Financial Statements 2023

Benesse Holdings, Inc. and Subsidiaries

Consolidated Financial Statements
for the Year Ended March 31, 2023,
and Independent Auditor's Report

Consolidated Balance Sheet

Benesse Holdings, Inc. and Subsidiaries
March 31, 2023

ASSETS	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT ASSETS:			
Cash and deposits (Notes 5 and 6)	¥115,675	¥125,787	$ 863,246
Marketable securities (Notes 5, 6 and 7)	20,498	18,996	152,970
Receivables:			
Trade notes and accounts (Notes 6 and 16)	26,986	25,621	201,388
Other (Note 6)	56,525	57,994	421,828
Due from associated companies (Note 16)	27	18	201
Inventories (Note 8)	34,542	34,699	257,776
Other current assets	11,645	11,881	86,904
Allowance for doubtful receivables	(271)	(337)	(2,022)
Total current assets	265,627	274,659	1,982,291
PROPERTY AND EQUIPMENT:			
Land	34,880	34,990	260,299
Buildings and leasehold improvements (Note 9)	90,075	88,513	672,201
Equipment, fixtures and other (Note 9)	31,910	30,473	238,134
Lease assets (Note 9)	125,141	114,184	933,888
Total	282,006	268,160	2,104,522
Accumulated depreciation	(118,907)	(111,352)	(887,365)
Net property and equipment	163,099	156,808	1,217,157
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 7)	22,340	19,257	166,716
Investments in associated companies (Note 6)	2,286	2,262	17,060
Goodwill and other intangible assets (Notes 4 and 11)	13,814	14,930	103,090
Software (Note 9)	23,739	24,653	177,157
Asset for retirement benefits (Note 13)	6,937	6,627	51,769
Deferred tax assets (Notes 4 and 19)	12,486	10,251	93,179
Other assets	31,232	31,152	233,074
Total investments and other assets	112,834	109,132	842,045
TOTAL	¥541,560	¥540,599	$4,041,493

(Continued)

LIABILITIES AND EQUITY	Millions of Yen 2023	2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 6 and 12)	¥ 5,068	¥ 5,075	$ 37,821
Payables:			
Trade notes and accounts	15,969	16,129	119,172
Other	22,680	25,594	169,254
Due to associated companies	834	896	6,224
Advances received (Note 16)	102,532	109,269	765,164
Income taxes payable	1,989	2,282	14,843
Other current liabilities	19,605	20,933	146,306
Total current liabilities	168,677	180,178	1,258,784
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 6 and 12)	28,108	33,175	209,761
Lease obligations (Notes 6 and 10)	107,239	98,243	800,291
Advances received from nursing home residents (Note 16)	60,598	57,727	452,224
Liability for retirement benefits (Note 13)	6,303	5,957	47,037
Deferred tax liabilities (Note 19)	671	596	5,007
Other long-term liabilities	8,710	8,560	65,001
Total long-term liabilities	211,629	204,258	1,579,321
COMMITMENTS AND CONTINGENT LIABILITIES (Note 10)			
EQUITY (Notes 14 and 20):			
Common stock—authorized, 405,282,040 shares in 2023 and 2022; issued, 102,604,773 shares in 2023 and 102,571,215 shares in 2022	13,818	13,781	103,119
Capital surplus	28,432	28,391	212,179
Stock acquisition rights	27	105	201
Retained earnings	131,471	125,422	981,127
Treasury stock—at cost, 6,163,618 shares in 2023 and 6,160,099 shares in 2022	(21,365)	(21,364)	(159,440)
Accumulated other comprehensive income (loss):			
Unrealized (loss) gain on available-for-sale securities	(918)	408	(6,851)
Foreign currency translation adjustments	764	200	5,702
Defined retirement benefit plans (Note 13)	2,103	2,428	15,694
Total	154,332	149,371	1,151,731
Noncontrolling interests	6,922	6,792	51,657
Total equity	161,254	156,163	1,203,388
TOTAL	¥541,560	¥540,599	$4,041,493

(Concluded)

See notes to consolidated financial statements.

Consolidated Statement of Income

Benesse Holdings, Inc. and Subsidiaries
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET SALES (Notes 15 and 16)	¥411,877	¥431,944	$3,073,709
COST OF SALES (Notes 13 and 18)	232,513	239,185	1,735,172
Gross profit	179,364	192,759	1,338,537
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 13, 17 and 18)	158,744	172,592	1,184,656
Operating income	20,620	20,167	153,881
OTHER INCOME (EXPENSES):			
Dividend income	197	178	1,470
Rent income	356	343	2,657
Interest expense—net (Note 12)	(5,842)	(5,818)	(43,597)
Foreign exchange gain		349	
Gain on investments—net	459	383	3,425
Equity in net earnings of associated companies	337	112	2,515
Subsidy income	141	526	1,052
Loss on impairment of long-lived assets (Note 9)	(682)	(200)	(5,090)
Loss on sale of investments in an associated company (a consolidated subsidiary in 2022)	(95)	(9,570)	(709)
Loss on temporary closure	(320)		(2,388)
Other—net (Note 20)	(461)	(749)	(3,440)
INCOME BEFORE INCOME TAXES	14,710	5,721	109,776
INCOME TAXES (Note 19):			
Current	4,741	3,895	35,381
Deferred	(2,014)	(226)	(15,030)
Total income taxes	2,727	3,669	20,351
NET INCOME	11,983	2,052	89,425
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	630	988	4,701
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 11,353	¥ 1,064	$ 84,724

	Yen		U.S. Dollars
	2023	2022	2023
PER SHARE OF COMMON STOCK (Notes 2.t and 22):			
Basic net income	¥117.73	¥ 11.04	$ 0.88
Cash dividends applicable to the year	60.00	50.00	0.45

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Benesse Holdings, Inc. and Subsidiaries
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET INCOME	¥11,983	¥ 2,052	$89,425
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21):			
Unrealized loss on available-for-sale securities	(1,324)	(761)	(9,880)
Foreign currency translation adjustments	570	6,054	4,254
Defined retirement benefit plans	(317)	1,404	(2,366)
Share of other comprehensive (loss) income in associates	(4)	24	(30)
Total other comprehensive (loss) income	(1,075)	6,721	(8,022)
COMPREHENSIVE INCOME	¥10,908	¥ 8,773	$81,403
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥10,266	¥ 7,769	$76,612
Noncontrolling interests	642	1,004	4,791

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Benesse Holdings, Inc. and Subsidiaries
Year Ended March 31, 2023

	Thousands	Millions of Yen										
							Accumulated Other Comprehensive Income (Loss)					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2021	96,383	¥ 13,740	¥ 29,632	¥ 105	¥ 151,435	¥ (21,362)	¥ 1,166	¥ (5,852)	¥ 1,016	¥ 169,880	¥ 5,157	¥ 175,037
Cumulative effects of changes in accounting policies					(22,257)					(22,257)		(22,257)
Restated balance		13,740	29,632	105	129,178	(21,362)	1,166	(5,852)	1,016	147,623	5,157	152,780
Issuance of new shares (Note 14)	30	41	41							82		82
Net income attributable to owners of the parent					1,064					1,064		1,064
Cash dividends, ¥50.0 per share					(4,820)					(4,820)		(4,820)
Purchase of treasury stock	(2)					(2)				(2)		(2)
Capital increase of a consolidated subsidiary			(1,305)							(1,305)		(1,305)
Change in the parent's ownership interest due to transactions with noncontrolling interests			23							23		23
Net change in the year							(758)	6,052	1,412	6,706	1,635	8,341
BALANCE, MARCH 31, 2022	96,411	13,781	28,391	105	125,422	(21,364)	408	200	2,428	149,371	6,792	156,163
Issuance of new shares (Note 14)	34	37	37							74		74
Net income attributable to owners of the parent					11,353					11,353		11,353
Cash dividends, ¥55.0 per share					(5,304)					(5,304)		(5,304)
Purchase of treasury stock	(4)					(1)				(1)		(1)
Capital increase of a consolidated subsidiary			4							4		4
Net change in the year				(78)			(1,326)	564	(325)	(1,165)	130	(1,035)
BALANCE, MARCH 31, 2023	96,441	¥ 13,818	¥ 28,432	¥ 27	¥ 131,471	¥ (21,365)	¥ (918)	¥ 764	¥ 2,103	¥ 154,332	¥ 6,922	¥ 161,254

	Thousands of U.S. Dollars (Note 1)										
						Accumulated Other Comprehensive Income (Loss)					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2022	$ 102,843	$ 211,873	$ 784	$935,985	$ (159,433)	$ 3,045	$ 1,493	$ 18,119	$ 1,114,709	$ 50,687	$ 1,165,396
Issuance of new shares (Note 14)	276	276							552		552
Net income attributable to owners of the parent				84,724					84,724		84,724
Cash dividends, $0.41 per share				(39,582)					(39,582)		(39,582)
Purchase of treasury stock					(7)				(7)		(7)
Capital increase of a consolidated subsidiary		30							30		30
Net change in the year			(583)			(9,896)	4,209	(2,425)	(8,695)	970	(7,725)
BALANCE, MARCH 31, 2023	$ 103,119	$ 212,179	$ 201	$ 981,127	$ (159,440)	$ (6,851)	$ 5,702	$ 15,694	$ 1,151,731	$ 51,657	$ 1,203,388

