Consolidated Financial Statements under IFRSs and Independent Auditor's Report

For the fiscal year ended December 31, 2023

TRYT Inc.

Note: This is an excerpt translation of the annual securities report for the convenience of overseas stakeholders. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

1. Consolidated financial statements and related notes

(1) Consolidated financial statements

1) Consolidated statement of financial position

(Millions of yen)

	Notes	As of December 31, 2022	As of December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	8	2,300	5,476
Trade receivables	9, 29	3,394	4,070
Other current assets	11	803	464
Total current assets		6,497	10,011
Non-current assets			
Property, plant and equipment	12, 14	11,130	11,688
Goodwill	13	51,412	52,009
Intangible assets	13, 14	3,405	3,587
Other financial assets	10, 29	1,602	1,971
Deferred tax assets	16	571	667
Other non-current assets	11	18	11
Total non-current assets		68,140	69,936
Total assets		74,638	79,947

(Millions of yen)

	Notes	As of December 31, 2022	As of December 31, 2023
Liabilities and equity			
Liabilities			
Current liabilities			
Accounts payable – other	29	1,429	1,681
Short-term borrowings	17, 27, 29	800	–
Current portion of long-term borrowings	17, 27, 29	1,300	1,700
Lease liabilities	14, 17, 27, 29	885	937
Income taxes payable		362	1,344
Contract liabilities	22	848	997
Provisions	18	2	2
Other current liabilities	19, 22	4,909	5,710
Total current liabilities		10,538	12,373
Non-current liabilities			
Long-term borrowings	17, 27, 29	31,620	29,648
Provisions	18	423	463
Lease liabilities	14, 17, 27, 29	9,653	10,152
Deferred tax liabilities	16	1,373	1,381
Other non-current liabilities	19	0	–
Total non-current liabilities		43,072	41,646
Total liabilities		53,611	54,019
Equity			
Share capital	20	10	10
Capital surplus	20, 28	17,928	17,928
Retained earnings	20	3,088	7,989
Total equity attributable to owners of parent		21,026	25,927
Total equity		21,026	25,927
Total liabilities and equity		74,638	79,947

2) Consolidated statement of profit or loss and consolidated statement of comprehensive income

[Consolidated statement of profit or loss]

(Millions of yen)

	Notes	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Revenue	22	44,195	52,767
Cost of sales		14,183	17,797
Gross profit		30,011	34,969
Selling, general and administrative expenses	23	24,337	27,582
Other income	24	329	141
Other expenses	24	42	14
Operating profit		5,959	7,514
Financial revenue	25	436	300
Financial expenses	25	837	764
Profit before income tax		5,559	7,050
Income tax expense	16	1,937	2,148
Profit		3,621	4,901
Profit attributable to			
Owners of parent		3,621	4,901
Profit		3,621	4,901
Earnings per share			
Basic earnings per share (Yen)	26	36.22	49.01
Diluted earnings per share (Yen)	26	–	48.39

[Consolidated statement of comprehensive income]

(Millions of yen)

	Notes	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit		3,621	4,901
Comprehensive income		3,621	4,901
Comprehensive income attributable to			
Owners of parent		3,621	4,901
Comprehensive income		3,621	4,901

3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Millions of yen)

	Notes	Equity attributable to owners of parent				Total equity
		Share capital	Capital surplus	Retained earnings	Total	
Balance as of January 1, 2022		300	17,605	(533)	17,372	17,372
Profit		–	–	3,621	3,621	3,621
Total comprehensive income		–	–	3,621	3,621	3,621
Issuance of share acquisition rights	28	–	32	–	32	32
Capital reduction		(290)	290	–	–	–
Total transactions with owners		(290)	322	–	32	32
Balance as of December 31, 2022		10	17,928	3,088	21,026	21,026

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

(Millions of yen)

	Notes	Equity attributable to owners of parent				Total equity
		Share capital	Capital surplus	Retained earnings	Total	
Balance as of January 1, 2023		10	17,928	3,088	21,026	21,026
Profit		–	–	4,901	4,901	4,901
Total comprehensive income		–	–	4,901	4,901	4,901
Balance as of December 31, 2023		10	17,928	7,989	25,927	25,927

4) Consolidated statement of cash flows

(Millions of yen)

	Notes	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities			
Profit before income tax		5,559	7,050
Depreciation and amortization		1,394	1,345
Financial revenue		(436)	(300)
Financial expenses		837	764
Decrease (increase) in trade and other receivables		(551)	(622)
Increase (decrease) in trade and other payables		741	839
Other		(149)	141
Subtotal		7,395	9,218
Interest and dividends received		0	0
Interest paid		(859)	(834)
Income taxes refund		127	16
Income taxes paid		(3,016)	(1,235)
Proceeds from compensation		–	216
Net cash provided by (used in) operating activities		3,647	7,380
Cash flows from investing activities			
Purchase of property, plant and equipment		(310)	(119)
Purchase of intangible assets		(249)	(444)
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(514)	(577)
Other		(475)	160
Net cash provided by (used in) investing activities		(1,550)	(981)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	27	554	(800)
Repayments of long-term borrowings	27	(1,184)	(1,498)
Repayments of lease liabilities	27	(762)	(908)
Proceeds from issuance of share acquisition rights		32	–
Other		(19)	(15)
Net cash provided by (used in) financing activities		(1,378)	(3,222)
Net increase (decrease) in cash and cash equivalents		717	3,176
Cash and cash equivalents at beginning of period	8	1,582	2,300
Cash and cash equivalents at end of period	8	2,300	5,476

[Notes to consolidated financial statements]

1. Reporting entity

TRYT Inc. (the "Company") is a stock company located in Japan. The addresses of its registered head office and principal places of business are disclosed on the Company's website (https://tryt-group.co.jp/en/about/access/). The Company's consolidated financial statements were prepared with the end of the reporting period on December 31, 2023 and consist of accounts of the Company and its subsidiaries (hereinafter the "Group").

In addition, the Group's parent company is LIFE SCIENCE & DIGITAL HEALTH CO. LIMITED, and its ultimate parent company is EQT AB.

The Group engages in a medical and welfare business as a leading company in the healthcare human resource services industry. Our medical and welfare business provides professional recruitment, recruiting support, and temporary staffing services mainly for qualified personnel in the long-term care, medical (nursing care), and childcare industries.

The Group also provides professional recruiting and temporary staffing services mainly to general contractors and major construction firms. We primarily dispatch qualified professionals such as architects, building operation and management engineers, and civil engineering works execution managing engineers.

2. Basis of preparation

(1) Compliance with IFRS

Consolidated financial statements of the Group are prepared in accordance with IFRS pursuant to the provisions of Article 93 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), since the Group meets all of the requirements for a "specified company complying with designated international accounting standards" set forth in Article 1-2 of the Regulation.

These consolidated financial statements were approved by CEO Hidetaka Sasai and Managing Executive Officer and CFO Managing Director Takaaki Inoue on March 28, 2024.

The Group's accounting policies are compliant with IFRS effective December 31, 2023.

(2) Basis of measurement

As described in Note "3. Material accounting policies," consolidated financial statements of the Group are prepared on the basis of acquisition cost, except for certain financial instruments and other items that are stated at fair value.

(3) Functional currency and presentation currency

Consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency. All financial figures are rounded down to the nearest million yen.

(4) Changes in accounting policies

The Group has applied the standards and interpretations that are mandatory for the fiscal year ended December 31, 2023. This change had no material impact on the Group's consolidated financial statements.

