



## Financial Results [IFRS] (Consolidated)

Year ending August 31, 2024

October 18, 2024

Listed Company Name Last One Mile Co., Ltd. Listed exchange Tokyo  
 Code No. 9252 URL <http://lomgrp.co.jp/>

Representative (Title of Position) Representative Director (Name) Makoto Watanabe

Contact Person (Title of Position) Director, General Manager of Finance & Accounting Dept. (Name) Kouhei Ichikawa (TEL) 050-1781-0250

Scheduled date of the Ordinary General Meeting of Shareholders November 28, 2024 Scheduled date of dividend payment commencement \_

Scheduled date of securities report submission November 29, 2024

Preparation of supplementary materials for financial results : Yes

Financial Results Briefing Session : Yes ( For institutional and individual investors )

(Rounded to the nearest million yen)

### 1. Consolidated financial results for the fiscal year ending August 31, 2024 (September 1, 2023 – August 31, 2024)

(1) Consolidated operating results (Percentage figures represent changes from the previous year.)

	Sales Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ending August 31, 2024	11,771	25.9	941	264.8	903	267.0	825	159.0	825	160.2	816	155.9
Year ending August 31, 2023	9,350	-	258	-	246	-	319	-	317	-	319	-

  

	Basic Earnings of net income per Share	Diluted Earnings per share	Net income ratio to equity attributable to owners of the parent company	Income before income taxes ratio to total asset	Operating income ratio to revenues
	Yen Sen	Yen Sen	%	%	%
Year ending August 31, 2024	291.24	270.35	34.4	13.2	8.0
Year ending August 31, 2023	117.95	110.72	24.8	6.5	2.8

### (2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Equity Ratio Attributable to Owners of the parent company	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen Sen
Year ending August 31, 2024	9,781	3,350	3,350	34.3	1,087.27
Year ending August 31, 2023	3,904	1,450	1,450	37.1	535.36

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ending August 31, 2024	1,650	△514	125	2,524
Year ending August 31, 2023	460	△319	△79	1,265

## 2. Dividends

	Annual dividend					Total dividends (Total)	Dividend Payout Ratio (Consolidated)	Ratio of dividends to equity attributable to owners of the parent (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of term	Total amount			
	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Millions of yen	%	%
Year ending August 31, 2023	-	0.00	-	0.00	0.00	-	-	-
Year ending August 31, 2024	-	0.00	-	0.00	0.00	-	-	-
Year ending August 31, 2025 (forecast)	-	-	-	-	-		-	

(Note: The dividend forecast for the fiscal year ending August 31, 2025 has not yet been determined. For details, please refer to "1. Summary of Business Results, (5) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years" on page 3 of the attached document.

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending August 31, 2025 (September 1, 2024 – August 31, 2025)

(Percentages represent changes from the previous year.)

	Sales Revenues from		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic Earnings of Net income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Full term	14,000	18.9	1,100	16.9	1,100	21.9	723	△12.4	723	△12.4	Yen Sen 245.40

## Notes

(1) Significant changes in scope of consolidation during the period : Nil

New	Number of companies (Company name) –	Exclusion	Number of companies (Company name) –
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(2) Changes in accounting policies and accounting estimates

(i) Changes in accounting policies required by IFRS	: Nil
(ii) Changes in accounting policies other than (1) above	: Nil
(iii) Changes in accounting estimates	: Nil

(3) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding at the end of the period (including treasury stock)	Year ending August 31, 2024	3,175,290 Shares	Year ending August 31, 2023	2,798,418 Shares
(ii) Number of treasury stock at end of period	Year ending August 31, 2024	94,044 Shares	Year ending August 31, 2023	90,072 Shares
(iii) Average number of shares during the period	Year ending August 31, 2024	2,834,196 shares	Year ending August 31, 2023	2,690,003 Shares

Note The financial statements are not subject to audit by a Certified Public Accountant or Audit Firm.

Note Explanation of the appropriate use of earnings forecasts and other special notes

- The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company. Please refer to "1. Business Results (4) Outlook for the Future" on page 3 of the attached materials for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts.
- As a Last One Mile group, we aim to increase the corporate value of the group as a whole; therefore, we have omitted a non-consolidated forecast of individual companies for the year ending March 31, 2013.

(Application of International Financial Reporting Standards (IFRS))  
Our group has adopted International Financial Reporting Standards (IFRS) from the first quarter of the consolidated fiscal year ending August 31, 2024. The consolidated financial statements for the transition date (September 1, 2022) and the previous consolidated fiscal year are also presented in accordance with IFRS.

Please refer to "3. Consolidated Financial Statements and Main Notes (5) to Consolidated Financial Statements (First-time Adoption)" on page 14 for the differences between IFRS and Japanese GAAP in relation to financial figures.

(About the financial results briefing)

The Company plans to hold a financial results presentation (on-site and online) for institutional and individual investors on October 22, 2024.

The video of the financial results briefing will be distributed at a later date on our website, YouTube channel, and X (formerly Twitter).

## Table of Contents of Attachments

1. Summary of Business Results .....	2
(1) Summary of operating results for the year .....	2
(2) Summary of financial position for the year .....	2
(3) Summary of cash flows for the year .....	3
(4) Future Outlook .....	3
(5) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years .....	3
2. Basic approach to the selection of accounting standards .....	3
3. Consolidated financial statements and major notes .....	4
(1) Consolidated Statement of Financial Position .....	4
(2) Consolidated Statements of Income and Comprehensive Income .....	6
Consolidated Statements of Income .....	6
Consolidated Statements of Comprehensive Income .....	7
(3) Consolidated Statement of Changes in Equity .....	8
(4) Consolidated Statements of Cash Flows .....	9
(5) Notes to Consolidated Financial Statements .....	10
(Notes on Going Concern Assumption) .....	10
(Segment Information) .....	10
(Per share information) .....	11
(Significant subsequent events) .....	12
(First time applied) .....	14

(1) Overview of Business Results, etc.

Forward-looking statements in the text are based on the judgment of the Group as of the end of the current consolidated fiscal year.

The Group has adopted IFRS instead of Japanese GAAP from the current consolidated fiscal year, and figures for the previous consolidated fiscal year have been reclassified to IFRS basis for comparative analysis.

(1) Summary of Business Results for the Current Period

During the current fiscal year (September 1, 2023~ August 31, 2024), Japan's economy has been on a gradual recovery path with the normalization of economic activities and an increase in inbound demand as the new type of coronavirus infection moved to category 5. Internationally, however, the outlook remains uncertain due to geopolitical risks such as the protracted Russia-Ukraine conflict and political instability in the Middle East region.