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Benesse Holdings, Inc. and Subsidiaries
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income before income taxes	¥ 14,710	¥ 5,721	$ 109,776
Adjustments for:			
Depreciation and amortization	19,432	18,945	145,015
Loss on impairment of long-lived assets	682	200	5,090
Loss on sale of investments in an associated company (a consolidated subsidiary in 2022)	95	9,570	709
Other noncash income and expenses—net	5,401	6,453	40,306
Changes in assets and liabilities, net of effects:			
Decrease in allowance for doubtful receivables and other reserves	(96)	(60)	(716)
Increase in trade receivables	(1,302)	(651)	(9,716)
Decrease (increase) in inventories	257	(3,039)	1,918
(Decrease) increase in trade payables	(234)	2,724	(1,746)
(Decrease) increase in advances received	(7,500)	2,230	(55,970)
Increase in asset for retirement benefits	(310)	(1,594)	(2,313)
Other—net	1,864	(4,557)	13,908
Subtotal	32,999	35,942	246,261
Interest and dividends received	1,120	713	8,358
Interest paid	(6,742)	(6,345)	(50,313)
Income taxes—paid	(7,915)	(6,512)	(59,067)
Income taxes—refund	2,682	667	20,015
Net cash provided by operating activities	22,144	24,465	165,254
INVESTING ACTIVITIES:			
Increase in time deposits—net	(236)	(164)	(1,761)
Purchases of marketable securities	(47,998)	(16,999)	(358,194)
Proceeds from sales of marketable securities	46,499	2,931	347,007
Purchases of property and equipment	(4,203)	(4,716)	(31,366)
Purchases of software	(8,265)	(9,612)	(61,679)
Purchases of investment securities	(6,282)	(8,886)	(46,881)
Proceeds from sales of investment securities	2,257	1,483	16,843
Purchase of controlling interests in companies		(2,819)	
Payment for sale of interests in a subsidiary previously consolidated		(7,818)	
Other—net	(744)	(760)	(5,552)
Net cash used in investing activities	(18,972)	(47,360)	(141,583)
FINANCING ACTIVITIES:			
Repayments of long-term debt	(5,075)	(249)	(37,873)
Dividends paid	(5,302)	(4,820)	(39,567)
Repayments of lease obligations	(3,732)	(3,410)	(27,851)
Other—net	(508)	(648)	(3,791)
Net cash used in financing activities	(14,617)	(9,127)	(109,082)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	758	2,222	5,657
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,687)	(29,800)	(79,754)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	114,235	144,035	852,500
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 5)	¥ 103,548	¥ 114,235	$ 772,746

(Continued)

Consolidated Statement of Cash Flows

Benesse Holdings, Inc. and Subsidiaries
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
ADDITIONAL CASH FLOW INFORMATION:			
Purchase of controlling interests in companies:			
Current assets		¥ 1,945	
Long-term assets		288	
Consolidation goodwill		2,458	
Current liabilities		(410)	
Long-term liabilities		(31)	
Acquisition cost		4,250	
Cash and cash equivalents of newly consolidated subsidiaries		(1,431)	
Purchase of controlling interests in companies		¥ 2,819	
Sale of interests in a subsidiary previously consolidated:			
Current assets		¥ 13,782	
Long-term assets		6,950	
Current liabilities		(12,507)	
Long-term liabilities		(5,016)	
Unrealized loss on available-for-sale securities		(11)	
Foreign currency translation adjustments		5,929	
Defined retirement benefit plans		726	
Transfer expenses		266	
Loss on sale of investments in a consolidated subsidiary		(9,570)	
Selling price		549	
Other receivables		(318)	
Other payables		55	
Transfer expenses		(266)	
Cash and cash equivalents of a subsidiary previously consolidated		(7,838)	
Payment for sale of interests in a subsidiary previously consolidated		¥ (7,818)	
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Assets and obligations from finance lease transactions recognized in the consolidated balance sheet:			
Lease assets	¥ 11,580	¥ 5,847	$ 86,418
Lease obligations	12,704	6,227	94,806

(Concluded)

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Benesse Holdings, Inc. and Subsidiaries
Year Ended March 31, 2023

Note 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Benesse Holdings, Inc. (the “Company”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”). The foreign subsidiaries prepare their financial statements in accordance with IFRS.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2022 consolidated financial statements to conform to the classifications used in 2023.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥134 to $1, the approximate rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Company and its 37 (38 in 2022) subsidiaries (collectively, the “Group”).

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in eight associated companies (nine in 2022) are accounted for by applying the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are also eliminated.

b. Business Combinations—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent’s ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent’s ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Cash Equivalents—Cash equivalents in the consolidated statement of cash flows are defined as low-risk, highly liquid, short-term (maturity within three months of acquisition date) investments that are readily convertible to cash.

d. Inventories—Inventories are primarily stated at the lower of cost, determined by the average cost method, or net selling value. Inventories of foreign subsidiaries are primarily stated at the lower of cost, which is determined by the average cost method, or market, or net selling value.

e. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management’s intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings (costs of securities sold are calculated by the moving-average method); (2) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity are reported at amortized cost using the straight-line method of amortization; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes,

reported in a separate component of equity (costs of securities sold are calculated by the moving-average method).
Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income. As for investments in investment limited partnerships and other similar partnerships, which are deemed to be securities in accordance with Article 2, paragraph (2) of the Japanese Financial Instruments and Exchange Act, the Group's share of each partnership's equity and net income or loss are recognized on a net basis based on the partnership's most recent financial statements that are available depending on the reporting date prescribed in the relevant partnership agreement.

f. Property and Equipment—Property and equipment are stated at cost. Depreciation of property and equipment of the Company and its domestic subsidiaries is computed by the declining-balance method over the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired on or after April 1, 1998, building improvements and leasehold improvements acquired on or after April 1, 2016, lease assets of the Company and its domestic subsidiaries, and all property and equipment of foreign subsidiaries. The range of useful lives in the Company and its domestic subsidiaries is principally from 2 to 50 years for buildings and leasehold improvements. The useful lives for lease assets of the Company and its domestic subsidiaries are the terms of the respective leases, and those of foreign subsidiaries are the terms of the respective leases or estimated useful lives of the lease assets.
Under certain conditions, such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired. As of March 31, 2023 and 2022, such deferred profit amounted to ¥3,591 million ($26,799 thousand) and ¥3,375 million, respectively.

g. Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Goodwill and Other Intangible Assets—The differences between the cost and net equity at acquisition ("consolidation goodwill") and customer-related assets in domestic subsidiaries are amortized on a straight-line basis over 3 to 20 years for goodwill and mainly over 20 years for customer-related assets. Immaterial consolidation goodwill incurred during the period is charged to income.

i. Software—Software used internally is amortized by the straight-line method over its estimated useful life (primarily five years both for the Company and its domestic subsidiaries and for foreign subsidiaries).

j. Leases—Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet by the Company and its domestic subsidiaries, and all other leases are accounted for as operating leases.
On January 13, 2016, the International Accounting Standards Board (IASB) issued IFRS 16, "Leases," requiring the recognition of substantially all lease assets and lease liabilities on the balance sheet. The Company's foreign subsidiaries applied this accounting standard effective April 1, 2019.

k. Retirement and Pension Plans—The Company and certain domestic subsidiaries have severance lump-sum payment plans and a contributory funded defined benefit pension plan for employees, and certain domestic subsidiaries have lump-sum payment plans for directors, Audit & Supervisory Board members and company officers. The pension plans, which were established under the Japanese Employees' Pension Insurance Act, cover a substitutional portion of the governmental pension program by the Company on behalf of the government and a corporate portion established at the discretion of the Company. The pension fund is administered by a board of trustees composed of management and employee representatives as required by government regulations.
Effective April 1, 2004, the Company and its certain domestic subsidiaries introduced a cash-balance plan as part of the former pension plan to reduce their future risk due to unexpected low returns from the pension fund.
In addition, certain subsidiaries have defined contribution plans.
The Group accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations of the Company and its domestic subsidiaries are attributed to periods on a benefit formula basis. Actuarial gains and losses of the Company and its domestic subsidiaries that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects, and are recognized in profit or loss primarily over eight years no longer than the expected average remaining service period of the employees, starting from the year following the year in which they occur. Past service costs of the Company and its domestic subsidiaries are amortized on a straight-line basis primarily over eight years no longer than the expected average remaining service period of the employees.
Retirement benefits to directors, Audit & Supervisory Board members and company officers of certain domestic

subsidiaries are recorded as a liability at the amount that would be required if all directors, Audit & Supervisory Board members and company officers retired at each consolidated balance sheet date.

l. Stock Options—Compensation expense for employee stock options is recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with Accounting Standards Board of Japan ("ASBJ") Statement No. 8, "Accounting Standard for Share-based Payment." Stock options granted to nonemployees are accounted for based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

m. Research and Development Costs—Research and development costs are charged to income as incurred.

n. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign exchange forward contracts.

o. Foreign Currency Financial Statements—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of foreign subsidiaries are translated into yen at the average exchange rate.

p. Derivative Financial Instruments and Hedge Activities—The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange rates. Foreign exchange forward contracts are utilized by the Company to reduce foreign exchange risk.