(5) Changes in presentation method

(Consolidated statement of cash flows)

In the fiscal year ended December 31, 2022, the "Loss on disposal of fixed assets" in "Cash flows from operating activities" was stated separately. However, because this amount is immaterial, from the fiscal year ended December 31, 2023 it is included in "Other." The consolidated financial statements for the fiscal year ended December 31, 2022 have been restated to reflect this change in presentation.

Consequently, for the fiscal year ended December 31, 2022, the ¥35 million presented as "Loss on disposal of fixed assets" and the -¥184 million presented as "Other" in "Cash flows from operating activities" were reclassified as "Other" of -¥149 million.

3. Material accounting policies

(1) Basis of consolidation

Consolidated financial statements of the Group include all subsidiaries, which are entities controlled by the Group. The Group is deemed to control an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Financial statements of subsidiaries are included in the scope of consolidation from the date on which the Group gains control through the date on which the control is lost.

If any of the accounting policies adopted by a subsidiary differ from those adopted by the Group, adjustments are made to the subsidiary's financial statements where needed. Outstanding payables and receivables and amounts of internal transactions within the Group, as well as unrealized profit or loss arising from internal transactions within the Group, are eliminated when preparing consolidated financial statements.

(2) Business combinations

Business combinations are accounted for by the acquisition method. Consideration for acquisition is measured as the sum of fair values of assets transferred, liabilities assumed, and equity financial instruments issued by the Company in exchange for control over the acquiree as of the acquisition date. If the consideration for acquisition exceeds fair values of identifiable assets and liabilities, the excess is recorded as goodwill in consolidated statements of financial position. If the consideration for acquisition is less than those fair values, the shortfall is immediately recorded in profit or loss in consolidated statements of profit or loss.

The choice of whether to measure non-controlling interests at fair value or at the proportionate share in the recognized amounts of identifiable net assets is made for each business combination.

Transaction costs incurred in the course of business combinations, such as brokerage commissions, legal fees and due diligence costs, are recorded as expenses when incurred.

Furthermore, business combinations under common control are accounted for on an ongoing basis based on carrying amounts. Business combinations under common control are business combinations in which all of the combining entities or businesses are ultimately controlled by the same entity both before and after the business combination, and such control is not transitory.

(3) Financial instruments

1) Financial assets

(i) Initial recognition and measurement

The Group classifies financial assets into financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, or financial assets measured at amortized cost. The classification is made at the time of initial recognition.

The Group recognizes financial instruments on the transaction date on which it becomes a party to a contract on the relevant financial assets.

All financial assets are measured at fair value plus any transaction costs, except for those classified as financial assets measured at fair value through profit or loss.

Financial assets that meet both of the following conditions are classified as financial assets measured at amortized cost:

- Assets are held based on the business model to hold assets for the purpose of collecting contractual cash flows.
- Contractual terms associated with financial assets give rise to cash flows on specified dates, consisting only of payment of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

Equity instruments measured at fair value, except for equity instruments held for trading, which must be measured at fair value through profit or loss, are individually designated as either measured at fair value through profit or loss or at fair value through other comprehensive income, and such designation is applied consistently.

(ii) Subsequent measurements

After initial recognition, financial assets are measured as follows, depending on their classifications:

(a) Financial assets measured at amortized cost

These financial assets are measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value

Changes in fair values of financial assets measured at fair value are recognized in profit or loss.

However, changes in fair values of equity instruments designated as those measured at fair value through other comprehensive income are recognized in other comprehensive income.

(iii) Derecognition of financial assets

The Group derecognizes financial assets if the contractual rights to the cash flows from those financial assets expire, or if the Group transfers substantially all the risks and rewards of ownership of those financial assets. If the Group retains control of a transferred financial asset, the asset and any liability associated with the asset are recognized to the extent of its continuing involvement.

(iv) Impairment of financial assets

The Group recognizes allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost.

The Group assesses credit risk on each financial asset at the end of each reporting period to determine whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, an amount equal to 12-month expected credit losses is recognized as allowance for doubtful accounts. On the other hand, if the credit risk on financial assets has increased significantly since initial recognition, an amount equal to the lifetime expected credit losses is recognized as allowance for doubtful accounts.

If the counterparty to a transaction is unlikely to pay its obligations in full, the relevant financial assets are considered to be in default. When assessing whether a counterparty is in default, the Group generally determines that the credit risk has increased significantly if contractual payments are more than 180 days past due.

If credit risk on financial assets is deemed to be low as of the end of a reporting period, the credit risk for such financial asset is assessed to have not significantly increased since initial recognition.

However, with regard to trade receivables that do not contain a significant financing component, allowance for doubtful accounts is always recognized at an amount equal to the lifetime expected credit losses, regardless of whether credit risk has increased significantly since initial recognition.

The Group estimates expected credit losses of financial assets in a way that reflects all of the following:

- An unbiased and probability-weighted amount calculated by evaluating a range of possible outcomes
- The time value of money
- Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available at the reporting date without undue cost or effort

The Group shall make necessary adjustments to the expected credit losses measured as above when affected by substantial changes in economic conditions or other factors.

The Group directly reduces the gross carrying amount of financial assets when it has no reasonable expectations of collecting financial assets in its entirety or a portion thereof.

Provision and reversal of allowance for doubtful accounts on financial assets are recognized in profit or loss.

2) Financial liabilities

(i) Initial recognition and measurement

The Group classifies financial liabilities into either financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost. The classification is made at the time of initial recognition.

All financial liabilities are initially measured at fair value, except for financial liabilities measured at amortized cost, which are measured at cost less directly attributable transaction costs.

(ii) Subsequent measurements

After initial recognition, financial liabilities are measured as follows, depending on their classifications:

(a) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured at fair value, with subsequent changes recognized in profit or loss.

(b) Financial liabilities measured at amortized cost

These financial liabilities are measured at amortized cost using the effective interest method after initial recognition.

Amortization using the effective interest method as well as gains and losses arising from derecognition are recognized as parts of financial expenses in profit or loss for the period.

(iii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished (i.e., when the obligation specified in the contract is discharged, canceled or expires).

(4) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with repayment terms of three months or less from the date of acquisition that are readily convertible to cash and subject to an insignificant risk of changes in value.

(5) Property, plant and equipment

Property, plant and equipment are measured after recognition by using the cost model and are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Acquisition cost includes costs directly attributable to the acquisition of assets and costs involved in dismantling, removal and restoration.

Depreciation for each asset except for land and construction in progress is recorded by the straight-line method over the respective estimated useful lives. The estimated useful lives of main assets are as follows:

- Buildings and accompanying facilities 5 to 15 years
- Machinery and vehicles 6 to 17 years
- Tools, furniture and fixtures 2 to 13 years

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each fiscal year, and any change to them is applied prospectively as a change in accounting estimates.

(6) Goodwill

Measurement of goodwill at initial recognition is described in “(2) Business combinations.”

Goodwill is not amortized, but is allocated to the cash-generating units that are expected to benefit from synergies of business combinations and is tested for impairment in each reporting period or each time when there is an indication of impairment.

Impairment losses on goodwill are recognized in consolidated statements of profit or loss and not reversed subsequently.

Goodwill is stated at acquisition cost less accumulated impairment losses in consolidated statements of financial position.

(7) Intangible assets

Intangible assets are measured after recognition by using the cost model and are recorded at acquisition cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are measured at acquisition cost at initial recognition. Intangible assets acquired in business combinations are measured at their fair value as of the acquisition date.

Intangible assets are amortized by the straight-line method over their respective estimated useful lives after initial recognition, except for intangible assets with indefinite useful lives, and are stated at acquisition cost less accumulated amortization and accumulated impairment losses. The estimated useful lives of main intangible assets are as follows:

- Software 5 years
- Customer-related assets 20 years

The estimated useful lives, residual values, and amortization methods are reviewed at the end of each fiscal year, and any change to them is applied prospectively as a change in accounting estimates.