Our group has been working to strengthen existing businesses and establish a new foundation for growth by establishing a new market (blue ocean) and exclusively selling all kinds of products by considering sales methods that do not yet exist in the world, regardless of industry or business category, as our sales policy.

Under these circumstances, the consolidated business results for the current fiscal year were as follows: net sales of 11,771,378 thousand yen (up 25.9% year-on-year), operating income of 940,651 thousand yen (up 264.8% year-on-year), income before income taxes of 902,567 thousand yen (up 267.0% year-on-year), and net income attributable to owners of the parent of the Company was 825,430 thousand yen (up 160.2% from the same period of the previous year). As our group consists of a single segment, segment information is omitted.

(2) Summary of Financial Position

(Assets)

Total assets at the end of the current consolidated fiscal year amounted to 9,780,951 thousand yen, an increase of 5,877,205 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,850,224 thousand yen in goodwill, 1,259,679 thousand yen in cash and cash equivalents, 923,320 thousand yen in right of use assets, 667,344 thousand yen in trade and other receivables, and 641,974 thousand yen in intangible assets, while deferred tax assets decreased by 2,229 thousand yen, etc.

(Liabilities)

Total liabilities at the end of the current fiscal year amounted to 6,430,814 thousand yen, up 3,977,020 thousand yen from the end of the previous fiscal year. The main factors were a 1,006,275 thousand yen increase in loans payable (non-current liabilities), an 897,863 thousand yen increase in trade and other payables, an 831,349 thousand yen increase in lease obligations (non-current liabilities), and a 664,281 thousand yen increase in bonds payable and loans payable (current liabilities).

(Capital)

Total shareholders' equity at the end of the current fiscal year amounted to 3,350,137 thousand yen, an increase of 1,900,185 thousand yen from the end of the previous fiscal year. The main factors were a 1,126,022 thousand yen increase in capital surplus and an 825,309 thousand yen increase in retained earnings due to the recording of net income attributable to owners of the parent company, while treasury stock increased 157,648 thousand yen.

(3) Summary of cash flows for the period

Cash and cash equivalents (hereinafter referred to as "cash") for the current consolidated fiscal year increased by 1,259,679 thousand yen from the end of the previous consolidated fiscal year to 2,524,334 thousand yen. The status of each cash flow and their factors during the current consolidated fiscal year are as follows.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities in the current consolidated fiscal year amounted to 1,649,503 thousand yen (460,327 thousand yen in the same period of the previous year), mainly due to income before income taxes of 902,567 thousand yen, an increase in trade and other payables of 683,703 thousand yen, an increase in trade and other receivables of 364,015 thousand yen, and depreciation and amortization of 234,670 thousand yen.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities during the current consolidated fiscal year amounted to 514,484 thousand yen (318,530 thousand yen in the same period of the previous year), mainly due to expenditure for purchase of investments in subsidiaries for 417,620 thousand yen, proceeds from purchase of investments in subsidiaries for 307,005 thousand yen, expenditure for long-term loans receivable for 178,600 thousand yen, expenditure for purchase of investment securities for 125,021 thousand yen, expenditure for purchase of tangible fixed assets for 95,864 thousand yen, and proceeds from sales of investment securities for 31,416 thousand yen.

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities in the current consolidated fiscal year was 124,659 thousand yen (78,747 thousand yen used in the same period of the previous year), mainly due to proceeds from long-term loans payable of 1,134,900 thousand yen, a net increase in short-term loans payable of 245,000 thousand yen, repayment of long-term loans payable of 645,109 thousand yen, and purchase of treasury stock of 505,590 thousand yen.

(4) Future outlook

During the current consolidated fiscal year, Japan's economy showed a gradual recovery trend due to the normalization of economic activities following the shift of the new coronavirus infection to category 5, coupled with an increase in inbound demand. Internationally, however, the outlook remains uncertain due to geopolitical risks such as the protracted Russian-Ukrainian conflict and political instability in the Middle East region.

For the fiscal year ending August 31, 2025, we forecast consolidated net sales of 14,000 million yen (up 18.9% year-on-year), operating income of 1,100 million yen (up 16.9%), income before income taxes of 1,100 million yen (up 21.9%), net income of 723 million yen (down 12.4%), and net income attributable to owners of the parent company is projected to be 723 million yen (down 12.4% year-on-year).

(5) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

Since the current representative director, Mr. Watanabe, assumed the position of representative director in November 2022, the Group's performance has been growing steadily, and the Group will continue to aim to further increase its corporate value through entry into new businesses and M&As.

At the same time, we recognize that returning profits to shareholders is an important management issue, and after careful internal discussions, we have decided to begin paying dividends starting with the interim dividend for the fiscal year ending August 31, 2025 (record date: last day of February 2025). There is no revision to the dividend forecast for the fiscal year ending August 31, 2024.

The dividend forecast for the fiscal year ending August 31, 2025 is undecided at this time.

2. Basic approach to the selection of accounting standards

The Group has voluntarily adopted IFRS from the fiscal year ending August 31, 2024, with the aim of improving international comparability of financial information in the capital markets, among other things.

Consolidated Financial Statements and Major Notes

(1) Consolidated Statements of Financial Position

(Unit: thousand yen)

	Transition Date (September 1, 2022)	Previous consolidated fiscal year (August 31, 2023)	Current fiscal year (August 31, 2024)
Assets			
Current assets			
Cash and cash equivalents	1,201,605	1,264,656	2,524,334
Trade and other receivables	1,318,460	1,283,949	1,951,293
Inventories	14,697	14,701	36,919
Other financial assets	30,002	99,475	193,506
Income taxes receivable	37,547	8,230	35,026
Other current assets	120,753	69,695	101,540
Total current assets	2,723,065	2,740,706	4,842,620
Non-current assets			
Property, plant and equipment	69,621	81,725	198,730
Right-of-use asset	601,677	518,283	1,441,603
Goodwill	36,319	36,319	1,886,544
Intangible assets	120,206	97,254	739,228
Investment Real Estate	—	—	63,136
Other financial assets	89,216	284,503	453,962
Deferred tax asset	41,579	140,600	138,371
Other non-current assets	7,840	4,356	16,757
Total non-current assets	966,458	1,163,040	4,938,331
Total assets	3,689,522	3,903,746	9,780,951



(Unit: thousand yen)