The Company measures foreign exchange forward contracts at fair value, and the unrealized gains/losses are recognized in the consolidated statement of income.

q. Bonuses to Directors and Company Officers—Bonuses to directors and company officers are accrued at the end of the year to which such bonuses are attributable.

r. Basis for Recognizing Revenue and Expenses—The Group identifies a distinct good or service in a contract with a customer, and considering it as a transaction unit, identifies performance obligation(s). The transaction price is determined as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised good or service to the customer. Certain contracts include more than one performance obligation, and the transaction price is allocated to each performance obligation. When control of a promised good or service is transferred to a customer and a performance obligation of the Group is satisfied at a point in time under a contract with the customer, revenue is recognized at the point in time. When control of a promised good or service is transferred to a customer and a performance obligation of the Group is satisfied over time under a contract with the customer, revenue is recognized over time by measuring the progress towards complete satisfaction of the performance obligation. For certain good and product sales in Japan, the Company and its domestic subsidiaries recognize revenue upon shipment when the period between the time of shipment of an ordered good or product and the time when the customer obtains control is normal, applying an alternative treatment in paragraph 98 of the ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition," issued on March 26, 2021. The Group does not have significant financial components in contracts with customers.

The Group's major businesses are the Education Business in Japan, the Kids & Family Business, and the Nursing Care and Childcare Business.

(1) Education Business in Japan

In the Education Business in Japan, the Group engages in the correspondence course business targeting primary school students to high school students, Shinkenzemi, the school and teacher support business, the prep school and classroom education business, the university and working adult business, and other businesses.

In the correspondence course business, Shinkenzemi, the Group provides more than one good and/or service including the provision of course materials and services for correcting answers submitted by customers and tutoring. A contract associated with the business includes more than one performance obligation, and the stand-alone selling price is not directly observable. Accordingly, the Group allocates the transaction price to each performance obligation by estimating its costs of satisfying a performance obligation and then adding an appropriate margin for that good or service. The Group determines that a customer obtains control of a promised good or service and a performance obligation of the Group is satisfied at the point in time when the customer confirms that course materials conform to agreed specifications to recognize revenue from the provision of course materials, and when the Group provides answers to the customer after correction to recognize revenue on answer correction and tutoring.

In the school and teacher support business, the Group mainly offers simulated exams and support services for ICT education, learning, and school affairs. In connection with simulated exams, the Group mainly provides question booklets and answer booklets, grades the exams, and provides exam results to customers. The Group considers these activities as one performance obligation since they are highly interrelated and determines that a customer obtains control of a good or service and a performance obligation of the Group is satisfied mainly at the point in time when the Group provides exam results to the customer to recognize revenue. For support services for ICT education, learning, and school affairs, a customer obtains control of a service by receiving a software license and upgrading the version, or receiving ICT use support. Accordingly, the Group determines that its performance obligation is satisfied by measuring the progress in providing the service and recognizes revenue over the contract term.

In the prep school and classroom education business, the Group primarily provides classes. A customer obtains control of a service by taking classes. Accordingly, the Group determines that its performance obligation is satisfied by measuring the progress in giving lessons and recognizes revenue over the contract term.

In the university and working adult business, the Group mainly offers a university support service and an online education platform service for working adults. The university support service primarily consists of a study abroad support service. A customer obtains control of a service by receiving a study abroad support service. Accordingly, the Group determines that its performance obligation is satisfied by measuring the progress in providing the service and recognizes revenue over the contract term. The Group operates the Udemy business, an online education platform service for working adults. A customer obtains control of a service such as by taking a course and by receiving support for taking the course. Accordingly, the Group determines that its performance obligation is satisfied by measuring the progress in providing the service and recognizes revenue over the contract term. In a transaction where the Group is an agent in connection with the provision of a service to a customer, revenue is recognized in the net amount of consideration that the Group retains after paying a content supplier the consideration received from the customer.

(2) Kids & Family Business

In the Kids & Family Business, the Group provides the course materials of Kodomo Challenge in the correspondence course business in Japan, China, and Taiwan, targeting mainly infants. The Group also engages in the mail-order business in Japan.

To recognize revenue for Kodomo Challenge in the correspondence course business, the Group determines that a customer obtains control of course materials and a performance obligation of the Group is satisfied at the point in time when the Group provides the course materials to the customer.

To recognize revenue for the mail-order business, the Group determines that a customer obtains control of goods and a performance obligation of the Group is satisfied at the point in time when the Group provides the goods to the customer. In a transaction where the Group is an agent in connection with the provision of goods to a customer, revenue is recognized in the net amount of consideration that the Group retains after paying a supplier the consideration received from the customer in exchange for goods provided by the supplier.

(3) Nursing Care and Childcare Business

In the Nursing Care and Childcare Business, the Group engages primarily in the residential care services business, and revenue of the business is comprised of facility usage/nursing care charges and payments from nursing home residents.

For facility usage/nursing care charges, a customer obtains control of a service by receiving a nursing care service. Accordingly, the Group determines that its performance obligation is satisfied by measuring the progress in providing the service and recognizes revenue over the period of service.

For payments from nursing home residents, a customer obtains control of a service by using nursing home facilities. Accordingly, the Group determines that its performance obligation is satisfied over the period of use and recognizes revenue over such period after estimating the average occupancy term.

s. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

t. Per Share Information—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

u. New Accounting Pronouncements

Accounting Standard for Current Income Taxes, Accounting Standard for Presentation of Comprehensive Income, and Implementation Guidance on Accounting Standard for Tax Effect Accounting—The standards and guidance were revised to include where to record income tax expense in the case of taxation on other comprehensive income and the tax effect on the sale of subsidiary shares under the Group Taxation Regime.

The Company and its domestic subsidiaries expect to apply the revised standards and guidance for annual periods beginning on or after April 1, 2024, and are in the process of measuring the effects of applying the revised standards and guidance in future applicable periods.

Note 3. ACCOUNTING CHANGE

Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company and its domestic subsidiaries started to apply the ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," issued on June 17, 2021 (the "Guidance" in this section) at the beginning of the year ended March 31, 2023, and prospectively apply the new accounting policies prescribed by the Guidance in accordance with the transitional provision in paragraph 27-2 of the Guidance. As a result of the application, the fair value of some investment trusts whose assets consist of investment trusts that are financial instruments is estimated based on the net asset value since such investment trusts have no market price and there are no significant restrictions on cancellation or repurchase to such an extent that market participants would require compensation for the risk.

There were no effects on the consolidated financial statements for the year ended March 31, 2023.

In Note 6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES, *(6) Financial Instruments Categorized by Fair Value Hierarchy*, information about investment trusts for the year ended March 31, 2022, is not disclosed in accordance with paragraph 27-3 of the Guidance.

Note 4. SIGNIFICANT ACCOUNTING ESTIMATES

a. Evaluation of Goodwill

(1) Amount recorded in the consolidated financial statements

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Goodwill	¥ 11,192	¥ 12,122	$ 83,523

(2) Information on the significant accounting estimates of identified item

The Group aims at proactively conducting M&A transactions after carefully selecting target companies mainly in growth areas and recognizes goodwill measured as the excess of the acquisition cost over the net of the amounts of the identifiable assets and the liabilities of the acquired company measured at fair value at the date of business combination as the acquired company's excess earnings power in the future that is expected from its business activities.

Goodwill is attributed to any Group company from which operating results are separately reported for managerial purposes. At the end of each reporting period, each company assesses whether there is any indication that goodwill may be impaired after taking into consideration a rapid change in the business environment where its subsidiary acquired through a merger or acquisition operates. If there is an indication that goodwill may be impaired, an impairment loss is recognized when the aggregate amount of estimated undiscounted future cash flows of the asset group including the goodwill is less than its carrying amount.

The undiscounted future cash flows are estimated based on the business plan approved by the management of each company, and such plan is developed on the basis of certain assumptions including the assumption of revenue forecast that is based on the market environment where the company operates.

Goodwill recorded in the consolidated balance sheet as of March 31, 2023, includes goodwill relating to the acquisition of Heart Medical Care Co., Ltd., the Company's consolidated subsidiary, which amounts to ¥2,151 million ($16,052 thousand). To evaluate such goodwill, the Company treated a large unit including the goodwill, Heart Medical Care Group, as an asset group. As of March 31, 2023, the Company identified a potential impairment indicator for goodwill, mainly in light of the fact that the business performance for the year ended March 31, 2023, of Heart Medical Care did not meet the business plan developed at the time of the acquisition. The Company estimated the undiscounted future cash flows based on a future plan approved by the management of Heart Medical Care, considering future uncertainties and other factors. The future plan was developed mainly based on assumptions including the number of nursing care equipment users, the number of client companies in the directory for nursing care service providers and on the job recruitment websites of Heart Medical Care, the number of customers and the conversion rates of recruitment services, and the market growth rates that were premised on increasing needs for nursing care services and for caregivers and nurses due to the aging population.

As a result of comparing the aggregate amount of estimated undiscounted future cash flows of the asset group based on the future plan and its carrying amount, the Company has determined not to recognize any impairment loss since such undiscounted future cash flows exceed the carrying amount.