(8) Leases

The Group assesses whether the contract is or contains a lease at the inception of the contract (based on the substance of the contract). If the contract is determined to be a lease or contain a lease, the right-of-use asset and lease liability are recognized as of the commencement date of the lease.

The lease liability is recognized from the commencement date of the lease. If the interest rate implicit in the lease cannot be readily determined, the lease liability is measured at discounted present value of the remaining lease payments calculated using the lessee's incremental borrowing rate. After the commencement date of a lease, the carrying amount of lease liability is increased or reduced to reflect interest on the lease liability and the lease payments made, and remeasured as necessary in accordance with lease modifications and reassessments. In addition, lease term is determined by taking into consideration an option to extend the lease term (if it is reasonably certain that such option will be exercised) and an option to terminate the lease (if it is reasonably certain that such option will not be exercised) in the irrevocable period of the lease.

Right-of-use assets are measured by using the cost model and are measured at acquisition cost less accumulated depreciation and accumulated impairment losses. Acquisition cost includes initial measurement of the lease liability at the commencement date of the lease adjusted with prepaid lease payments and costs such as restoration work required under the lease agreement. Depreciation of right-of-use assets is calculated using the straight-line method over the lease term. Lease term is reassessed when there is a significant event or change in circumstances that would affect the likelihood of exercising the option to extend or terminate the lease, and if there is a change, the lease liability is remeasured and, in principle, the amount of right-of-use assets is adjusted.

Furthermore, right-of-use assets and lease liabilities are not recognized for short-term leases with lease terms of 12 months or less and leases where the underlying assets are of low value, and the total lease payments are recognized over the lease term by using either the straight-line method or another regular basis.

Right-of-use assets are included in property, plant and equipment and intangible assets in consolidated statements of financial position at acquisition cost less accumulated depreciation and accumulated impairment losses.

(9) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of non-financial assets except for deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Recoverable amounts of goodwill, as well as intangible assets with indefinite useful lives and those not yet available for use, are estimated at the same time each year, regardless of whether or not there is an indication of impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of value in use or fair value less costs of disposal. In calculating the value in use, the estimated future cash flows are discounted to their present value by using a pretax discount rate that reflects the time value of money and risks specific to the asset. Assets that are not tested individually for impairment are integrated into the smallest cash-generating unit that generates cash inflows through continuing use that are largely independent of those from other assets or groups of assets. When testing for impairment of goodwill, cash-generating units to which goodwill is allocated are integrated so that impairment testing is conducted in a manner that reflects the smallest unit with which the goodwill is associated. Goodwill acquired in business combinations is allocated to each cash-generating unit that is expected to benefit from synergies of the combination. The allocation of goodwill to cash-generating units is determined based on the units in which goodwill is managed for internal reporting purposes and is within the scope of the operating segments.

The Group's corporate assets do not generate independent cash inflows. If there is any indication of impairment of corporate assets, the recoverable amount of the cash-generating unit to which the corporate assets are attributable is determined.

Impairment losses are recognized in profit or loss when the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. An impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to the unit, and subsequently allocated to reduce the carrying amounts of other assets in the unit on a pro-rata basis, based on the carrying amount of each asset in the unit.

Impairment losses recognized for goodwill are not reversed. Impairment losses recognized in prior periods for other assets are assessed at the end of each reporting period to determine whether there is any indication that such impairment losses may no longer exist or may have decreased. If the estimates used to determine the recoverable amount change, the impairment losses are reversed. Impairment losses are reversed up to the amount that the carrying amount would be if no impairment losses had been recognized, less the necessary depreciation and amortization.

(10) Employee benefits

Undiscounted amounts of short-term employee benefits are recognized as expenses in the period in which employees render related services. Expenses for bonuses and paid absences are recognized as a liability at an amount estimated to be paid based on applicable policies for the bonuses and paid absences when the Group has a legal or constructive obligation for the payment and a reliable estimate of the amount can be made.

(11) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the time value of money is significant, the estimated future cash flows are discounted to their present value by using a pretax discount rate that reflects the time value of money and risks specific to the liability.

The Group's provisions include asset retirement obligations. To prepare for the obligation to restore leased buildings to their original state, the Group recognizes such provisions as asset retirement obligations by estimating asset retirement costs based on the past restoration records and estimated period of use determined in consideration of factors including the useful lives of internal structures applied to offices and other buildings, and by individually considering the conditions of each property.

(12) Revenue

The Group recognizes revenue by applying the following steps for contracts with customers, excluding interest and dividend income, etc., in accordance with IFRS 9 Financial Instruments ("IFRS 9").

Step 1: Identify contract(s) with a customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the performance obligation is satisfied

The Group recognizes main revenues as follows:

1. Goods or services transferred at a point in time

The Group earns a referral fee from a customer when each introduced candidate joins the customer company. Revenue related to recruitment services is recognized at the time of the candidate's joining the customer company.

2. Services transferred over a period of time

The Group recognizes revenue based on working performance of each temporary employee during their temporary staffing period.

(13) Financial revenue and financial expenses

Financial revenue mainly consists of interest income, dividend income, and changes in the fair value of financial assets measured at fair value through profit or loss. Interest income is recognized using the effective interest method when incurred. Dividend income is recognized when the right to receive the dividend is vested.

Financial expenses mainly consist of interest expenses and changes in the fair value of financial assets measured at fair value through profit or loss. Interest expenses are recognized using the effective interest method when incurred.

(14) Government grants

Government grant is recognized at fair value when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received.

When a government grant is associated with an expense item, the grant is regularly recognized as revenue over the period in which the related costs intended to be compensated by the grant are recognized as expenses.

(15) Income taxes

Income tax expense consists of current taxes and deferred taxes. These taxes are recognized in profit or loss, except when they arise from items recognized directly in other comprehensive income or equity, and when they arise from business combinations.

Current taxes are measured at amounts expected to be paid to, or refunded by, tax authorities. Tax rates and tax laws used in the calculation of tax amounts are those that have been enacted or substantively enacted by the end of a reporting period.

Deferred taxes are recognized on temporary differences, which are differences between the tax base and the carrying amounts for accounting purposes of assets and liabilities at the end of a reporting period.

Deferred tax assets and liabilities are not recorded for the following temporary differences:

- Temporary differences arising from initial recognition of goodwill
- Deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, if it is probable that the temporary difference will not reverse in the foreseeable future or if it is not probable that future taxable profit will be available against which the temporary difference can be utilized.
- Taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is highly probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

The carrying amount of deferred tax assets is reviewed each period, and reduced to the extent that it is probable that sufficient future taxable profit will not be available against which all or part of the deferred tax assets can be utilized. Unrecognized deferred tax assets are reviewed each period, and recognized to the extent that it became probable that deferred tax assets are recoverable with future taxable profit.

Deferred tax assets and liabilities are measured in accordance with tax rates and tax laws expected to be applicable in the periods in which the assets are realized or the liabilities are settled, based on tax rates and tax laws that are enacted or substantively enacted at the end of a reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and current tax liabilities, and when they are levied by the same taxation authority on the same taxable entity, or in case of different taxable entities, when it is intended either to settle current tax liabilities and current tax assets on a net basis or to realize the assets and settle the liabilities simultaneously.

(16) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to common shareholders of parent by the weighted-average number of issued ordinary shares during the period. Diluted earnings per share are calculated by adjusting for the effect of all dilutive potential shares.