	Transition Date (September 1, 2022)	Previous consolidated fiscal year (August 31, 2023)	Current fiscal year (August 31, 2024)
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	807,889	717,471	1,615,334
Bonds and loans payable	395,382	329,747	994,028
Lease obligations	106,375	79,078	178,470
Income taxes payable	24,047	9,870	73,165
Refund Liabilities	171,108	154,407	209,437
Provisions	7,910	—	—
Other current liabilities	205,702	297,118	516,660
<b>Total current liabilities</b>	<b>1,718,413</b>	<b>1,587,690</b>	<b>3,587,094</b>
<b>Non-Current Liabilities</b>			
Borrowings	337,399	403,683	1,409,958
Lease obligations	496,732	437,229	1,268,578
Provisions	25,152	25,192	41,622
Deferred tax liabilities	—	—	108,361
Other non-current liabilities	—	—	15,202
<b>Total non-current liabilities</b>	<b>859,283</b>	<b>866,104</b>	<b>2,843,720</b>
<b>Total liabilities</b>	<b>2,577,696</b>	<b>2,453,794</b>	<b>6,430,814</b>
<b>Capital</b>			
Capital stock	340,594	354,016	415,982
Capital surplus	307,578	320,999	1,447,021
Retained earnings	540,605	848,017	1,673,326
Treasury stock	△66,443	△91,349	△248,997
Other components of equity	△10,450	18,268	62,803
<b>Equity attributable to owners of the parent</b>	<b>1,111,884</b>	<b>1,449,951</b>	<b>3,350,136</b>
<b>Total</b>			
Noncontrolling interest	△57	1	1
<b>Total equity</b>	<b>1,111,827</b>	<b>1,449,952</b>	<b>3,350,137</b>
<b>Total liabilities and equity</b>	<b>3,689,522</b>	<b>3,903,746</b>	<b>9,780,951</b>

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

(Unit: thousand yen)

	Previous consolidated fiscal year (From September 1, 2022, to August 31, 2023)	Current Consolidated Fiscal Year (From September 1, 2023, to August 31, 2024)
Sales revenue	9,350,231	11,771,378
Cost of sales	3,590,088	4,008,032
Gross profit	5,760,143	7,763,346
Selling, general and administrative expenses	5,544,397	6,892,835
Other income	42,141	73,319
Other Expenses	—	3,179
Operating income	257,887	940,651
Financial revenue	227	5,327
Finance expenses	12,166	43,411
Income before income taxes	245,947	902,567
Income tax expense	△72,807	77,138
Net income for the period	318,754	825,430
Attribution of net income		
Owners of parent company	317,290	825,430
Noncontrolling interest	1,464	—
Net income	318,754	825,430
Net income per share		
Basic earnings per share (yen)	117.95	291.24
Diluted earnings per share (yen)	110.72	270.35

Consolidated Statements of Comprehensive Income

(Unit: thousand yen)

	Previous consolidated fiscal year (From September 1, 2022, to August 31, 2023)	Current Consolidated Fiscal Year (From September 1, 2023, to August 31, 2024)
Net income	318,754	825,430
Other comprehensive income		
Items not reclassified to net income or loss		
Remeasurement of defined benefit plans	—	△120
Financial assets at fair value through other comprehensive income	122	△9,438
Total other comprehensive income	122	△9,559
Comprehensive income	318,876	815,871
Attribution of comprehensive income for the year		
Owners of parent company	317,412	815,871
Noncontrolling interest	1,464	—
Comprehensive income	318,876	815,871

(3) Consolidated Statement of Changes in Equity  
 Previous fiscal year (September 1, 2022, to August 31, 2023)

(Unit: thousand yen)

	Equity attributable to owners of the parent company						Noncontr olling equity (in company)	Capital Total
	Capital stock	Capital Capital surplus	Retained earnings	Treasury stock	Other Component s of Capital	Total amount		
Balance at September 1, 2022	340,594	307,578	540,605	△66,443	△10,450	1,111,884	△57	1,111,827
Net income	—	—	317,290	—	—	317,290	1,464	318,754
Other comprehensive income	—	—	—	—	122	122	—	122
Comprehensive income	—	—	317,290	—	122	317,412	1,464	318,876
Issuance of new shares	13,422	13,422	—	—	—	26,843	—	26,843
Issuance of stock acquisition rights	—	—	—	—	15,525	15,525	1	15,526
Acquisition of treasury stock	—	—	—	△24,906	—	△24,906	—	△24,906
Stock compensation transactions	—	—	—	—	3,193	3,193	—	3,193
Sale of consolidated subsidiaries	—	—	—	—	—	—	△1,407	△1,407
Transfer to retained earnings	—	—	△9,878	—	9,878	—	—	—
Total amount of transactions with owners, etc.	13,422	13,422	△9,878	△24,906	28,596	20,655	△1,406	19,250
Balance at August 31, 2023	354,016	320,999	848,017	△91,349	18,268	1,449,951	1	1,449,952

Current fiscal year (September 1, 2023, to August 31, 2024)

(Unit: thousand yen)

	Equity attributable to owners of the parent company						Noncontr olling equity (in company)	Capital Total
	Capital stock	Capital Capital surplus	Retained earnings	Treasury stock	Other Component s of Capital	Total amount		
Balance at September 1, 2023	354,016	320,999	848,017	△91,349	18,268	1,449,951	1	1,449,952
Net income	—	—	825,430	—	—	825,430	—	825,430
Other comprehensive income	—	—	—	—	△9,559	△9,559	—	△9,559
Comprehensive income	—	—	825,430	—	△9,559	815,871	—	815,871
Issuance of new shares	61,967	61,967	—	—	△15,666	108,267	—	108,267
Acquisition of treasury stock	—	—	—	△505,582	—	△505,582	—	△505,582
Stock compensation transactions	—	—	—	—	69,639	69,639	—	69,639
Transfer to retained earnings	—	—	△120	—	120	—	—	—
Change due to share exchange	—	1,064,055	—	347,934	—	1,411,989	—	1,411,989
Total amount of transactions with owners, etc.	61,967	1,126,022	△120	△157,648	54,093	1,084,314	—	1,084,314
Balance at August 31, 2024	415,982	1,447,021	1,673,326	△248,997	62,803	3,350,136	1	3,350,137