If any assumption used in the estimate is required to be revised due to the deteriorating business environment caused by changes in customer and competitive trends and other factors, the Group may recognize an impairment loss in the year ending March 31, 2024.

b. Recoverability of Deferred Tax Assets

(1) Amount recorded in the consolidated financial statements

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets	¥ 12,486	¥ 10,251	$ 93,179

(2) Information on the significant accounting estimates of identified item
The Group recognized deferred tax assets which were expected to be recoverable by using future taxable income that excludes tax deductions resulting from the reversal of deductible temporary differences based on future profitability and tax planning in accordance with the schedule for reversal of taxable/deductible temporary differences. Each Group company estimated future taxable income in periods during which deferred tax assets were determined to be recoverable based on the business plan approved by the management of the company taking into consideration the impact of business environment on the Group's operating results. As a result, deferred tax assets which were determined not to be recoverable in future were reversed as valuation allowance.

Future taxable income was estimated mainly based on assumptions including the cumulative total number of enrollments for Shinkenzemi and Kodomo Challenge, major businesses of Benesse Corporation. For the residential care services business of Benesse Style Care Co., Ltd., future taxable income was estimated mainly based on assumptions including the number of nursing homes and elderly homes, occupancy rates and other factors that were premised on increasing needs for nursing care services due to the aging population.

If future taxable income is required to be revised in connection with the assumptions used in these estimates due to the deteriorating business environment caused by changes in customer and competitor trends and other factors, in the year ending March 31, 2024, the Company may further reverse deferred tax assets that are not expected to be recoverable.

Note 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Cash and deposits	¥ 115,675	¥ 125,787	$ 863,246
Marketable securities	20,498	18,996	152,970
Time deposits and short-term investments which mature or become due after more than three months of acquisition date	(32,615)	(30,539)	(243,395)
Investment trusts and other	(10)	(9)	(75)
Cash and cash equivalents	¥ 103,548	¥ 114,235	$ 772,746

Note 6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group manages its surplus funds focusing on liquidity and safety according to how and when they are to be used during the year. Particularly, derivative transactions are utilized mainly to hedge various risks and efficiently manage funds. The Group considers derivative transactions with high leverage to be high-risk transactions and does not enter into such transactions. In addition, the Group has set overdraft limits in order to finance operating capital flexibly and stably in case of an unpredictable event.

(2) Nature and Extent of Risks Arising from Financial Instruments

Trade notes and accounts receivable and other receivables are exposed to counterparty credit risk. Monetary receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. The Group uses foreign exchange forward contracts in order to manage exposure to market risk from changes in foreign currency exchange rates of dividend income from foreign subsidiaries, which are exposed to foreign exchange risk and counterparty credit risk. Marketable and investment securities mainly comprise commercial paper, equity securities, debt securities, investment partnerships and stock investment trusts. The Group holds equity securities, investment partnerships and stock investment trusts within certain limits. These are exposed to issuer credit risk, foreign exchange risk, interest rate risk and market price risk.

Trade notes and accounts payable, other payables and income taxes payable are due within one year. Long-term debt is primarily used for future business investments of the Company. Long-term debt with variable interest is exposed to interest rate risk. Lease obligations under finance leases are mainly used for capital investments.

(3) Risk Management for Financial Instruments

Credit risk management

The Group manages its credit risk from trade notes and accounts receivable and other receivables in accordance with the “Credit Management Regulations,” which include monitoring of counterparties, due dates, amounts and balances by type by the general manager of each department of the Group to identify and mitigate the default risk of counterparties at an early stage and monitoring of the credit standing of counterparties by the Company’s Finance Department on a regular basis.

The Finance Department manages issuer credit risk by regularly monitoring the rating information and the credit standing of issuers in accordance with the “Fund Management Regulations.” As for counterparty credit risk in derivatives, the Group regards that counterparty default risk is extremely low because the counterparties are limited to creditworthy financial institutions.

Market risk management

For fluctuation risks of foreign currency exchange rates, interest rates and market prices relating to marketable and investment securities, the Company’s Finance Department obtains and monitors the price information of marketable and investment securities from financial institutions on a steady basis for securities with market prices, and on a periodic basis for those without market prices. With respect to securities transactions, the Finance Department executes transactions in accordance with the “Fund Management Regulations,” which prescribe the authority and the limits, and monitors the status on a steady basis. The Finance Department reports the status to the Representative Director and President, CEO, on a weekly basis, and in the event of a significant change in the status, the Finance Department reports it to the Board of Directors.

Foreign exchange risk relating to monetary receivables in foreign currencies is hedged by foreign exchange forward contracts. In addition, long-term debt, except some, is at fixed interest rates to control the interest rate risk of long-term debt.

The derivatives the Company uses are foreign exchange forward contracts, and as to foreign exchange risk, the authority and the limits for each transaction are prescribed in the “Derivative Transaction Regulations,” and the Company’s Finance Department monitors unrealized gain/loss on foreign exchange forward contracts on a steady basis. The Finance Department reports it to the Representative Director and President, CEO, on a weekly basis, and to the Board of Directors on a quarterly basis and in the event of a significant change in the status.

Liquidity risk management

Liquidity risk includes the risk that the Group cannot meet its contractual obligations in full on their maturity dates. In order to manage liquidity risk, the Company’s Finance Department develops an annual financial plan based on reports from departments, monitors bank account activity on a daily basis, and prepares and updates a financial plan on a monthly basis. The Company’s subsidiaries manage their liquidity risk in the same way as the Company does.

(4) Fair Values of Financial Instruments

Since various assumptions and factors are reflected in estimating fair value, different assumptions and factors could result in different fair value.

(a) Fair value of financial instruments

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
March 31, 2023			
Marketable and investment securities:			
Available-for-sale securities	¥ 38,484	¥ 38,484	
Total	¥ 38,484	¥ 38,484	
Long-term debt	¥ 33,176	¥ 32,926	¥ (250)
Lease obligations	110,779	107,598	(3,181)
Total	¥ 143,955	¥ 140,524	¥(3,431)
March 31, 2022			
Marketable and investment securities:			
Available-for-sale securities	¥ 34,845	¥ 34,845	
Total	¥ 34,845	¥ 34,845	
Long-term debt	¥ 38,250	¥ 38,008	¥ (242)
Lease obligations	101,713	101,151	(562)
Total	¥ 139,963	¥ 139,159	¥ (804)

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
March 31, 2023			
Marketable and investment securities:			
Available-for-sale securities	$ 287,194	$ 287,194	
Total	$ 287,194	$ 287,194	
Long-term debt	$ 247,582	$ 245,717	$ (1,865)
Lease obligations	826,709	802,970	(23,739)
Total	$ 1,074,291	$ 1,048,687	$ (25,604)

Notes:
1. Since “cash and deposits,” “trade notes and accounts receivable,” “other receivables,” “trade notes and accounts payable,” “other payables,” and “income taxes payable” are cash or settled in a short period of time, their carrying amount approximates fair value. Accordingly, information about these items is not disclosed.
2. The carrying amount and the fair value of long-term debt and lease obligations include the current portion of long-term debt and lease obligations.

(b) Carrying amount of investments in equity instruments that do not have a quoted market price in an active market

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,824	¥ 1,156	$ 13,612
Investments in associated companies	2,286	2,262	17,060
Total	¥ 4,110	¥ 3,418	$ 30,672

The above table does not include investments in partnerships or other similar entities, for which an amount equivalent to the Group’s share is recognized on a net basis in the consolidated balance sheet. Such investments were carried at ¥2,530 million ($18,880 thousand) and ¥2,252 million as of March 31, 2023 and 2022.

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2023				
Deposits	¥ 115,390			
Trade notes and accounts receivable	26,986			
Other receivables	56,525			
Marketable and investment securities—				
Available-for-sale securities with fund investments and other:				
Government and corporate bonds	¥ 20,500	¥ 6,700	¥ 2,600	
Trust fund investments and other		1,022		
Total marketable and investment securities	¥ 20,500	¥ 7,722	¥ 2,600	
March 31, 2022				
Deposits	¥ 125,408			
Trade notes and accounts receivable	25,621			
Other receivables	57,994			
Marketable and investment securities—				
Available-for-sale securities with fund investments and other:				
Government and corporate bonds	¥ 19,047	¥ 2,811	¥3,400	
Trust fund investments and other		1,064		
Total marketable and investment securities	¥ 19,047	¥ 3,875	¥3,400	

	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2023				
Deposits	$ 861,119			
Trade notes and accounts receivable	201,388			
Other receivables	421,828			
Marketable and investment securities—				
Available-for-sale securities with fund investments and other:				
Government and corporate bonds	$ 152,985	$ 50,000	$ 19,403	
Trust fund investments and other		7,627		
Total marketable and investment securities	$ 152,985	$ 57,627	$ 19,403	

Please see Note 12. LONG-TERM DEBT for annual maturities of long-term debt and Note 10. LEASES for obligations under finance leases.

(6) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

When using more than one input that is significant to fair value measurement, the Group categorizes the fair value on the basis of the lowest priority level input.

(a) Financial instruments measured at fair value in the consolidated balance sheet

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
March 31, 2023				
Marketable and investment securities—				
Available-for-sale securities:				
Equity securities	¥ 7,650			¥ 7,650
Government and corporate bonds		¥ 29,655		29,655
Investment trusts	102	1,077		1,179
Total	¥ 7,752	¥ 30,732		¥ 38,484

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
March 31, 2022				
Marketable and investment securities—				
Available-for-sale securities:				
Equity securities	¥ 8,483			¥ 8,483
Government and corporate bonds		¥ 25,147		25,147
Total	¥ 8,483	¥ 25,147		¥ 33,630

The above table does not include the fair value of investment trusts which were carried at ¥1,215 million at March 31, 2022.