(17) Assets held for sale

If the carrying amount of non-current assets (or disposal group) will be recovered principally through a sale transaction rather than through continuing use, such non-current assets (or disposal group) are classified as held for sale. To be classified as held for sale, an asset must be available for immediate sale in its present condition and its sale must be highly probable. The Group's management must be committed to executing a plan to sell the asset and the sale must be expected to be completed within one year.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amounts or fair value less costs to sell, and are not depreciated or amortized once classified as held for sale.

4. Significant accounting estimates and judgement involving estimates

In preparing IFRS-compliant consolidated financial statements, management is required to make judgments, estimates and assumptions that may affect the application of accounting policies and the amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Effects of changes in accounting estimates are recognized in the accounting period in which the estimates are revised and in future accounting periods thereafter.

Judgments and estimates made by management that have a significant impact on the amounts reported in the consolidated financial statements are as follows:

- Impairment of goodwill (refer to Note "3. Material accounting policies, (6) Goodwill")
- Fixed assets and right-of-use assets (refer to Note "3. Material accounting policies, (5) Property, plant and equipment, (7) Intangible assets, (8) Leases")
- Revenue recognition (refer to Note "3. Material accounting policies, (12) Revenue")
- Items related to financial instruments (refer to Note "3. Material accounting policies, (3) Financial instruments," Note "10. Other financial assets," and Note "29. Financial instruments")
- Impairment of non-financial assets (refer to Note "15. Impairment of non-financial assets")
- Recoverability of deferred tax assets (refer to Note "16. Income taxes")
- Accounting for and assessment of provisions (refer to Note "18. Provisions")

5. Newly issued standards and interpretations not yet adopted

There are no standards or interpretations newly issued or revised by the date of approval of the consolidated financial statements that have a significant impact.

6. Segment information

(1) Overview of reportable segments

The Group's reportable segments are components of the Group for which discrete financial information is available, and which are subject to regular reviews by the Board of Directors for the purpose of making decisions about the allocation of management resources and assessing their performance.

The Group's operating segments include professional recruitment and temporary staffing, which are aggregated and reported as the "Human Resource Services Business." Each operating segment in the

Human Resource Services Business differs only in the type of contracts. They share similar economic characteristics and have similar business models to provide human resources that meet the needs of corporate customers and others who are facing the challenge of securing a workforce.

(2) Information about reportable segments

This information is omitted as the Group operates in a single segment of the Human Resource Services Business.

(3) Information about products and services

The products and services provided, as well as the amounts of revenue, are described in Note "22. Revenue."

(4) Information about geographical areas

This information is omitted as all of the non-current assets are located in Japan and sales to external customers were entirely in Japan.

(5) Information about major customers

No revenues from a single external customer accounted for 10% or more of the revenue in the consolidated statement of profit or loss.

7. Business combinations

There were no material business combinations.

8. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Cash and deposits	2,300	5,476
Total	2,300	5,476

For the fiscal year ended December 31, 2022 and the fiscal year ended December 31, 2023, the balance of cash and cash equivalents in the consolidated statement of financial position was the same as the balance at end of period of cash and cash equivalents in the consolidated statement of cash flows.

The Group had no significant cash and cash equivalents with limitations on withdrawals during the fiscal year ended December 31, 2022 and the fiscal year ended December 31, 2023.

Cash and cash equivalents are classified as financial assets measured at amortized cost.

9. Trade receivables

The breakdown of trade receivables is as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Accounts receivable – trade	3,404	4,088
Allowance for doubtful accountss	(9)	(18)
Total	3,394	4,070

Trade receivables are classified as financial assets measured at amortized cost.

Trade receivables are stated in the consolidated statement of financial position at the amount after deducting the allowance for doubtful accounts.

10. Other financial assets

The breakdown of other financial assets is as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Leasehold and guarantee deposits (Note 1)	843	909
Investments in capital (Note 2)	742	1,043
Other	79	118
Allowance for doubtful accounts (Note 3)	(63)	(100)
Total	1,602	1,971

Notes: 1. Classified as financial assets measured at amortized cost.
2. Classified as financial assets measured at fair value through profit or loss.
3. Stated in the consolidated statement of financial position at the amount after deducting the allowance for doubtful accounts.

11. Other assets

The breakdown of other assets is as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Other current assets		
Prepaid expenses	331	407
Accounts receivable - other	445	0
Consumption taxes receivable	–	19
Income taxes receivable	16	22
Other	9	14
Total	803	464
Other non-current assets		
Long-term prepaid expenses	18	11
Other	0	0
Total	18	11

12. Property, plant and equipment

Changes

Changes in acquisition cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment, as well as the carrying amounts were as follows:

Acquisition cost

(Millions of yen)

	Buildings and accompanying facilities	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Right-of-use assets	Total
As of January 1, 2022	303	45	88	3	9,531	9,972
Acquisition	269	–	42	–	5,880	6,192
Acquisition due to business combinations	56	–	8	–	96	162
Sale or disposal	(133)	–	(22)	–	(3,061)	(3,217)
Other	–	–	–	(3)	12	9
As of December 31, 2022	496	45	116	–	12,460	13,118
Acquisition	91	–	28	–	1,558	1,679
Acquisition due to business combinations	–	3	0	–	–	3
Sale or disposal	(3)	(1)	(5)	–	(125)	(136)
Other	–	–	–	–	(51)	(51)
As of December 31, 2023	584	46	139	–	13,842	14,613

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

	Buildings and accompanying facilities	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Right-of-use assets	Total
As of January 1, 2022	(52)	(26)	(32)	–	(1,497)	(1,608)
Depreciation	(75)	(2)	(20)	–	(1,081)	(1,180)
Acquisition due to business combinations	(15)	–	(6)	–	–	(20)
Sale or disposal	81	–	20	–	803	905
Other	–	–	–	–	(83)	(83)
As of December 31, 2022	(61)	(28)	(38)	–	(1,858)	(1,988)
Depreciation	(38)	(2)	(18)	–	(992)	(1,051)
Acquisition due to business combinations	–	(3)	–	–	–	(3)
Sale or disposal	1	1	4	–	112	119
Other	–	–	–	–	(0)	(0)
As of December 31, 2023	(99)	(33)	(52)	–	(2,739)	(2,924)

Note: Depreciation of property, plant and equipment is included in selling, general and administrative expenses and other expenses in the consolidated statement of profit or loss.

Carrying amount

(Millions of yen)

	Buildings and accompanying facilities	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Right-of-use assets	Total
As of January 1, 2022	250	18	56	3	8,034	8,363
As of December 31, 2022	434	16	77	–	10,601	11,130
As of December 31, 2023	485	13	86	–	11,103	11,688

13. Goodwill and intangible assets

Changes

Changes in acquisition cost, accumulated amortization and accumulated impairment losses of goodwill and intangible assets, as well as the carrying amounts were as follows:

Acquisition cost

(Millions of yen)

	Goodwill	Intangible assets			
		Customer-related assets	Software	Other	Total
As of January 1, 2022	50,425	3,805	105	19	3,930
Acquisition	–	–	24	281	305
Acquisition due to business combinations	986	–	17	–	17
Sale or disposal	–	–	(20)	(11)	(31)
Other	–	–	–	(1)	(1)
As of December 31, 2022	51,412	3,805	126	288	4,220
Acquisition	–	–	466	419	886
Acquisition due to business combinations	597	–	69	–	69
Sale or disposal	–	–	(11)	(0)	(12)
Other	–	–	–	(476)	(476)
As of December 31, 2023	52,009	3,805	651	231	4,687

Accumulated amortization and accumulated impairment losses

(Millions of yen)

	Goodwill	Intangible assets			
		Customer-related assets	Software	Other	Total
As of January 1, 2022	–	(570)	(40)	(0)	(611)
Amortization	–	(190)	(23)	(0)	(214)
Acquisition due to business combinations	–	–	(2)	(0)	(2)
Sale or disposal	–	–	13	–	13
Other	–	–	–	–	–
As of December 31, 2022	–	(761)	(53)	(0)	(815)
Amortization	–	(190)	(101)	(1)	(293)
Acquisition due to business combinations	–	–	–	–	–
Sale or disposal	–	–	8	0	8
Other	–	–	–	–	–
As of December 31, 2023	–	(951)	(147)	(2)	(1,100)

Note: Amortization of intangible assets is included in selling, general and administrative expenses in the consolidated statement of profit or loss.