## (4) Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Previous consolidated fiscal year (From September 1, 2022, to August 31, 2023)	Current Consolidated Fiscal Year (From September 1, 2023, to August 31, 2024)
Cash flows from operating activities		
Income before income taxes	245,947	902,567
Depreciation and amortization	156,151	234,670
Financial income	△227	△9,759
Finance expenses	12,166	47,843
(△Increase) decrease in inventories	△5	△12,352
Decrease (△increase) in trade and other receivables	8,677	△364,015
Increase (△decrease) in trade and other payables	△106,145	683,703
Increase (△decrease) in provisions	△3,000	6,695
Other Increase/Decrease	165,244	247,689
subtotal	478,808	1,737,041
Interest and dividends received	117	2,302
Interest payments	△7,530	△22,369
Income taxes paid	△48,615	△76,565
Corporate income tax refund	37,547	9,095
Cash flows from operating activities	460,327	1,649,503
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	64	3,100
Payments for purchase of property, plant and equipment	△33,095	△95,864
Payments for acquisition of intangible assets	△605	△5,000
Net decrease (△increase) in short-term loans receivable	△30,000	△54,685
Proceeds from collection of lease and guarantee deposits	26,190	206
Payment for lease and guarantee deposits	△2,480	△27,904
Proceeds from collection of long-term loans receivable	—	56,205
Payments for long-term loans receivable	△200,000	△178,600
Proceeds from acquisition of shares of subsidiaries	—	307,005
Purchase of investments in subsidiaries	—	△417,620
Payments for sales of investments in subsidiaries	△7,819	△16,629
Proceeds from sales of investment securities	122	31,416
Payments for purchases of investment securities	△63,027	△125,021
Payments for fulfillment of asset retirement obligations	△7,890	—
Proceeds from withdrawal of insurance reserve	—	10,419
Payments for insurance reserve fund	—	△1,512
Other	11	—
Cash flows from investing activities	△318,530	△514,484
Cash flows from financing activities		
Net increase (△decrease) in short-term loans payable	△145,000	245,000
Proceeds from long-term debt	450,208	1,134,900
Repayment of long-term debt	△293,387	△645,109
Repayment of lease obligations	△108,031	△147,825
Proceeds from issuance of stock	26,843	59,283
Proceeds from issuance of stock acquisition rights	15,526	—

(Unit: thousand yen)

	Previous consolidated fiscal year (From September 1, 2022, to August 31, 2023)	Current Consolidated Fiscal Year (From September 1, 2023, to August 31, 2024)
Payments for purchase of treasury stock	△24,906	△505,590
Payments for redemption of bonds	—	△16,000
Cash flows from financing activities	△78,747	124,659
Net increase (△decrease) in cash and cash equivalents	63,050	1,259,679
Cash and cash equivalents at beginning of year	1,201,605	1,264,656
Cash and cash equivalents at end of year	1,264,656	2,524,334

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)  
Not applicable.

(Segment Information)

Segment information is omitted because the Group's business segment is a single segment of the Last One Mile business.

(Per share information)

(1) Basis for calculation of basic earnings per share

Basic earnings per share and the basis for calculating basic earnings per share are as follows

	Previous consolidated fiscal year (From September 1, 2022, to August 31, 2023)	Current Consolidated Fiscal Year (From September 1, 2023, to August 31, 2024)
Net income attributable to ordinary shareholders of the parent company		
Net income attributable to owners of the parent company (thousand yen)	317,290	825,430
Net income not attributable to common shareholders of the parent company (thousand yen)	-	-
Net income used to compute basic earnings per share (thousand yen)	317,290	825,430
Average number of shares of common stock during the period (shares)	2,690,003	2,834,196
Basic earnings per share (yen)	117.95	291.24

(2) Diluted earnings per share

Diluted earnings per share and the basis for calculating diluted earnings per share are as follows

	Previous consolidated fiscal year (From September 1, 2022, to August 31, 2023)	Current Consolidated Fiscal Year (From September 1, 2023, to August 31, 2024)
Diluted net income attributable to common shareholders		
Net income used to compute basic earnings per share (thousand yen)	317,290	825,430
Net income adjustment (thousand yen)	-	-
Net income used to compute diluted earnings per share (thousand yen)	317,290	825,430
Diluted average number of common shares outstanding		
Average number of shares of common stock during the period (shares)	2,690,003	2,834,196
Increase in common stock due to stock acquisition rights (shares)	175,768	218,965
Average number of diluted common shares during the period (shares)	2,865,771	3,053,161
Diluted earnings per share (yen)	110.72	270.35



(Significant subsequent events)  
(SHC Co., Ltd. became a wholly owned subsidiary through a simplified share exchange)

At a meeting of the Board of Directors held on May 22, 2024, the Company resolved to conduct a simplified share exchange making the Company the wholly owning parent company in share exchange and SHC Co., Ltd. the wholly owned subsidiary. The share exchange was approved at an extraordinary shareholders' meeting of SHC Co., Ltd. held on July 30, 2024, and became effective on September 1, 2024.

(1) Outline of business combination

(i) Name and business of the acquired company

Name of acquired company: SHC Co., Ltd.

Description of Business: Free Internet condominium "FReeNeXT" business, call center business, various agency businesses, and partner business

(ii) Purpose of business combination

SHC Co., Ltd. operates the free Internet condominium "FReeNeXT" business, call center business, various agency businesses, and partner businesses mainly in Chubu, Kansai, Chugoku, Kyushu, and Hokkaido. SHC Co., Ltd. operates its business with stock-type earnings from the free Internet condominium "FReeNeXT" business and flow-type earnings from the call center business, various agency businesses, and partner businesses as its earnings pillars, as is the case with the Company's group. This transaction is being conducted because it is expected to accelerate the expansion of the free Internet condominium business for multi-dwelling units, which is one of the other businesses that the Group is trying to establish as its next pillar, and to make a significant contribution to the expansion of the alliance business.

(iii) Date of business combination

September 1, 2024

(iv) Legal form of business combination

A simplified share exchange in which the Company becomes the wholly owning parent company in a share exchange and SHC Co., Ltd. becomes the wholly owned subsidiary in a share exchange.

(v) Name of company after combination

None of the above will change.

(vi) Percentage of voting rights acquired  
100%.

(vii) Main basis for determining the acquired company

This is because the share exchange makes the Company the wholly owning parent company.

(2) Exchange ratio by type of shares, its calculation method and number of shares delivered

(i) Exchange ratio by type of shares

Company's common stock 1: SHC Co., Ltd. common stock 0.004124

(ii) Calculation method of the share exchange ratio

In order to ensure fairness and appropriateness in the calculation of the share exchange ratio to be used in this share exchange, we requested Stand by C Co., Ltd. (hereinafter referred to as "StandbyC"), a third-party calculation agent independent of the Company and SHC Co., Ltd., to calculate the share value of the Company and SHC Co., Ltd. and the share exchange ratio, and after considering the financial situation, asset situation, future prospects and other factors of both companies, we made a decision after holding sincere discussions and deliberations with SHC Co., Ltd.

