 million yen to depreciation and amortization is corporate expenses that are not allocated to each reportable segment. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(4) Adjustments to increase in property, plant and equipment and intangible assets of 360 million yen represent capital expenditures for corporate assets not allocated to each reportable segment.

3.Segment profit (loss) (−) is reconciled to operating profit in the consolidated financial statements.

(Per Share Information)

	FY2022	FY2023
Net assets per share	227.83 yen	222.07 yen
Net income per share	33.53 yen	24.11 yen
Diluted net income per share	33.53 yen	24.11 yen

NOTE: The calculation basis for Net income per share and Diluted net income per share is as follows:

	FY2022	FY2023
Net income per share		
(Millions of yen) Net Income Attributable to Owners of the Parent	3,172	2,257
(Millions of yen) not attributable to common stockholders	-	-
(Millions of yen) net income attributable to owners of the parent related to common shares	3,172	2,257
Average number of shares of common stock outstanding during the period (shares)	94,626,613	93,661,631
Diluted net income per share		
Net income adjustment that is available for parent shareholders (Millions of yen)	-	-
Increase in common stock (shares)	7,849	539
Of which, Stock acquisition rights (shares)	(7,849)	(539)
Outline of potential shares not included in the calculation of diluted net income per share due to their anti-dilutive effect	Solasto Corporation 2018 1st series stock acquisition rights by resolution of Board of Directors on September 28, 2018 Number of stock options 180 units (18,000 shares of common stocks)	Solasto Corporation 2018 1st series stock acquisition rights by resolution of Board of Directors on September 28, 2018 Number of stock options 180 units (18,000 shares of common stocks)

(Significant Subsequent Events)

Changes in the measurement method for net sales and profit (loss) of reportable segments

On the occasion of the implementation of structural reforms accompanying organizational changes, we changed our business management classification from April 1, 2024. Accordingly, from the following fiscal year, we changed the name of "Medical Outsourcing Business" to "Medical Business." In addition, the "Education Business," which was previously included in the "Other" category, will be included in the "Medical Business" segment of the reportable segment. In addition, the Company will revise its method of allocating corporate expenses in order to more appropriately present the method of managing the performance of reportable segments. Accordingly, the Company has changed the method of measuring net sales and profit (loss) of reportable segments from the following fiscal year.

The table below shows the net sales and profit (loss) of reportable segments when the new measurement method is applied.

Information on net sales and profit (loss) by reportable segment and breakdown of revenue

FY2023 : From April 1, 2023, to March 31, 2024

(Millions of yen)

	Reportable segments				Others NOTE	Total
	Medical Business	Elderly Care Business	Children Business	Total		
Net sales						
Medical: Contracted service	62,091	-	-	62,091	-	62,091
Medical: Worker dispatching	7,371	-	-	7,371	-	7,371
Elderly care	-	53,809	-	53,809	-	53,809
Children	-	-	10,174	10,174	-	10,174
Others	1,370	80	-	1,450	188	1,639
Income from contracts with customers	70,833	53,889	10,174	134,897	188	135,086
Other income	-	5	-	5	47	53
Sales to customers	70,833	53,895	10,174	134,903	236	135,139
Intersegment sales	-	-	-	-	-	-
Total	70,833	53,895	10,174	134,903	236	135,139
Segment profit (loss)	4,301	1,482	307	6,092	-575	5,517

NOTE: The "Others" category includes the Smart Hospital business, real estate leasing and non-life insurance agency business, etc. that are not included in the reportable segments.