Carrying amount

(Millions of yen)

	Goodwill	Intangible assets			
		Customer-related assets	Software	Other	Total
As of January 1, 2022	50,425	3,234	64	19	3,318
As of December 31, 2022	51,412	3,043	73	287	3,405
As of December 31, 2023	52,009	2,853	504	228	3,587

14. Leases

The breakdown of profit or loss related to leases is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Depreciation of right-of-use assets		
Buildings and accompanying facilities	975	856
Tools, furniture and fixtures	105	135
Other	0	1
Total	1,082	993
Interest expenses for lease liabilities	86	106
Expenses for low-value asset leases	56	79

The breakdown of the carrying amounts of right-of-use assets is as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Right-of-use assets		
Buildings and accompanying facilities	10,331	10,769
Tools, furniture and fixtures	270	333
Other	6	6
Total	10,608	11,110

The increase in right-of-use assets for the fiscal year ended December 31, 2022 was ¥5,887 million. The increase in right-of-use assets for the fiscal year ended December 31, 2023 was ¥1,560 million.

The total amount of cash outflows related to leases for the fiscal year ended December 31, 2022 was ¥818 million. The total amount of cash outflows related to leases for the fiscal year ended December 31, 2023 was ¥987 million.

Details of maturity analysis of lease liabilities are stated in Note “29. Financial instruments, (4) Liquidity risk management.”

15. Impairment of non-financial assets

(1) Impairment of property, plant and equipment and intangible assets

The Group periodically reviews property, plant and equipment and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

Property, plant and equipment and intangible assets are grouped into smallest cash-generating units that generate largely independent cash inflows.

In the fiscal year ended December 31, 2022 and the fiscal year ended December 31, 2023, the Group did not recognize any impairment losses.

(2) Impairment of goodwill

1) Cash-generating units

Goodwill arising from business combinations is allocated at the acquisition date to cash-generating units that will benefit from the business combination. The Group’s cash-generating units consist of the entire operating segment and certain subsegments of the operating segment. At the end of the fiscal year ended December 31, 2023, the carrying amounts of goodwill were ¥5,712 million (¥5,712 million as of December 31, 2022) in the Human Resource Services Business, which is the entire operating segment, and ¥10,111 million (¥10,111 million as of December 31, 2022) in the construction business and ¥36,185 million (¥35,588 million as of December 31, 2022) in the medical and welfare business, which are subsegments of the operating segment.

2) Basis for calculating recoverable amounts

Recoverable amount of a cash-generating unit is calculated based on the value in use. The value in use is calculated by discounting the estimated cash flows based on the business plans approved by management to the present value. Business plans, whose spans are generally limited to five years, reflect the Group’s assessment of future trends in the industry and past experience, and are prepared based on external and internal information. The pretax discount rate is calculated based on the weighted-average cost of capital (WACC) of the cash-generating unit (approximately 11.4% to 18.0%).

In addition, the growth rates of the cash-generating units are based on the Group’s projected growth rates, which range from 14.8% to 27.8% for the Human Resource Services Business, which is the entire operating segment; and from 10.6% to 15.2% for the construction business, and 12.0% to 25.5% for the medical and welfare business, which are subsegments of the operating segment.

3) Sensitivity analysis

Assumptions that provide primary sensitivity in the impairment test for cash-generating units are growth rates. Even if the projected growth rates were to decrease to about 5.0%, assuming that all conditions other than the growth rates were constant, the recoverable amounts would still be higher than the carrying amounts, and the Group has determined that it is unlikely that a significant impairment would be incurred for each cash-generating unit.

4) Recognition of impairment losses

In the fiscal year ended December 31, 2022 and the fiscal year ended December 31, 2023, the Group did not recognize any impairment losses.

16. Income taxes

(1) Deferred tax assets and liabilities

The breakdown of major factors giving rise to deferred tax assets and liabilities is as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Deferred tax assets		
Lease liabilities	3,530	3,691
Accrued enterprise tax	42	137
Accrued bonuses	305	202
Other	135	190
Total	4,013	4,222
Deferred tax liabilities		
Customer-related assets	(1,051)	(985)
Right-of-use assets	(3,436)	(3,569)
Other	(327)	(381)
Total	(4,814)	(4,936)

Deductible temporary differences for which deferred tax assets are not recognized are as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Deductible temporary differences	134	153

(2) Income tax expense

The breakdown of income tax expense is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Current tax expense	1,745	2,195
Deferred tax expense	191	(46)
Total	1,937	2,148

Reconciliation of the statutory effective tax rate to the average effective tax rate is as follows:

(%)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Statutory effective tax rate	34.54	34.54

Non-deductible expenses in calculation of taxable profits	0.02	0.12
Effect of change in tax rate	2.44	–
Tax credits	(3.48)	(4.27)
Per capita tax	0.23	0.21
Other	1.11	(0.12)
Average effective tax rate	34.85	30.48

17. Interest-bearing liabilities

(1) The breakdown of financial liabilities

The breakdown of borrowings and lease liabilities is as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023	Effective interest rate (weighted-average) (%)	Repayment period
Short-term borrowings	800	–	–	–
Long-term borrowings	32,920	31,348	2.1	2024~2028
Lease liabilities	10,539	11,090	1.0	2024~2038
Total	44,260	42,438	–	–
Current liabilities	2,985	2,637	–	–
Non-current liabilities	41,274	39,800	–	–
Total	44,260	42,438	–	–

(2) Assets pledged as collateral

Assets pledged as collateral for borrowings are as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Cash and cash equivalents	5	–
Trade receivables	3,404	–
Total	3,409	–

Corresponding obligations are as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Short-term borrowings	800	–
Long-term borrowings	32,920	–
Total	33,720	–

18. Provisions

The breakdown of provisions and the fluctuation during the period are as follows:

(Millions of yen)

	Asset retirement obligations	Total
Balance at beginning of period (As of January 1, 2022)	300	300
Increase during the period	215	215
Increase due to business combinations	30	30
Interest expense during the period in discounting	–	–
Decrease during the period (intended use)	(120)	(120)
Decrease during the period (reversal)	–	–
As of December 31, 2022	425	425

(Millions of yen)

	Asset retirement obligations	Total
Balance at beginning of period (As of January 1, 2023)	425	425
Increase during the period	44	44
Interest expense during the period in discounting	–	–
Decrease during the period (intended use)	(3)	(3)
Decrease during the period (reversal)	–	–
As of December 31, 2023	466	466

The breakdown of provisions in the consolidated statement of financial position is as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Current liabilities	2	2
Non-current liabilities	423	463
Total	425	466

19. Other liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Other current liabilities		
Accrued salaries	1,519	1,824
Accrued expenses	716	855
Accrued consumption taxes	819	1,212
Other	1,854	1,817
Total	4,909	5,710
Other non-current liabilities		
Long-term accounts payable – other	0	–
Total	0	–

20. Equity and other equity items

(1) Number of authorized shares and total number of issued shares

Changes in the number of authorized shares and the total number of issued shares were as follows:

(Shares)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Number of authorized shares		
Ordinary shares	400,000,000	400,000,000
Total number of issued shares		
Balance at beginning of period	100,000,000	100,000,000
Increase (decrease) during the period	–	–
Balance at end of period	100,000,000	100,000,000

Note: All of the shares issued by the Company are ordinary shares with no par value that have no restrictions on any rights. All of the issued shares have been fully paid up.