Since the Company is listed on the Growth Market of the Tokyo Stock Exchange and a market price exists, the market price method was used to calculate the value of the Company. Under the market price method, the simple average closing price of the Company's shares on the Growth Market of the Tokyo Stock Exchange for the one-month period prior to the base date (from April 22, 2024, to May 21, 2024) was used, with May 21, 2024 as the base date.

The discounted cash flow method was used to calculate the stock value of SHC Co., Ltd., because SHC Co., Ltd. is an unlisted company and there is no market stock price, and to reflect the future business activities of SHC Co., Ltd. in the calculation. Under the discounted cash flow method, the share value is calculated by discounting the free cash flow that SHC Co., Ltd. is expected to generate after March

31, 2024 (the calculation base date) at a certain discount rate to arrive at a present value, based on the business plan disclosed by SHC Co., Ltd. to Stand by C.

(iii) Number of shares to be issued

82,480 shares (40,000 shares of the 82,480 shares delivered were allocated from the Company's treasury stock.)

(3) Acquisition cost of the acquired company and breakdown by type of consideration  
(Unit: thousand yen)

Fair value of the Company's common stock delivered in the Share Exchange	265,998
Acquisition cost	265,998

(4) Assets acquired and liabilities assumed  
Not determined at this time.

(5) Transaction-related expenses  
Advisory and other expenses 5,500 thousand yen (estimate)

(6) Outline of accounting procedures  
This share exchange will be accounted for under the acquisition method in IFRS 3 "Business Combinations. The Share Exchange is expected to result in goodwill or gain on negative goodwill in the Company's consolidated financial statements, but the amount and accounting treatment have not been determined at this time.

(First-time applied)

The Group has been disclosing consolidated financial statements in accordance with IFRSs since the current consolidated fiscal year. The most recent consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP") are the consolidated financial statements for the consolidated fiscal year ending August 31, 2023, and the date of transition to IFRS is September 1, 2022.

(1) Exemptions for retroactive application

IFRS 1 requires an entity applying IFRS for the first time to adopt IFRS retrospectively in principle. However, exceptions are permitted in some cases, and the exemptions adopted by the Group are as follows.

(i) Business Combinations

The Company has elected not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that took place before the transition date.

As a result, business combinations that took place before the transition date are accounted for under Japanese GAAP and not restated.

(ii) Lease

The Company determines whether a lease is included in the contract based on events and circumstances existing at the transition date.

Except for assets classified as finance leases prior to the transition date, lease liabilities are measured as of the transition date and the same amount is recognized as a right-of-use asset. The derecognition of the underlying asset if it qualifies as a small or short-term lease is determined based on the situation at the transition date.

(iii) Designation of financial instruments recognized prior to the transition date

The classification of financial instruments under IFRS 9 is based on facts and circumstances existing at the date of transition.

(2) Mandatory exceptions

IFRS 1 prohibits retrospective application of IFRS for items such as "estimates" and "derecognition of financial assets and financial liabilities". The Group has applied these items prospectively from the date of transition.

(3) Adjustment table

The effects of the transition from J GAAP to IFRS on the financial position, results of operations, and cash flows of the Group are summarized in the following table. In the reconciliation table, "Reclassifications" includes items that do not affect retained earnings and comprehensive income, "Differences due to changes in scope of consolidation or closing date" includes the effect of the difference in scope of consolidated subsidiaries between J GAAP and IFRS and the effect of unifying the closing dates of subsidiaries whose closing dates differed from that of the Company, and "Recognition and measurement differences" includes items that affect retained earnings and comprehensive income.

In the first quarter of the previous fiscal year, the Company finalized the provisional accounting treatment for the business combination. Therefore, the adjustment to equity as of the transition date (September 1, 2022) reflects the finalization of the provisional accounting treatment.

## (1) Adjustments to equity at the date of transition (September 1, 2022)

(Unit: thousand yen)

Accounts in JGAAP	JGAAP figure	Reclassification of representation	Change in scope of consolidation or closing date	Recognition and measurement differences	IFRS figure	Note	Accounts in IFRS
<b>Assets</b>							
<b>Current assets</b>							
Cash and equivalents	1,140,854	△30,002	90,753	—	1,201,605		Cash and equivalents
Accounts receivable	1,340,651	△16,316	△5,875	—	1,318,460		Trade and other receivables
Merchandise	9,459	5,238	—	—	14,697		Inventories
Supplies	5,238	△5,238	—	—	—		
	—	37,439	—	108	37,547		Income tax receivable
	—	59,002	△29,000	—	30,002	d	Other financial assets
Other	184,582	△73,313	6,403	3,082	120,753		Other current assets
Allowance for doubtful accounts	△27,778	23,190	3,657	931	—		
<b>Total current assets</b>	<b>2,653,006</b>	<b>—</b>	<b>65,938</b>	<b>4,121</b>	<b>2,723,065</b>		<b>Total current assets</b>
<b>Fixed assets</b>							
<b>Property, plant and equipment</b>							
Buildings and accompanying facilities	84,387	△26,434	30	11,638	69,621	a	Property, plant and equipment
Other	46,054	△46,054	—	—	—		
Accumulated depreciation	△62,888	62,888	—	—	—		
	—	9,600	—	592,077	601,677	b	Right to use assets
<b>Intangible fixed assets</b>							
Customer-related assets	112,230	△112,230	—	—	—		
Goodwill	36,319	—	—	—	36,319	c	Goodwill
Other	8,076	112,230	△100	—	120,206		Intangible assets
<b>Investments and other assets</b>							
Security deposit and guarantee money	89,519	22,416	△18,638	△4,082	89,216	d	Other financial assets
Deferred tax assets	26,972	—	—	14,607	41,579	e	Deferred tax assets
Other	52,698	△44,988	130	—	7,840		Other non-current assets
Allowance for doubtful accounts	△22,572	22,572	—	—	—		
<b>Total fixed assets</b>	<b>370,796</b>	<b>—</b>	<b>△18,578</b>	<b>614,240</b>	<b>966,458</b>		<b>Total non-current assets</b>
<b>Total Assets</b>	<b>3,023,802</b>	<b>—</b>	<b>47,360</b>	<b>618,361</b>	<b>3,689,522</b>		<b>Total Assets</b>

(Unit: thousand yen)