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
March 31, 2023				
Marketable and investment securities—				
Available-for-sale securities:				
Equity securities	$ 57,090			$ 57,090
Government and corporate bonds		$ 221,306		221,306
Investment trusts	761	8,037		8,798
Total	$ 57,851	$ 229,343		$ 287,194

(b) Financial instruments not measured at fair value in the consolidated balance sheet

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
March 31, 2023				
Long-term debt		¥ 32,926		¥ 32,926
Lease obligations		107,598		107,598
Total		¥ 140,524		¥ 140,524
March 31, 2022				
Long-term debt		¥ 38,008		¥ 38,008
Lease obligations		101,151		101,151
Total		¥ 139,159		¥ 139,159

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
March 31, 2023				
Long-term debt		$ 245,717		$ 245,717
Lease obligations		802,970		802,970
Total		$1,048,687		$1,048,687

Note: Valuation techniques used to measure fair value and inputs used in fair value measurement

Marketable and investment securities

The fair values of listed equity securities, government bonds, corporate bonds and listed investment trusts are measured at the quoted market prices. Since listed equity securities and listed investment trusts are traded in active markets, the fair values of listed equity securities and listed investment trusts are categorized as Level 1. As the quoted market prices of government bonds and corporate bonds are not considered to be in active

markets due to low market transactions, the fair values of government bonds and corporate bonds are categorized as Level 2.
The fair values of bonds without quoted prices are measured at the prices obtained from financial institutions and are categorized as Level 2.
The fair values of unlisted investment trusts are measured at the publicly available net asset value. As the quoted market prices of unlisted investment trusts are not considered to be in active markets due to low market transactions the fair values of unlisted investment trusts are categorized as Level 2.

Long-term debt and Lease obligations

The fair values of these items are measured by the Discounted Cash Flow Method using the total of principal and interest, the remaining term of the obligation, and an interest rate for similar new transactions, and are categorized as Level 2.

Note 7. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Current:			
Government and corporate bonds	¥ 20,498	¥ 18,996	$ 152,970
Total	¥ 20,498	¥ 18,996	$ 152,970
Non-current:			
Marketable equity securities	¥ 7,650	¥ 8,483	$ 57,090
Investments in equity instruments that do not have a quoted market price in an active market	1,824	1,156	13,612
Investments in partnerships	2,530	2,252	18,880
Government and corporate bonds	9,157	6,151	68,336
Trust fund investments and other	1,179	1,215	8,798
Total	¥ 22,340	¥ 19,257	$ 166,716

The costs and aggregate fair values of marketable and investment securities at March 31, 2023 and 2022, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2023				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 8,387	¥ 703	¥(1,440)	¥ 7,650
Government and corporate bonds	29,805	3	(153)	29,655
Trust fund investments and other	1,154	25		1,179
March 31, 2022				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 8,081	¥ 567	¥ (165)	¥ 8,483
Government and corporate bonds	25,157	95	(105)	25,147
Trust fund investments and other	1,154	62	(1)	1,215

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2023				
Securities classified as:				
Available-for-sale:				
Equity securities	$ 62,590	$ 5,246	$(10,746)	$ 57,090
Government and corporate bonds	222,425	22	(1,141)	221,306
Trust fund investments and other	8,612	186		8,798

The proceeds and realized gains and losses of available-for-sale securities that were sold during the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2023			
Available-for-sale:			
Equity securities	¥ 793	¥ 204	¥ (30)
Government and corporate bonds	824	124	
Trust fund investments and other	85	23	
Total	¥ 1,702	¥ 351	¥ (30)
March 31, 2022			
Available-for-sale:			
Equity securities	¥ 861	¥ 230	¥ (6)
Total	¥ 861	¥ 230	¥ (6)

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
March 31, 2023			
Available-for-sale:			
Equity securities	$ 5,918	$ 1,522	$ (224)
Government and corporate bonds	6,149	925	
Trust fund investments and other	634	172	
Total	$ 12,701	$ 2,619	$ (224)

The impairment losses on available-for-sale securities for the years ended March 31, 2023 and 2022, were ¥10 million ($75 thousand) and ¥47 million, respectively.

Note 8. INVENTORIES

Inventories at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Finished products	¥ 29,618	¥ 29,260	$ 221,030
Work in process	2,949	3,445	22,007
Raw materials and supplies	1,975	1,994	14,739
Total	¥ 34,542	¥ 34,699	$ 257,776

Note 9. LONG-LIVED ASSETS

The Group reviewed their long-lived assets for impairment as of March 31, 2023 and 2022. As a result, the Group recognized impairment losses as follows:

Use	Type	Millions of Yen	Thousands of U.S. Dollars	Recoverable Amount
Year ended March 31, 2023				
Online teaching service in correspondence course business	Software	¥371	$2,769	Zero
Educational platform business	Software, lease assets, and others	129	963	Zero
Prep and classroom education business	Buildings and leasehold improvements, lease assets, and others	84	627	Zero
Residential care services business	Buildings and leasehold improvements, lease assets, and others	64	477	Zero
Prep school business	Buildings and leasehold improvements, and others	23	172	Zero
English language classes for children business	Buildings and leasehold improvements	11	82	Zero
	Total	¥682	$5,090	
Year ended March 31, 2022				
Online English lesson business (for schools and prep schools)	Software	¥125		Zero
Residential care services business	Buildings and leasehold improvements, lease assets, and others	40		Zero
Prep and classroom education business	Buildings and leasehold improvements, software, and others	35		Zero
	Total	¥200		

Note 10. LEASES

Lessee

The Company and a domestic subsidiary have lease contracts for certain land, buildings and other assets under noncancelable operating leases. The Group leases land, buildings and other assets and software under finance leases.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2023		2023	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 3,540	¥ 9,901	$ 26,418	$ 73,888
Due after one year	107,239	48,700	800,291	363,433
Total	¥ 110,779	¥ 58,601	$ 826,709	$ 437,321

Note 11. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Consolidation goodwill	¥ 10,115	¥ 11,059	$ 75,485
Goodwill associated with domestic consolidated subsidiaries	1,077	1,063	8,038
Others	2,622	2,808	19,567
Total	¥ 13,814	¥ 14,930	$ 103,090

Note 12. LONG-TERM DEBT

Long-term debt at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Bonds payable with interest rates ranging from 0.16% to 0.42% in 2023 and 2022 Unsecured	¥ 10,019	¥ 10,025	$ 74,769
Loans from banks with interest rates ranging from 0.13% to 2.16% in 2023 and 2022: Unsecured	23,157	28,225	172,813
Total	33,176	38,250	247,582
Less current portion	(5,068)	(5,075)	(37,821)
Long-term debt, less current portion	¥ 28,108	¥ 33,175	$ 209,761

Annual maturities of long-term debt, excluding finances leases (see Note 10), at March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ 5,068	$ 37,821
2025	53	395
2026	5,042	37,627
2027	10,013	74,724
2028		
2029 and thereafter	13,000	97,015
Total	¥ 33,176	$ 247,582

Note 13. RETIREMENT AND PENSION PLANS

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from certain domestic subsidiaries and annuity payments from a welfare annuity fund. Employees are entitled to larger payments if the termination is involuntary or by retirement at the mandatory retirement age.

Liability for retirement benefits below as of March 31, 2023 and 2022, excludes retirement benefits to directors, Audit & Supervisory Board members and company officers at certain domestic subsidiaries of ¥108 million ($806 thousand) and ¥98 million, respectively. Such retirement benefits are paid subject to the approval of the shareholders.

Defined Benefit Plans

(1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 20,581	¥ 22,968	$ 153,590
Current service cost	1,349	1,328	10,067
Interest cost	108	158	806
Actuarial gains	(131)	(354)	(978)
Benefits paid	(927)	(871)	(6,918)
Foreign currency translation difference for a foreign subsidiary		118	
Decrease resulting from exclusion of subsidiaries from consolidation		(2,777)	
Others	(21)	11	(157)
Balance at end of year	¥ 20,959	¥ 20,581	$ 156,410

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 21,349	¥ 19,758	$ 159,321
Expected return on plan assets	426	404	3,179
Actuarial (losses) gains	(171)	878	(1,276)
Contributions from the employer	750	726	5,597
Benefits paid	(632)	(430)	(4,716)
Others	(21)	13	(157)
Balance at end of year	¥ 21,701	¥ 21,349	$ 161,948

(3) Reconciliation between the asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 14,764	¥ 14,722	$ 110,179
Plan assets	(21,701)	(21,349)	(161,948)
Total	(6,937)	(6,627)	(51,769)
Unfunded defined benefit obligation	6,195	5,859	46,231
Net asset arising from defined benefit obligation	¥ (742)	¥ (768)	$ (5,538)

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits	¥ 6,195	¥ 5,859	$ 46,231
Asset for retirement benefits	(6,937)	(6,627)	(51,769)
Net asset arising from defined benefit obligation	¥ (742)	¥ (768)	$ (5,538)

(4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥ 2,045	¥ 2,007	$ 15,261
Interest cost	108	158	806
Expected return on plan assets	(426)	(404)	(3,179)
Recognized actuarial gains	(479)	(278)	(3,575)
Amortization of prior service cost	38	38	284
Net periodic benefit costs	¥ 1,286	¥ 1,521	$ 9,597

Service cost includes ¥696 million ($5,194 thousand) and ¥679 million of estimated prepaid retirement payments for employees in accordance with the prepaid retirement allowance plan of Benesse Corporation for the years ended March 31, 2023 and 2022, respectively.