(2) Treasury shares

The Company does not hold any treasury shares.

(3) Capital surplus

The Companies Act of Japan (the "Companies Act") provides that at least half of payment or contribution for the issuance of shares must be credited to share capital, and the remaining amount must be credited to legal capital surplus included in capital surplus. The Companies Act also provides that legal capital surplus may be credited to share capital by a resolution at the General Meeting of Shareholders.

(4) Retained earnings

The Companies Act provides that an amount equal to 10% of the dividends paid from surplus must be transferred to legal capital surplus or legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings reaches 25% of share capital. The amount accumulated in legal retained earnings may be used for deficit disposition. Furthermore, legal retained earnings may be reversed pursuant to a resolution at the General Meeting of Shareholders.

21. Dividends

Fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

Not applicable.

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

Not applicable.

22. Revenue

(1) Disaggregation of revenue

The Group engages in the Human Resource Services Business in a single segment, focusing on the medical welfare and construction industries.

Disaggregation of revenue recognized from contracts with customers is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Goods or services transferred at a point in time	25,901	29,846
Services transferred over a period of time	18,294	22,920
Total	44,195	52,767

For goods or services transferred at a point in time, the Group earns a referral fee from a customer when each introduced candidate joins the customer company. The Group considers the performance obligation to be satisfied at the time of the candidate's joining the customer company. The Group generally receives payment of consideration within approximately one month from the time the performance obligation is satisfied. In addition, the Group has an obligation to return a portion of the consideration received from a customer when the service period of an introduced employee falls short of a certain period of time due to retirement or other reasons, and this amount is recognized as refund liabilities. Refund liabilities are recorded in other current liabilities.

For services transferred over a period of time, the Group considers the performance obligation to be satisfied at the time of acceptance of working performance of a temporary employee during the temporary staffing period. The Group generally receives payment of consideration within approximately one month from the time the performance obligation is satisfied.

(2) Contract balance

The amount of revenue recognized in the fiscal year ended December 31, 2022 and included in the balance of contract liabilities as of the beginning of the period was ¥660 million. The amount of revenue recognized in the fiscal year ended December 31, 2023 and included in the balance of contract liabilities as of the beginning of the period was ¥848 million. Furthermore, the amount of revenue recognized in the fiscal year ended December 31, 2022 and the fiscal year ended December 31, 2023 from performance obligations satisfied (or partially satisfied) in previous periods was insignificant.

Receivables arising from contracts with customers are described in Note "9. Trade receivables." Contract liabilities are associated with advances received from customers.

(3) Transaction price allocated to the remaining performance obligations

Since the Group has no significant transactions with individual contract terms exceeding one year, the practical expedient method is applied and information on residual performance obligations is omitted. There are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

(4) Assets recognized from contract costs

Not applicable.

23. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Personnel expenses	11,563	13,260
Advertising expenses	7,618	8,641
Travel and transportation expenses	432	584
Other	4,723	5,096
Total	24,337	27,582

24. Other income and expenses

The breakdown of other income is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Government grants	27	4
Compensation income	216	–
Other	86	136
Total	329	141

The breakdown of other expenses is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Loss on retirement of fixed assets	35	7
Other	7	6
Total	42	14

25. Financial revenue and financial expenses

The breakdown of financial revenue is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Gain on investments in silent partnerships (Note)	436	300
Other	0	0
Total	436	300

Note: These are related to financial assets measured at fair value through profit or loss.

The breakdown of financial expenses as follows:

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Interest expenses (Note)	816	742
Other	20	22
Total	837	764

Note: These are related to financial liabilities measured at amortized cost.

26. Earnings per share

Basic earnings per share and the basis for calculation were as follows:

(1) Basis for calculation of basic earnings per share

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit attributable to owners of parent (Millions of yen)	3,621	4,901
Profit not attributable to common shareholders of parent (Millions of yen)	–	–
Profit used for calculating basic earnings per share (Millions of yen)	3,621	4,901
Weighted-average number of ordinary shares (Thousand shares)	100,000	100,000
Basic earnings per share (Yen)	36.22	49.01

(2) Basis for calculation of diluted earnings per share

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit used for calculating basic earnings per share (Millions of yen)	–	4,901
Profit adjustments (Millions of yen)	–	–
Profit used for calculating diluted earnings per share (Millions of yen)	–	4,901
Weighted-average number of ordinary shares (Thousands of shares)	–	100,000
Increase in the number of ordinary shares		
Share acquisition rights (Thousands of shares)	–	1,283
Weighted-average number of diluted ordinary shares (Thousands of shares)	–	101,283
Diluted earnings per share (Yen)	–	48.39

Notes: 1. Diluted earnings per share for the fiscal year ended December 31, 2022 are not presented despite the presence of share acquisition rights. They are outside the scope of calculation of the dilution effect because their vesting conditions are not met.

2. As of December 31, 2022, the number of potential ordinary shares is 2,951,514.

27. Cash flow information

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities were as follows:

Fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Millions of yen)

	January 1, 2022	Changes arising from cash flows	Non-cash changes				December 31, 2022
			Change in scope of consolidation	Interest expense	New leases	Other	
Short-term borrowings	–	554	245	–	–	–	800
Long-term borrowings	33,963	(1,184)	184	(42)	–	–	32,920
Lease liabilities	7,942	(762)	59	–	5,699	(2,400)	10,539
Total	41,906	(1,392)	489	(42)	5,699	(2,400)	44,260

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

(Millions of yen)

	January 1, 2023	Changes arising from cash flows	Non-cash changes				December 31, 2023
			Change in scope of consolidation	Interest expense	New leases	Other	
Short-term borrowings	800	(800)	–	–	–	–	–
Long-term borrowings	32,920	(1,498)	18	(92)	–	–	31,348
Lease liabilities	10,539	(908)	–	–	1,536	(77)	11,090
Total	44,260	(3,207)	18	(92)	1,536	(77)	42,438

(2) Non-cash transactions

Significant non-cash transactions were as follows:

Fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

Acquisition of right-of-use assets under leases amounted to ¥5,887 million.

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

Acquisition of right-of-use assets under leases amounted to ¥1,560 million.

28. Share-based payments

The Group has adopted an incentive plan utilizing a market price share acquisition rights trust as a system similar to a stock option plan. A market price share acquisition rights trust is an incentive plan through which share acquisition rights issued at market price are held by the trustee and delivered to the beneficiaries who fulfill the conditions as of a certain date.

(1) Incentive plan utilizing a market price share acquisition rights trust

1) Details of incentive plan utilizing a market price share acquisition rights trust

The Company established a market price share acquisition rights trust on March 25, 2022 with Kotaeru Trust Co., Ltd. as the trustee in accordance with the resolution of the Extraordinary General Meeting of Shareholders held on March 18, 2022 as an incentive plan for current and future directors, audit & supervisory board members, and employees of the Company and the Company's subsidiaries. The Company issued share acquisition rights to the trust on March 31, 2022 in accordance with the Companies Act.

The trust will distribute the 2,951,514 share acquisition rights (one share of the Company's ordinary shares) granted to Kotaeru Trust Co., Ltd. to the Group's officers and employees based on their future performance. Unlike the existing incentive plan utilizing share acquisition rights, this plan will make it possible to determine the amount of the incentive for the Groups' officers and employees, etc. at a future time based on an evaluation of their performance in the future, allowing more reward for individual efforts. It will also be possible to distribute share acquisition rights to the Groups' officers and employees to be hired in the future. The persons to whom the share acquisition rights are distributed may exercise the share acquisition rights in accordance with issuance guidelines of the share acquisition rights. All share acquisition rights which the Company will issue are equity-settled share-based payments.