Accounts in JGAAP	JGAAP figure	Reclassification of representation	Change in scope of consolidation or closing date	Recognition and measurement differences	IFRS figure	Note	Accounts in IFRS
Liabilities							Liabilities and Equity
Current liabilities							Liabilities
	—	808,163	△274	—	807,889		Current liabilities
Short-term borrowings	200,000	191,642	3,740	—	395,382		Trade and other payables
Current portion of long-term debt	191,642	△191,642	—	—	—		Bonds and loans payable
Accounts payable	790,639	△790,639	—	—	—		
Accrued expenses	116,276	△116,276	—	—	—		
Income taxes payable	25,265	—	—	△1,218	24,047		Income taxes payable
Consumption taxes payable	16,125	△16,125	—	—	—		
Asset retirement obligations	4,795	—	3,000	115	7,910	g	Provisions
Refund liability	165,937	—	5,171	—	171,108		Refund liability
	—	11,030	—	95,345	106,375	b	Lease obligations
Other	38,822	103,847	△161	63,194	205,702	h	Other current liabilities
Total current liabilities	1,549,501	—	11,476	157,436	1,718,413		Total current liabilities
Long-term liabilities							Non-Current Liabilities
Long-term debt	334,510	—	2,889	—	337,399		Borrowings
Asset retirement obligations	19,879	—	1	5,272	25,152	g	Provisions
	—	—	—	496,732	496,732	b	Lease obligations
Total long-term liabilities	354,389	—	2,890	502,003	859,283		Total non-current liabilities
Total liabilities	1,903,890	—	14,366	659,439	2,577,696		Total liabilities
Net Assets							Capital
Capital	340,594	—	—	—	340,594		Capital stock
Capital surplus	315,377	—	—	△7,799	307,578	J	Capital surplus
Retained earnings	530,383	—	33,051	△22,829	540,605	K	Retained earnings
Treasury stock	△66,443	—	—	—	△66,443		Treasury stock
	—	—	—	△10,450	△10,450	d	Other components of equity
	1,119,912	—	33,051	△41,079	1,111,884		Total equity attributable to owners of the parent company
	—	—	△57	—	△57		Noncontrolling interest
Total net assets	1,119,912	—	32,994	△41,079	1,111,827		Total equity
Total liabilities and equity	3,023,802	—	47,360	618,361	3,689,522		Total liabilities and equity

## (ii) Adjustments to equity for the previous fiscal year (August 31, 2023)

(Unit: thousand yen)

Accounts in JGAAP	JGAAP figure	Reclassification of representation	Change in scope of consolidation or closing date	Recognition and measurement differences	IFRS figure	Note	Accounts in IFRS
<b>Assets</b>							
<b>Current assets</b>							
cash on hand and in banks	1,294,657	△30,001	—	—	1,264,656		Cash and cash equivalents
Accounts receivable	1,315,815	△31,866	—	—	1,283,949		Trade and other receivables
Merchandise	11,304	3,397	—	—	14,701		Inventories
Supplies	3,397	△3,397	—	—	—		
	—	7,896	—	333	8,230		Income taxes receivable
	—	99,475	—	—	99,475	d	Other financial assets
Other	155,889	△86,193	—	—	69,695		Other current assets
Allowance for doubtful accounts	△40,689	40,689	—	—	—		
<b>Total current assets</b>	<b>2,740,373</b>	<b>—</b>	<b>—</b>	<b>333</b>	<b>2,740,706</b>		<b>Total current assets</b>
<b>Fixed assets</b>							
<b>Property, plant and equipment</b>							
Buildings and accompanying facilities	80,474	△4,155	—	5,406	81,725	a	Property, plant and equipment
Other	53,279	△53,279	—	—	—		
Accumulated depreciation	△57,434	57,434	—	—	—		
	—	—	—	518,283	518,283	b	Right-of-use asset
<b>Intangible fixed assets</b>							
Customer-related assets	91,976	△91,976	—	—	—		
Goodwill	14,101	—	—	22,218	36,319	c	Goodwill
Other	5,278	91,976	—	—	97,254		Intangible assets
<b>Investments and other assets</b>							
Investments in securities	63,846	△63,846	—	—	—		
Long-term loans	160,526	△160,526	—	—	—		
Lease and guarantee deposits	65,486	224,382	—	△5,365	284,503	d	Other financial assets
Deferred tax asset	127,739	—	—	12,861	140,600	e	Deferred tax asset
Other	6,517	△2,161	—	—	4,356		Other non-current assets
Allowance for doubtful accounts	△2,151	2,151	—	—	—		
<b>Total fixed assets</b>	<b>609,638</b>	<b>—</b>	<b>—</b>	<b>553,402</b>	<b>1,163,040</b>		<b>Total non-current assets</b>
<b>Total assets</b>	<b>3,350,011</b>	<b>—</b>	<b>—</b>	<b>553,736</b>	<b>3,903,746</b>		<b>Total assets</b>

(Unit: thousand yen)

Accounts in JGAAP	JGAAP figure	Reclassification of representation	Change in scope of consolidation or closing date	Recognition and measurement differences	IFRS figure	Note	Accounts in IFRS
Liabilities							Liabilities and Equity
Current liabilities							Liabilities
	—	717,471	—	—	717,471		Current liabilities
Short-term borrowings	55,000	274,747	—	—	329,747		Trade and other payables
Current portion of long-term debt	274,747	△274,747	—	—	—		Bonds and loans payable
Accounts payable	701,691	△701,691	—	—	—		
Accrued expenses	188,725	△188,725	—	—	—		
Income taxes payable	12,055	—	—	△2,186	9,870		Income taxes payable
Consumption taxes payable	21,441	△21,441	—	—	—		
Refund liability	154,407	—	—	—	154,407		Refund Liabilities
	—	—	—	79,078	79,078	b	Lease obligations
Other	38,613	194,386	—	64,119	297,118	h	Other current liabilities
Total current liabilities	1,446,678	—	—	141,011	1,587,690		Total current liabilities
Long-term liabilities							Non-Current Liabilities
Long-term debt	403,683	—	—	—	403,683		Borrowings
Asset retirement obligations	24,100	—	—	1,092	25,192	g	Provisions
	—	—	—	437,229	437,229	b	Lease obligations
Total long-term liabilities	427,783	—	—	438,321	866,104		Total non-current liabilities
Total liabilities	1,874,462	—	—	579,332	2,453,794		Total liabilities
Net assets							Capital
Capital stock	354,016	—	—	—	354,016		Capital stock
Capital surplus	328,799	—	—	△7,799	320,999	J	Capital surplus
Retained earnings	857,062	—	—	△9,045	848,017	K	Retained earnings
Treasury stock	△91,349	—	—	—	△91,349		Treasury stock
Subscription warrant	27,022	—	△1	△8,754	18,268	d, i	Other components of capital
	1,465,549	—	△1	△25,597	1,449,951		Components of capital
	—	—	1	—	1		Total equity attributable to owners of the parent company
Total net assets	1,475,549	—	—	△25,597	1,449,952		Total equity
Total liabilities and net assets	3,350,011	—	—	553,736	3,903,746		Total liabilities and equity