The Group also recognized additional retirement benefits to employees during the year ended March 31, 2022. These payments are not included in net periodic benefit costs above but are included in loss on restructuring of business included in other—net (¥12 million) for the year ended March 31, 2022.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Prior service cost	¥ 38	¥ 38	$ 284
Actuarial (gains) losses	(518)	1,999	(3,866)
Total	¥ (480)	¥ 2,037	$ (3,582)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized prior service cost	¥ (72)	¥ (110)	$ (537)
Unrecognized actuarial losses	3,084	3,602	23,015
Total	¥3,012	¥ 3,492	$ 22,478

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
Debt investments	29%	28%
Equity investments	8	11
General account	16	16
Cash and deposits	11	9
Others	36	36
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

		2023	2022
Discount rate	The Company and domestic consolidated subsidiaries	Primarily 0.9%	Primarily 0.6%
Expected rate of return on plan assets	The Company and domestic consolidated subsidiaries	Primarily 2.0%	Primarily 2.0%
Expected rate of salary increases	The Company and domestic consolidated subsidiaries	Primarily 5.6%	Primarily 5.6%

Defined Contribution Plans

Certain subsidiaries had ¥175 million ($1,306 thousand) and ¥309 million in defined contribution retirement benefit costs for the years ended March 31, 2023 and 2022, respectively.

Note 14. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

In connection with the issuance of shares under the restricted stock compensation plan, common stock and capital surplus each increased by ¥37 million ($276 thousand) and ¥41 million during the year ended March 31, 2023 and 2022, respectively.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2023, was approved at the Board of Directors held on May 12, 2023:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 ($0.22) per share	¥ 2,893	$ 21,590

Note 15. SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information,” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s Board of Directors is being performed in order to decide how resources are allocated among the Group and to assess operating results.

The Group makes resource investments mostly in the three businesses of the Education in Japan, the Kids & Family, and the Nursing Care and Childcare to achieve sustainable growth of the Group as a whole.

Accordingly, the Group is made up of segments grouped by product and/or service based on the three businesses and designates the Education Business in Japan, the Kids & Family Business, and the Nursing Care and Childcare Business as its reportable segments.

In the Education Business in Japan, the Group engages in the correspondence course business targeting primary school students to high school students, the school and teacher support business, the prep school and classroom education business, the university and working adult business, and other businesses.

In the Kids & Family Business, the Group engages in the correspondence course business in Japan, China, and Taiwan, targeting mainly infants, the mail-order business, book publication, and other businesses.

In the Nursing Care and Childcare Business, the Group engages in the residential care services business (operation of nursing homes and elderly homes) and the home care attendant services business, offers training courses for nursing care personnel, and engages in recruitment and temporary staffing of nurses and caregivers, the preschool and afterschool childcare operations business, and other businesses.

(Matters regarding Changes in Reportable Segments)

The Berlitz Business has been excluded from the Group’s reportable segments since the Company transferred all of its shares in Berlitz Corporation that had constituted the Berlitz Business on February 14, 2022, and Berlitz was excluded from the consolidation scope.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. Segment profit corresponds to operating income. Intersegment sales and transfers are recorded based on the prices used in transactions with third parties.

(3) Information about Sales, Profit (Loss), Assets and Other Items

	Millions of Yen							
	2023							
	Reportable Segment							
	Education Business in Japan	Kids & Family Business	Nursing Care and Childcare Business	Reportable Segment Total	Others	Total	Reconcili-ations	Consolidated
Sales:								
Sales to external customers	¥ 209,056	¥ 67,859	¥ 132,687	¥ 409,602	¥ 2,275	¥ 411,877		¥ 411,877
Intersegment sales or transfers	17	42		59	16,740	16,799	¥ (16,799)	
Total	¥ 209,073	¥ 67,901	¥ 132,687	¥ 409,661	¥ 19,015	¥ 428,676	¥ (16,799)	¥ 411,877
Segment profit (loss)	¥ 19,164	¥ 70	¥ 6,651	¥ 25,885	¥ (160)	¥ 25,725	¥ (5,105)	¥ 20,620
Segment assets	195,417	62,121	212,640	470,178	9,993	480,171	61,389	541,560
Other items:								
Increase in property and equipment and intangible assets	8,076	2,013	13,530	23,619	136	23,755	651	24,406
Depreciation	8,888	2,569	6,404	17,861	326	18,187	3	18,190
Amortization of goodwill	467	76	513	1,056		1,056		1,056
Loss on impairment of long-lived assets	618	16	64	698		698		698
Goodwill at March 31, 2023	5,869	831	4,492	11,192		11,192		11,192
Investments in equity method entities	146	286		432	1,965	2,397		2,397

	Millions of Yen								
	2022								
	Reportable Segment								
	Education Business in Japan	Kids & Family Business	Nursing Care and Childcare Business	Berlitz Business	Reportable Segment Total	Others	Total	Reconcili-ations	Consolidated
Sales:									
Sales to external customers	¥ 212,129	¥ 71,238	¥ 127,397	¥ 20,074	¥ 430,838	¥ 1,106	¥ 431,944		¥ 431,944
Intersegment sales or transfers	33	39		509	581	16,902	17,483	¥ (17,483)	
Total	¥ 212,162	¥ 71,277	¥ 127,397	¥ 20,583	¥ 431,419	¥ 18,008	¥ 449,427	¥ (17,483)	¥ 431,944
Segment profit (loss)	¥ 19,086	¥ 1,719	¥ 8,013	¥ (2,799)	¥ 26,019	¥ (8)	¥ 26,011	¥ (5,844)	¥ 20,167
Segment assets	202,947	66,618	199,858		469,423	10,109	479,532	61,067	540,599
Other items:									
Increase in property and equipment and intangible assets	8,672	4,583	9,212	535	23,002	522	23,524	39	23,563
Depreciation	8,664	2,157	5,797	640	17,258	318	17,576	(28)	17,548
Amortization of goodwill	823	10	469		1,302		1,302		1,302
Loss on impairment of long-lived assets	160	6	40		206		206		206
Goodwill at March 31, 2022	6,331	785	5,006		12,122		12,122		12,122
Investments in equity method entities	136	452			588	1,774	2,362		2,362

	Thousands of U.S. Dollars							
	2023							
	Reportable Segment							
	Education Business in Japan	Kids & Family Business	Nursing Care and Childcare Business	Reportable Segment Total	Others	Total	Reconcili-ations	Consolidated
Sales:								
Sales to external customers	$ 1,560,119	$ 506,411	$ 990,201	$ 3,056,731	$ 16,978	$ 3,073,709		$3,073,709
Intersegment sales or transfers	127	314		441	124,925	125,366	$ (125,366)	
Total	$ 1,560,246	$ 506,725	$ 990,201	$ 3,057,172	$ 141,903	$ 3,199,075	$ (125,366)	$3,073,709
Segment profit (loss)	$ 143,015	$ 523	$ 49,634	$ 193,172	$ (1,194)	$ 191,978	$ (38,097)	$ 153,881
Segment assets	1,458,336	463,589	1,586,866	3,508,791	74,575	3,583,366	458,127	4,041,493
Other items:								
Increase in property and equipment and intangible assets	60,269	15,022	100,970	176,261	1,015	177,276	4,858	182,134
Depreciation	66,328	19,172	47,791	133,291	2,433	135,724	22	135,746
Amortization of goodwill	3,485	567	3,829	7,881		7,881		7,881
Loss on impairment of long-lived assets	4,612	119	478	5,209		5,209		5,209
Goodwill at March 31, 2023	43,799	6,202	33,522	83,523		83,523		83,523
Investments in equity method entities	1,090	2,134		3,224	14,664	17,888		17,888

Notes:
1. Loss on impairment of long-lived assets of the Kids & Family Business is included as loss on liquidation of business in other—net.
2. The details of reconciliations were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Sales	2023	2022	2023
Intersegment eliminations	¥ (16,799)	¥ (17,483)	$ (125,366)
Total	¥ (16,799)	¥ (17,483)	$ (125,366)

	Millions of Yen		Thousands of U.S. Dollars
Profit (Loss)	2023	2022	2023
Intersegment eliminations	¥ 68	¥ (35)	$ 507
Corporate expenses	(5,173)	(5,809)	(38,604)
Total	¥ (5,105)	¥ (5,844)	$ (38,097)

Note: Corporate expenses are mainly expenses of the Company that are not attributable to the reportable segments.

	Millions of Yen		Thousands of U.S. Dollars
Assets	2023	2022	2023
Intersegment eliminations	¥ (19,240)	¥ (22,537)	$ (143,582)
Corporate assets	80,629	83,604	601,709
Total	¥ 61,389	¥ 61,067	$ 458,127

Note: Corporate assets consist mainly of marketable securities of the Company that are not attributable to the reportable segments.