The details of the share acquisition rights allotted to the trust are as follows:

	Number granted (shares)	Grant date	Exercise period	Conditions for exercise of rights
First series of share acquisition rights	2,951,514	March 31, 2022	March 31, 2022 to March 31, 2029	Note

Note: Certain price conditions are attached to the exercise of rights. In addition, when rights are exercised, the person must be a director, audit & supervisory board member, or employee of the Company or a subsidiary or affiliate. However, this will not apply in the event of retirement due to the expiration of term of office, mandatory retirement age, and other reasons that the Board of Directors has deemed to be justified.

2) Fair value of share acquisition rights granted

There are no matters to be reported as share acquisition rights have not been granted to employees as of the end of the fiscal year ended December 31, 2023.

3) Increase (decrease) during the period of share acquisition rights granted

There are no matters to be reported as share acquisition rights have not been granted to employees as of the end of the fiscal year ended December 31, 2023.

(2) Share-based payment expenses

Not applicable.

29. Financial instruments

(1) Capital management

The Group manages its capital with the aim of maximizing corporate value through sustained growth.

The main indicators used by the Group in capital management are the ratio of equity attributable to owners of parent to total assets and the ratio of profit to equity attributable to owners of parent.

The Group's ratio of equity attributable to owners of parent to total assets and ratio of profit to equity attributable to owners of parent were as follows:

	As of December 31, 2022	As of December 31, 2023
Ratio of equity attributable to owners of parent to total assets (%)	28.2	32.4
Ratio of profit to equity attributable to owners of parent (%)	18.9	20.9

These indicators are regularly reported to and monitored by management.

The Group is not subject to any significant capital restrictions.

(2) Financial risk management

In the course of its management activities, the Group is exposed to financial risks (credit risks and liquidity risks), and in order to mitigate such financial risks, the Group conducts risk management based on certain policies. Equity instruments held by the Group are mainly unlisted shares, and the balance of equity instruments exposed to stock market risks is insignificant, so the impact of stock market risks is minimal.

(3) Credit risks

(a) Credit risk management

Credit risks are risks of counterparties to financial assets held by the Group defaulting on their contractual obligations that would result in financial losses incurred by the Group.

Pursuant to the internal regulations related to receivable management, the Group has put in place a system to regularly monitor the credit status of major customers, in addition to having the sales department periodically monitor the status of customers, manage due dates and balances of each customer primarily for trade receivables. Furthermore, the Group does not have significant credit risk exposures to any particular counterparty and does not have excessive concentrations of credit risks that are subject to special management.

For receivables other than trade receivables, the Group believes that there is almost no credit risk arising from default of counterparties, as the Group conducts transactions only with highly creditworthy counterparties.

Leasehold and guarantee deposits are deposits paid to the owners of land and buildings for the purpose of leasing such land and buildings, and are collected at the end of the lease period of each land and building if the contract is not renewed, and therefore have a long collection period. As a result, the Group is exposed to the credit risk of uncollectible leasehold and guarantee deposits due to deterioration in the credit status or bankruptcy of the owners of land and buildings.

The maximum exposure to credit risk as of the end of a consolidated fiscal year is the carrying amount of financial assets after impairment; however, the Group has not recognized any significant bad debt losses in past years.

The Group does not hold any properties as collateral or other credit enhancement in relation to these credit risk exposures.

(b) Carrying amounts of financial assets

The carrying amounts of trade receivables to which a simplified approach is applied were as follows:

Fiscal year ended December 31, 2022 (As of December 31, 2022)

(Millions of yen)

	Financial assets that are not credit-impaired financial assets	Credit-impaired financial assets	Total
Trade receivables (Note)	3,404	79	3,483

Note: Trade receivables to which a simplified approach is applied mainly include accounts receivable – trade.

Fiscal year ended December 31, 2023 (As of December 31, 2023)

(Millions of yen)

	Financial assets that are not credit-impaired financial assets	Credit-impaired financial assets	Total
Trade receivables (Note)	4,088	118	4,207

Note: Trade receivables to which a simplified approach is applied mainly include accounts receivable – trade.

The carrying amounts of financial assets that are not credit-impaired financial assets mainly include receivables and others from entities that are rated as satisfactory in the internal credit rating. Meanwhile, the carrying amounts of credit-impaired financial assets include receivables and others from entities that are rated as possibility of default or in receivership or bankruptcy in the internal credit rating.

There were no significant changes in the carrying amounts of financial instruments affecting the change in allowance for doubtful accounts during the fiscal year ended December 31, 2022 and the fiscal year ended December 31, 2023.

Moreover, the contractual amount outstanding on financial assets that were written off and for which collection activities are ongoing are insignificant.

(c) Changes in allowance for doubtful accounts

The Group always provides a allowance for doubtful accounts for accounts receivable – trade, which are trade receivables that do not contain a significant financial component, in an amount equal to the lifetime expected credit losses, and does not recognize credit losses on financial assets other than trade receivables.

Changes in allowance for doubtful accounts were as follows:

Allowance for doubtful accounts for trade receivables (financial assets that are not credit-impaired financial assets)

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Balance at beginning of period	9	9
Increase (decrease) due to business combinations	–	0
Provisions during period	9	18
Intended use	–	–
Reversals (uses other than intended use)	(9)	(9)
Balance at end of period	9	18

Allowance for doubtful accounts for trade receivables (credit-impaired financial assets)

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Balance at beginning of period	30	63
Provisions during period	45	44
Intended use	(4)	(0)
Reversals (uses other than intended use)	(8)	(7)
Balance at end of period	63	100

(d) Credit risk exposures

An analysis of trade receivables by due date is as follows. There was no significant lapse in due date for financial assets other than trade receivables, and the Group has no significant credit risk exposures.

(Millions of yen)

Lapse in due date	As of December 31, 2022	As of December 31, 2023
Due within six months	3,351	3,996
Due after six months through one year	30	32
Due after one year	22	59
Total	3,404	4,088

(4) Liquidity risk management

Liquidity risk is a risk that the Group is unable to perform its obligations to repay financial liabilities as they fall due.

The Group manages liquidity risks by continuously monitoring a cash flow plan and actual performance while raising appropriate funds for repayment.

The balances of financial liabilities (including derivative financial instruments) by due date were as follows:

Fiscal year ended December 31, 2022 (As of December 31, 2022)

(Millions of yen)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through five years	Due after five years
Non-derivative financial liabilities					
Accounts payable – other	1,429	1,429	1,429	–	–
Short-term borrowings	800	800	800	–	–
Long-term borrowings (including current portion)	32,920	–	1,300	7,700	24,500
Lease liabilities	10,539	11,223	986	3,555	6,681
Total	45,690	13,452	4,516	11,255	31,181

Fiscal year ended December 31, 2023 (As of December 31, 2023)

(Millions of yen)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through five years	Due after five years
Non-derivative financial liabilities					
Accounts payable – other	1,681	1,681	1,681	–	–
Long-term borrowings (including current portion)	31,348	–	1,700	30,320	–
Lease liabilities	11,090	11,704	972	3,957	6,774
Total	44,119	13,385	4,353	34,277	6,774

(5) Fair values of financial instruments

For financial instruments measured at fair value, the fair value measurement amounts are classified from Level 1 to Level 3 depending on the observability and significance of the inputs used in the measurements.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2: Fair values, other than Level 1, that are determined by directly or indirectly using observable prices

Level 3: Fair values determined by using valuation techniques that incorporate unobservable inputs

1) Methods of fair value measurement

Fair values of financial instruments are calculated as follows:

(Cash and cash equivalents, trade receivables, accounts payable – other, and short-term borrowings)

Stated at carrying amount as their fair values are almost equal to their carrying amounts due to the short settlement period.