(c) Adjustments to comprehensive income for the previous fiscal year (September 1, 2022, to August 31, 2023)

(Unit: thousand yen)

Accounts in JGAAP	JGAAP figure	Reclassification of representation	Change in scope of consolidation or closing date	Recognition and measurement differences	IFRS figure	Note	Accounts in IFRS
Net sales	9,426,816	—	△76,585	—	9,350,231		Sales revenue
Cost of sales	3,463,964	—	△19,728	145,852	3,590,088		Cost of sales
Gross profit	5,962,851	—	△56,856	△145,852	5,760,143		Gross profit
Selling, general and administrative expenses	5,764,683	3,686	△38,533	△185,439	5,544,397	a	Selling, general and administrative expenses
	—	37,594	—	4,547	42,141	b	Other income
	—	—	—	—	—	b	Other Expenses
Operating income	198,168	33,908	△18,323	44,134	257,887		Operating income
Non-operating income	52,124	△36,677	△14,363	△1,084	—		
Non-operating expenses	7,130	△7,141	10	—	—		
Extraordinary income	51	△1,144	1,093	—	—		
Extraordinary loss	3,725	△8,271	—	4,546	—		
	—	227	—	—	227	c	Financial income
	—	11,725	—	441	12,166	C	Finance expense
Income before income taxes	239,488	—	△31,604	38,063	245,947		Income before income taxes
Total income taxes	△87,190	—	△17	14,401	△72,807	d	Income tax expense
Net income	326,678	—	△31,586	23,662	318,754		Net income
Other comprehensive income							Other comprehensive income
	—	—	—	122	122		Items not reclassified to net income or loss Equity financial assets at fair value through other comprehensive income
Other comprehensive income Total	—	—	—	122	122		Total other comprehensive income
Comprehensive income	326,678	—	△31,586	23,784	318,876		Comprehensive income

(4) Notes to Adjustment of Capital  
(Reclassification)

The following reclassifications have been made to conform to IFRS.

- Time deposits with deposit terms of over three months, which were included in "Cash and time deposits" in JGAAP, are presented as "Other financial assets (current)" in IFRS.
- Supplies" and "Merchandise", which were separately presented in J GAAP, are now presented as "Inventories" in IFRS.
- Advance payments included in "Allowance for doubtful accounts (current)" and "Other (current assets)" in J GAAP are included in "Trade and other receivables" in IFRS.
- Loans receivable, which were included in "Other (current assets)" in JGAAP, are presented as "Other financial assets (current)" in IFRS.
- The "Buildings and equipment", "Other (Property, plant and equipment)" and "Accumulated depreciation", which were separately presented in J GAAP, are now presented as "Property, plant and equipment" in IFRS.
- Customer-related assets" and "Other (intangible assets)", which were separately presented in J GAAP, are presented as "Intangible assets" in IFRS.
- Investment securities", "Lease and guarantee deposits" and "Long-term loans receivable", which were separately presented in JGAAP, are presented as "Other financial assets (non-current)" in IFRS.
- Investments and insurance funds included in "Other (investments and other assets)" in JGAAP are presented as "Other financial assets (non-current)" in IFRSs.
- Allowance for doubtful accounts (non-current)", which was separately presented in JGAAP, is presented as "Other non-current assets" in IFRS.
- Long-term prepaid expenses and long-term receivables in arrears, which were included in "Other (investments and other assets)" under Japanese GAAP, are presented as "Other non-current assets" under IFRSs.
- The "Accounts payable-other", which was separately presented in JGAAP, is included in "Trade and other payables" in IFRS.
- Short-term borrowings" and "Current portion of long-term debt", which were separately presented in JGAAP, are presented as "Bonds and loans (current)" in IFRS.
- The Company has presented a portion of "income taxes payable" separately in JGAAP as "income taxes payable" in IFRSs.
- "Accrued expenses" and "Accrued consumption tax, etc.," which were separately presented under Japanese GAAP, are now included in "Other current liabilities (current)".
- Asset retirement obligations (current)", which was separately presented in JGAAP, is presented as "Provisions (current)" in IFRS.
- Long-term borrowings", which was separately presented in JGAAP, is presented as "Borrowings (non-current)" in IFRS.
- Asset retirement obligations (non-current)", which was separately presented in JGAAP, is presented as "Provisions (non-current)" in IFRS.
- The "Stock acquisition rights", separately presented in JGAAP, is included in "Other components of equity" in IFRS.

(Difference due to change in scope of consolidation or closing date)

In applying IFRS, the effect of reviewing the scope of consolidation under Japanese GAAP, the effect of provisional settlement of accounts conducted as of the consolidated balance sheet date for subsidiaries whose balance sheet dates differed from that of the Company, and the effect of unifying the balance sheet dates in the previous fiscal year, are separately presented in this reconciliation.

Five Agent Co., Ltd. and the 9th Stock Acquisition Rights Trust were excluded from the scope of consolidation and the application of the equity method under Japanese GAAP because their effect on the consolidated financial statements was immaterial and insignificant, but were consolidated as subsidiaries upon application of IFRS. The Company sold all shares it owned in Five Agent Inc. on October 31, 2022.

In addition, the fiscal year end of Broadband Connection Inc. is June 30. Under Japanese GAAP, the financial statements of Broadband Connection Inc. as of June 30 were used, and necessary consolidation adjustments were made for significant transactions that occurred between the consolidated fiscal year end date and the consolidated fiscal year end date. In applying IFRS, the Company used financial figures based on provisional settlement of accounts conducted as of the consolidated balance sheet date and unified the balance sheet dates in the previous consolidated fiscal year.

(Recognition and measurement differences)

The main adjustments are as follows

(a) Tangible fixed assets

Due to the adjustment from J GAAP to IFRS, the amount of "Property, plant and equipment" was adjusted due to a review of depreciation methods and other items.