	Millions of Yen		Thousands of U.S. Dollars
Increase in Property and Equipment and Intangible Assets	2023	2022	2023
Intersegment eliminations	¥ (98)	¥ (298)	$ (731)
Capital investments by the Company not attributable to reportable segments	749	337	5,589
Total	¥ 651	¥ 39	$ 4,858

Depreciation	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Intersegment eliminations	¥ (312)	¥ (332)	$ (2,328)
Depreciation by the Company not attributable to reportable segments	315	304	2,350
Total	¥ 3	¥ (28)	$ 22

(4) *Information about Geographical Areas*

Sales

Millions of Yen		
2023		
Japan	Others	Total
¥ 380,732	¥ 31,145	¥ 411,877

Millions of Yen		
2022		
Japan	Others	Total
¥ 384,506	¥ 47,438	¥ 431,944

Thousands of U.S. Dollars		
2023		
Japan	Others	Total
$ 2,841,284	$ 232,425	$ 3,073,709

Note: Sales are classified by country or region based on the location of customers.

Note 16. REVENUE RECOGNITION

(1) *Disaggregated revenue from contracts with customers*

	Millions of Yen					
	2023					
	Reportable Segment					
	Education Business in Japan	Kids & Family Business	Nursing Care and Childcare Business	Reportable Segment Total	Others	Total
Correspondence course business	¥ 94,157	¥ 49,954		¥ 144,111		¥ 144,111
School and teacher support business	48,408			48,408		48,408
Prep school and classroom education business	43,964			43,964		43,964
University and working adult business	20,018			20,018		20,018
Mail-order business		4,168		4,168		4,168
Residential care services business			¥ 112,797	112,797		112,797
Others	2,509	13,737	19,890	36,136	¥ 2,275	38,411
Revenue from contracts with customers	¥ 209,056	¥ 67,859	¥ 132,687	¥ 409,602	¥ 2,275	¥ 411,877

	Millions of Yen						
	2022						
	Reportable Segment						
	Education Business in Japan	Kids & Family Business	Nursing Care and Childcare Business	Berlitz Business	Reportable Segment Total	Others	Total
Correspondence course business	¥ 102,477	¥ 52,151			¥ 154,628		¥ 154,628
School and teacher support business	48,778				48,778		48,778
Prep school and classroom education business	44,327				44,327		44,327
University and working adult business	14,289				14,289		14,289
Mail-order business		4,176			4,176		4,176
Residential care services business			¥ 109,455		109,455		109,455
Language education business				¥ 18,757	18,757		18,757
ELS business				1,317	1,317		1,317
Others	2,258	14,911	17,942		35,111	¥ 1,106	36,217
Revenue from contracts with customers	¥ 212,129	¥ 71,238	¥ 127,397	¥ 20,074	¥ 430,838	¥ 1,106	¥ 431,944

	Thousands of U.S. Dollar					
	2023					
	Reportable Segment					
	Education Business in Japan	Kids & Family Business	Nursing Care and Childcare Business	Reportable Segment Total	Others	Total
Correspondence course business	$ 702,664	$ 372,791		$ 1,075,455		$ 1,075,455
School and teacher support business	361,254			361,254		361,254
Prep school and classroom education business	328,090			328,090		328,090
University and working adult business	149,388			149,388		149,388
Mail-order business		31,104		31,104		31,104
Residential care services business			$ 841,769	841,769		841,769
Others	18,723	102,516	148,432	269,671	$ 16,978	286,649
Revenue from contracts with customers	$ 1,560,119	$ 506,411	$ 990,201	$ 3,056,731	$ 16,978	$ 3,073,709

Notes:
1. The Berlitz Business has been excluded from the Group's reportable segments since the Company transferred all of its shares in Berlitz Corporation that had constituted the Berlitz Business on February 14, 2022, and Berlitz was excluded from the consolidation scope.
2. The Group identifies university and working adult domains as a significant future growth area in its medium-term management plan and changed its organizational structure to implement the plan in the year ended March 31, 2023. Accordingly, in the Education Business in Japan, revenue of the university support business, the education business for working adults, and other businesses previously included in the "school and teacher support business," the "prep school and classroom education business," and "others" has been separately stated as revenue of the "university and working adult business." As a result of this change, disaggregated revenue for the year ended March 31, 2022, has been reclassified in the same manner.

(2) Basic information to understand revenues from contracts with customers

Information to enable users to understand revenue from contracts with customers is as stated in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, r. Basis for recognizing revenue and expenses.

(3) Relationship between the satisfaction of performance obligations in contracts with customers and cash flows arising from the contracts as well as the amount and timing of revenue expected to be recognized in future periods from existing contracts with customers at March 31, 2023 and 2022

(a) Contract balances

The following table presents the balances of receivables from contracts with customers and contract liabilities.

	Millions of Yen		Thousands of U.S. Dollars	
	2023		2023	
	Receivables from Contracts with Customers	Contract Liabilities	Receivables from Contracts with Customers	Contract Liabilities
Balance at beginning of year	¥ 25,634	¥ 166,995	$ 191,299	$ 1,246,231
Balance at end of year	27,006	163,130	201,537	1,217,388

	Millions of Yen	
	2022	
	Receivables from Contracts with Customers	Contract Liabilities
Balance at beginning of year	¥ 29,356	¥ 172,095
Balance at end of year	25,634	166,995

Receivables from contracts with customers and contract liabilities are included in trade notes and accounts receivable and receivables due from associated companies, and advances received and advances received from nursing home residents, respectively, in the consolidated balance sheet. Contract liabilities are mainly associated with contracts for which the Group receives consideration from customers in advance and recognizes revenue over time.

Revenue recognized for the year ended March 31, 2023, that was included in the balance of contract liabilities at the beginning of the year ended March 31, 2023, was ¥101,004 million ($753,761 thousand). Revenue recognized for the year ended March 31, 2023, from performance obligations satisfied (or partially satisfied) in previous periods was ¥2,860 million ($21,343 thousand).

Revenue recognized for the year ended March 31, 2022, that was included in the balance of contract liabilities at the beginning of the year ended March 31, 2022, was ¥108,098 million. Revenue recognized for the year ended March 31, 2022, from performance obligations satisfied (or partially satisfied) in previous periods was ¥2,756 million.

(b) Transaction prices allocated to remaining performance obligations

The aggregate amount of the transaction price allocated to the remaining performance obligations as of March 31, 2023 and 2022, was ¥163,130 million ($1,217,388 thousand) and ¥166,995 million, respectively. Such remaining performance obligations were mainly associated with Shinkenzemi and Kodomo Challenge in the correspondence course business and residential care services in the nursing care and childcare business.

The aggregate amount of the transaction price allocated to the remaining performance obligations associated with Shinkenzemi and Kodomo Challenge as of March 31, 2023 and 2022, was ¥81,468 million ($607,970 thousand) and ¥86,073 million, respectively. Approximately 90% of the remaining performance obligations are expected to be satisfied within one year, and the rest within a maximum of three years. The aggregate amount of the transaction price allocated to the remaining performance obligations associated with the residential care services as of March 31, 2023 and 2022, was ¥60,598 million ($452,224 thousand) and ¥57,727 million, respectively. Approximately 70% of the remaining performance obligations are expected to be satisfied within three years, and the rest within a maximum of six years.

Note 17. ADVERTISING COSTS

Advertising costs charged to income were ¥27,520 million ($205,373 thousand) and ¥33,445 million for the years ended March 31, 2023 and 2022, respectively.

Note 18. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,648 million ($12,299 thousand) and ¥1,280 million for the years ended March 31, 2023 and 2022, respectively.

Note 19. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Tax loss carryforwards	¥ 20,223	¥ 22,462	$ 150,918
Depreciation	6,959	6,368	51,933
Advances received from nursing home residents	4,564	4,127	34,060
Provision for employees' bonuses	2,449	2,451	18,276
Liability for retirement benefits	2,102	1,967	15,687
Trade accounts receivable	766	1,059	5,716
Long-term other payables	730	776	5,448
Loss on impairment of long-lived assets	708	609	5,284
Leasehold and guarantee deposits	678	636	5,060
Deferred consumption taxes	595	522	4,440
Inventories	569	288	4,246
Unrealized loss on available-for-sale securities	489	73	3,649
Other payables	456	557	3,403
Social insurance premium	377	369	2,813
Enterprise tax	320	319	2,388
Tax goodwill	235	251	1,754
Unrealized profit on fixed assets	187	253	1,396
Foreign tax credit carryforwards	165		1,231
Prepaid expenses	131	81	978
Loss on valuation of investment securities	102	142	761
Advances received	65	142	485
Others	701	619	5,231
Total of tax loss carryforwards and temporary differences	43,571	44,071	325,157
Less valuation allowance for tax loss carryforwards	(18,456)	(20,854)	(137,731)
Less valuation allowance for temporary differences	(9,071)	(9,049)	(67,694)
Total valuation allowance	(27,527)	(29,903)	(205,425)
Total	16,044	14,168	119,732
Offset with deferred tax liabilities	3,558	3,917	26,553
Net deferred tax assets	¥ 12,486	¥ 10,251	$ 93,179
Deferred tax liabilities:			
Asset for retirement benefits	¥ 2,140	¥ 2,051	$ 15,970
Intangible assets	762	810	5,687
Undistributed earnings of foreign subsidiaries and associated companies	563	787	4,201
Unrealized gain on available-for-sale securities	289	275	2,157
Inventories	76	144	567
Others	399	446	2,978
Total	4,229	4,513	31,560
Offset with deferred tax assets	3,558	3,917	26,553
Net deferred tax liabilities	¥ 671	¥ 596	$ 5,007

Valuation allowance decreased by ¥2,376 million ($17,731 thousand) primarily due to a decrease in valuation allowance for tax loss carryforwards of the Company.