(Leasehold and guarantee deposits)

For leasehold and guarantee deposits, their future cash flows are discounted using an appropriate indicator such as the yield of government bonds based on their contract periods. They are classified as Level 2 as all significant inputs are observable.

(Long-term borrowings)

Fair value of long-term borrowings is measured based on the present value that is calculated by discounting the amount of each obligation grouped for a certain period using an interest rate that reflects the credit risk. The fair value hierarchy is classified as Level 2.

(Investments in capital)

Fair value of investments in capital is calculated using valuation techniques based on discounted future cash flows.

2) Financial instruments measured at amortized cost

Assets and liabilities that are not measured at fair value in consolidated statements of financial position, but whose fair values must be disclosed, were as follows:

(Millions of yen)

	As of December 31, 2022		As of December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost				
Other financial assets				
Leasehold and guarantee deposits	843	843	909	909
Total	843	843	909	909
Financial liabilities measured at amortized cost				
Long-term borrowings	32,920	32,920	31,348	31,348
Total	32,920	32,920	31,348	31,348

3) Financial instruments measured at fair value

The fair value hierarchy for financial instruments measured at fair value was as follows:

Fiscal year ended December 31, 2022 (As of December 31, 2022)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Investments in capital	–	–	742	742
Total	–	–	742	742

Fiscal year ended December 31, 2023 (As of December 31, 2023)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Investments in capital	–	–	1,043	1,043
Total	–	–	1,043	1,043

Transfers between levels of the fair value hierarchy are recognized on the day when the event or change in circumstances that caused the transfer occurred. The Group did not recognize any significant transfers between Level 1 and Level 2 for any of these fiscal years.

4) Valuation process

For financial instruments classified as Level 3, valuations and analysis of the results are performed by appropriate personnel in charge of valuations in accordance with the valuation policies and procedures approved by a person responsible for accounting. Valuation results are reviewed and approved by the person responsible for accounting.

5) Quantitative information about financial instruments classified as Level 3

Valuation techniques and inputs for financial instruments classified as Level 3 are as follows:

- Investments in capital

  The main component of investments in capital is an investment in a silent partnership whose purpose is the leasing business of aircraft. The fair value of investments in capital is measured using the discounted cash flow method based on the business plan of the investee. Lease income, sales prices of aircraft, and interest expenses are included in the business plan, and the amounts of these items may change due to market trends and exchange rate fluctuations, which may affect the fair value.

  The significant unobservable input in the fair value measurements classified as Level 3 of the fair value hierarchy is the rate of return, with an average rate of return of 4.65% for the fiscal year ended December 31, 2022 and 5.26% for the fiscal year ended December 31, 2023 used to measure the fair value.

6) Reconciliation of balance at beginning of period to balance at end of period for financial instruments classified as Level 3

Changes in financial instruments classified as Level 3 from the beginning of each period to the end of each period were as follows:

Financial assets

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Balance at beginning of period	305	742
Total gains and losses		
Profit or loss (Note)	436	300
Purchases	–	–
Sales	–	–
Balance at end of period	742	1,043
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note)	436	300

Note: These are included in financial revenue in the consolidated statements of profit or loss.

30. Significant subsidiaries

The state of major subsidiaries as of the end of the fiscal year ended December 31, 2023 was as follows:

Name	Location	Reportable segment	Percentage of voting rights held (%)
TRYT Career Inc.	Japan	Human Resource Services Business	100.0
TRYT Engineering Inc.	Japan	Same as above	100.0

HAB&Co. Inc.	Japan	Same as above	100.0
BRIGHTVIE Co., Ltd.	Japan	Same as above	100.0

31. Related parties

(1) Related party transactions

Fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Millions of yen)

Type	Name	Description of related party transactions	Transaction amount	Outstanding balance
Subsidiary of the parent company	JSPC1 Corporation	Debt guarantee (Note)	5,500	–

Note: As for debt guarantees, the Company has provided guarantees for borrowings that JSPC1 Corporation financed from financial institutions, etc. The balance at end of period of debt guarantees is stated in the transaction amount.

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

Not applicable.

(2) Remuneration for key management personnel

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Short-term employee benefits	251	234
Total	251	234

Note: Remuneration for key management personnel consists of remuneration for Directors, Audit & Supervisory Board Members, and Executive Officers of the Group.

(3) Ultimate parent company

The Group's parent company is LIFE SCIENCE & DIGITAL HEALTH CO. LIMITED, and its ultimate parent company is EQT AB.

32. Contingent liabilities

Guarantee obligations

The Group has provided the following debt guarantees for borrowings of companies other than consolidated companies from financial institutions, etc. These contracts fall under the category of financial guarantee contracts, and in the event that the guaranteed parties default on their debts, the Group is required to bear the relevant debts. The balances of debt guarantees were as follows:

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Subsidiaries of the parent company	5,500	–
Total	5,500	–

33. Subsequent events

(Refinancing of borrowings)

The Company entered into a syndicated loan agreement on March 26, 2024, in accordance with a resolution of the Board of Directors meeting held on March 18, 2024.

(1) Reason for entering into the agreement

Through this refinancing, we will be able to lower our financing expenses by procuring more stable, long-term, low-interest funds. The Company will continue to invest in further growth of existing businesses and in new business areas, while maintaining and strengthening its financial soundness, in order to enhance its corporate value.

(2) Overview of syndicated loan

1)	Agreement type	Term loan and commitment line
2)	Composition amount	¥33,000 million
3)	Loan amount	¥30,000 million
4)	Drawdown date	March 29, 2024
5)	Date of final repayment	December 30, 2030
6)	Arranger	Sumitomo Mitsui Banking Corporation
7)	Co-arranger	Mizuho Bank, Ltd.
8)	Lender	Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. and several other financial institutions

(2) Other

Quarterly information for the fiscal year ended December 31, 2023

(Cumulative period)	First quarter	Second quarter	Third quarter	Fiscal year
Revenue (Millions of yen)	10,661	29,135	41,213	52,767
Profit (loss) before income taxes (Millions of yen)	(442)	6,903	7,159	7,050
Profit (loss) attributable to owners of parent (Millions of yen)	(300)	4,673	4,846	4,901
Basic earnings (loss) per share (Yen)	(3.00)	46.73	48.46	49.01

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (¥)	(3.00)	49.73	1.73	0.55

Note: The Company was listed on the Growth Market of the Tokyo Stock Exchange on July 24, 2023, and therefore did not submit a quarterly report for the first quarter. However, the condensed quarterly consolidated financial statements for the first quarter and the first three months have been prepared in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act. The quarterly review was conducted by Grant Thornton Taiyo LLC.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of TRYT Inc.

Opinion

We have audited the consolidated financial statements of TRYT Inc. (the Company) and its consolidated subsidiaries (the Group), which comprise the Consolidated statement of financial position as at December 31, 2023, and the Consolidated statement of profit or loss, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity and the Consolidated statement of cash flows for the year then ended, and Notes to the consolidated financial statements, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in a document containing audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. We have determined that there is no other information and thus have not performed any work on other information.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, including whether the use of the disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kazuhiko Doi

Kazuhiko Doi
Designated Engagement Partner
Certified Public Accountant

Tatsuya Yoshinaga

Tatsuya Yoshinaga
Designated Engagement Partner
Certified Public Accountant

Grant Thornton Taiyo LLC

Grant Thornton Taiyo LLC
Osaka, Japan
29, May, 2024