(b) Leases

Under Japanese GAAP, a lessee classifies its leases into finance leases and operating leases, and accounts for operating leases in accordance with the method applicable to ordinary rental transactions. Under IFRS, a right-of-use asset and a lease liability are recognized for leases other than short-term leases, leases where the underlying assets are small in value, and leases where the lessee sub-leases as a lessor.

(c) Goodwill

Under Japanese GAAP, goodwill was amortized over a certain period of time, but under IFRS, goodwill is not amortized, so the amortization of goodwill recorded after the transition date under Japanese GAAP was reversed. As of the transition date, no impairment loss was recognized as a result of the impairment test performed.

(d) Financial instruments

Unlisted equity securities are carried at cost in JGAAP, but measured at fair value through other comprehensive income in IFRS. For equity instruments, impairment losses were recognized in net gains or losses under JGAAP, but changes in fair value are recognized in other comprehensive income under IFRS.

(e) Deferred tax assets and liabilities

The amounts of "Deferred tax assets" and "Deferred tax liabilities" have been adjusted due to the assessment that it is more likely than not that future taxable income will be earned as a result of the adjustment from J GAAP to IFRS.

(f) Corporate income tax

Certain items presented as total income taxes under Japanese GAAP are presented as selling, general and administrative expenses under IFRS.

(g) Provisions

The amount of "Provisions" has been adjusted due to the adjustment from J GAAP to IFRS to the amount of asset retirement obligations at fair value.

(h) Accrued paid leave

A liability is recognized in IFRS for unused paid leave that was not recognized in J GAAP.

(i) Stock acquisition rights

The amount of "Other components of equity" has been adjusted to reflect the fact that under IFRS the full fair value is recognized as an expense over the expected vesting period, whereas under J GAAP stock-based compensation expense was recognized at vesting.

(j) Capital transactions

Capital transaction costs, which were expensed in J GAAP, are deducted from equity in IFRS.

(k) Adjustments to retained earnings

The impact of the adoption of IFRS on retained earnings is as follows The amounts below are after adjusting for the related tax effects.

	(Unit: thousand yen)	
	Transition Date (September 1, 2022)	Previous consolidated fiscal year (August 31, 2023)
(a) Scope of consolidation, change in closing date	33,051	-
(b) Tangible fixed assets	4,337	3,071
(c) Leases	-	1,373
(d) Goodwill	-	22,218
(e) Financial instruments	10,402	△4,915
(f) Deferred tax assets and liabilities	△2,444	△4,650
(g) Provisions	-	△121
(h) Accrued paid vacation	△42,924	△42,123
(i) Capital transactions	7,799	7,799
(j) Stock compensation expense	-	8,302
Total amount	10,222	△9,045

(5) Notes to Reconciliation of Comprehensive Income  
(Reclassification)

The following reclassifications have been made to conform to IFRS.

- IFRS, financial-related items are mainly presented as "financial income" or "financial expenses", while other items are presented as "other income" or "other expenses". Other items are presented as "Other income" or "Other expenses".

(Difference due to change in scope of consolidation or closing date)

In applying IFRS, the effect of reviewing the scope of consolidation under Japanese GAAP, the effect of provisional settlement of accounts conducted as of the consolidated balance sheet date for subsidiaries whose balance sheet dates differed from that of the Company, and the effect of unifying the balance sheet dates in the previous fiscal year, are separately presented in this reconciliation.

Five Agent Co., Ltd. and the 9th Stock Acquisition Rights Trust were excluded from the scope of consolidation and the application of the equity method under Japanese GAAP because their effect on the consolidated financial statements was immaterial. The Company sold all shares it owned in Five Agent Inc. on October 31, 2022.

In addition, the fiscal year end of Broadband Connection Inc. is June 30. Under Japanese GAAP, the financial statements of Broadband Connection Inc. as of June 30 were used, and necessary consolidation adjustments were made for significant transactions that occurred between June 30 and the consolidated fiscal year end. In applying IFRS, the Company used financial figures based on provisional settlement of accounts conducted as of the consolidated balance sheet date and unified the balance sheet dates in the previous consolidated fiscal year.

(Recognition and measurement differences)

The main adjustments are as follows

(a) Selling, general and administrative expenses

Depreciation and amortization of property, plant and equipment has changed due to the adjustment from Japanese GAAP to IFRS.

"Selling, general and administrative expenses" changed due to the recognition of right-of-use assets and lease liabilities under IFRS for certain lease transactions that were accounted for as leases under Japanese GAAP.

"Selling, general and administrative expenses" decreased due to the reversal of amortization of goodwill recorded after the transition date under Japanese GAAP, since goodwill was amortized over a certain period under Japanese GAAP, but not under IFRS.

Under Japanese GAAP, items corresponding to property tax levies were expensed over the fiscal year in which they were paid. Under IFRS, however, such items are recognized as "selling, general and administrative expenses" when a liability event occurs.

Unused paid vacations, which were not recognized under Japanese GAAP, are recognized as "Selling, general and administrative expenses" under IFRS.

"Selling, general and administrative expenses" changed due to the adjustment from J GAAP to IFRS to the amount of asset retirement obligations at fair value.

"Selling, general and administrative expenses" have decreased because under IFRS the full fair value is recognized as an expense over the expected vesting period, whereas under J GAAP stock-based compensation expense was recognized at vesting.

Certain items that were presented in total income taxes under Japanese GAAP are presented as "Selling, general and administrative expenses" under IFRS.

(b) Other income and expenses

If the Company subleases as a lessor under Japanese GAAP, "Other income" is recorded.

(c) Financial income and expenses

Certain lease transactions that were accounted for as leases under Japanese GAAP are now recognized as "finance costs" under IFRS as interest expense due to the recognition of a right-of-use asset and lease liability under IFRS. In addition, "finance income" and "finance costs" are recognized for subleases where the Company is acting as a lessor.

Due to the adjustment from J GAAP to IFRS to the amount of the asset retirement obligation at fair value, "finance cost" is recorded as interest expense.

(d) Income tax expense

Certain items of pro forma standard taxation that were presented in selling, general and administrative expenses under Japanese GAAP are presented as "income tax expense" under IFRS.

The amount of "Income tax expense" was adjusted due to the assessment that it is more likely than not that future taxable income will be earned as a result of the adjustment from J GAAP to IFRS.

(5) Adjustments to cash flows for the previous fiscal year (September 1, 2022 to August 31, 2023)

Lease payments, except for finance lease transactions, were classified as cash flows from operating activities in JGAAP, while in IFRS they are classified as cash flows from financing activities as repayments of lease liabilities.