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2023 and 2022, were as follows:

	Millions of Yen						
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
March 31, 2023							
Deferred tax assets relating to tax loss carryforwards	¥ 57	¥ 95	¥ 155	¥ 202	¥ 32	¥ 19,682	¥ 20,223
Less valuation allowances for tax loss carryforwards	47	81	74	99	32	18,123	18,456
Net deferred tax assets relating to tax loss carryforwards	10	14	81	103		1,559	1,767
March 31, 2022							
Deferred tax assets relating to tax loss carryforwards	¥ 50	¥ 911	¥137	¥ 668	¥ 217	¥20,479	¥ 22,462
Less valuation allowances for tax loss carryforwards	45	900	117	130	208	19,454	20,854
Net deferred tax assets relating to tax loss carryforwards	5	11	20	538	9	1,025	1,608

	Thousands of U.S. Dollars						
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
March 31, 2023							
Deferred tax assets relating to tax loss carryforwards	$ 425	$ 709	$ 1,157	$ 1,507	$ 239	$146,881	$ 150,918
Less valuation allowances for tax loss carryforwards	351	604	552	739	239	135,246	137,731
Net deferred tax assets relating to tax loss carryforwards	74	105	605	768		11,635	13,187

For the tax loss carryforwards of ¥20,223 million ($150,918 thousand) and ¥22,462 million (amount multiplied by effective statutory tax rate), deferred tax assets of ¥1,767 million ($13,187 thousand) and ¥1,608 million were recognized as of March 31, 2023 and 2022, respectively. Net deferred tax assets relating to tax loss carryforwards were determined to be recoverable as future taxable income was anticipated, and therefore, valuation allowance was not recognized.

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2023 and 2022, and the actual effective tax rate reflected in the accompanying consolidated statement of income was as follows:

	2023	2022
Normal effective statutory tax rate	30.6%	30.6 %
Per capita inhabitants tax	3.3	8.3
Expenses not deductible for income tax purposes	3.3	14.6
Amortization of goodwill	2.0	6.7
Foreign withholdings tax	1.7	3.3
Difference from burden of income taxes of foreign consolidated subsidiaries	1.1	3.2
Equity in net earnings of associated companies	(0.7)	(0.6)
Foreign tax credit	(0.7)	
Undistributed earnings of associated companies	(1.5)	2.1
Income not taxable for income tax purposes	(2.1)	(3.5)
Change in valuation allowance	(17.0)	155.7
Adjustment of loss on sale of investments in a consolidated subsidiary		(62.6)
Adjustment of bad debt expenses		(95.9)
Others	(1.5)	2.2
Actual effective tax rate	18.5%	64.1 %

The Company and certain domestic consolidated subsidiaries started to apply the group tax sharing system at the beginning of the year ended March 31, 2023, and account for and disclose the corporation tax and the local corporation tax as well as their effect in accordance with the Practical Issues Task Force No. 42, “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System,” issued on August 12, 2021.

Note 20. STOCK OPTION PLAN

In the year ended March 31, 2023, the Company recognized gain on reversal of stock acquisition rights of ¥78 million ($583 thousands) in other—net because 2,079 vested stock options were canceled.

The stock options outstanding as of March 31, 2023, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2015 Stock Option	3 directors 17 selected employees	1,477 1,873	August 3, 2015	¥ 3,513	From August 4, 2017 to August 3, 2022
2016 Stock Option	3 directors	975	September 12, 2016	¥ 2,639	From September 13, 2018 to September 12, 2023

The stock option activity is as follows:

	2015 Stock Option	2016 Stock Option
	(Number of Stock Options)	
Year Ended March 31, 2023		
Non-vested		
March 31, 2022—Outstanding		
Granted		
Canceled		
Vested		
March 31, 2023—Outstanding		
Vested		
March 31, 2022—Outstanding	2,079	975
Vested		
Exercised		
Canceled	2,079	
March 31, 2023—Outstanding		975
Exercise price	¥3,513 ($26)	¥2,639 ($20)
Average stock price at exercise		
Fair value price at grant date	¥377 ($3)	¥277 ($2)

Note 21. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized loss on available-for-sale securities:			
Losses arising during the year	¥ (1,002)	¥ (566)	$ (7,478)
Reclassification adjustments to profit or loss	(295)	(443)	(2,201)
Amount before income tax effect	(1,297)	(1,009)	(9,679)
Income tax effect	(27)	248	(201)
Total	¥ (1,324)	¥ (761)	$ (9,880)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 570	¥ 182	$ 4,254
Reclassification adjustments to profit or loss		5,859	
Amount before income tax effect	570	6,041	4,254
Income tax effect		13	
Total	¥ 570	¥ 6,054	$ 4,254
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (40)	¥ 1,317	$ (298)
Reclassification adjustments to profit or loss	(440)	720	(3,284)
Amount before income tax effect	(480)	2,037	(3,582)
Income tax effect	163	(633)	1,216
Total	¥ (317)	¥ 1,404	$ (2,366)
Share of other comprehensive (loss) income in associates:			
Gains arising during the year	¥ 6	¥ 37	$ 44
Reclassification adjustments to profit or loss	(14)	(8)	(104)
Amount before income tax effect	(8)	29	(60)
Income tax effect	4	(5)	30
Total	¥ (4)	¥ 24	$ (30)
Total other comprehensive (loss) income	¥ (1,075)	¥ 6,721	$ (8,022)

Note 22. NET INCOME PER SHARE

The following table presents the bases for calculating basic net income per share ("EPS") for the years ended March 31, 2023 and 2022. Diluted EPS for the years ended March 31, 2023 and 2022, is not disclosed because there were no potentially dilutive shares outstanding.

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2023				
Basic EPS—Net income available to common shareholders	¥ 11,353	96,430	¥ 117.73	$ 0.88
Year Ended March 31, 2022				
Basic EPS—Net income available to common shareholders	¥ 1,064	96,401	¥ 11.04	

Independent Auditor's Report

To the Board of Directors of Benesse Holdings, Inc.:

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Benesse Holdings, Inc.:

Opinion

We have audited the consolidated financial statements of Benesse Holdings, Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, 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 of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Valuation of goodwill	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 4. "SIGNIFICANT ACCOUNTING ESTIMATES," the goodwill of 11,192 million yen recorded in the consolidated balance sheet of Benesse Holdings, Inc, (the "Company") as of March 31, 2023, included goodwill of 2,151 million yen relating to the acquisition of all issued shares of Heart Medical Care Co., Ltd., a company providing recruitment and nursing care equipment rental services and other services in the medical, nursing care, and welfare fields. This goodwill comprised 19% of the total goodwill balance. As a result of the acquisition, Heart Medical Care Co., Ltd. and its two subsidiaries, which are operating nursing care equipment rental service and other services (hereinafter "Heart Medical Care Group"), became consolidated subsidiaries of the Company. As of March 31, 2023, the Company identified a potential impairment indicator for goodwill, mainly in light of the fact that the business performance for the year ended March 31, 2023, of Heart Medical Care Co., Ltd. did not meet the business plan developed at the time of the acquisition. In determining the recognition of impairment loss, the Company concluded that the asset group including goodwill is the Heart Medical Care Group as a whole and the undiscounted future cash flows of the Heart Medical Care Group are estimated based on business plans approved by management of Heart Medical Care Co., Ltd. considering future uncertainties. The estimated undiscounted future cash flows are derived from several assumptions including the following significant assumptions: the number of nursing care equipment users; the number of client companies in the directory for nursing care service providers and on the job recruitment websites of the Heart Medical Care Co., Ltd.; the number of customers and the conversion rate of recruitment services; and market growth rates. These assumptions related to future estimates are subject to market conditions and competitive trends, among other factors, and are dependent on forecasts developed by management.	Our audit procedures related to the examination of the valuation of goodwill included the following, among others: (1) Evaluation of controls • We evaluated the design and operating effectiveness of controls over determining the necessity of recognizing impairment loss on goodwill. In particular, we focused on the controls over the estimation of the future cash flows including underlying business plans used in determining whether an impairment loss should be recognized. (2) Evaluation of the reasonableness of the estimated future cash flows • We gained an understanding of the overall business strategy of the Heart Medical Care Group by inspecting the monthly reports of important meeting bodies such as the board of directors' meetings and inquiring of management and persons in the departments in charge. • We examined the consistency between the undiscounted future cash flows and the business plans approved by management that were the basis for estimating the undiscounted future cash flows. Furthermore, we gained an understanding of the nature of future uncertainties and evaluated the reasonableness of the estimates made by management. • We performed a retrospective review for the accuracy of the business plans and evaluated whether they were reasonably established by management comparing the plan developed at the time of the acquisition to the actual business performance of the Heart Medical Care Group for understanding of the factors causing the difference between them. If the factors would be expected to have impacts on the future assumptions, we also examined whether they were considered in the future business plans.

We identified developing such significant assumptions as a key audit matter because the appropriateness of goodwill valuation depended on the reasonableness of the assumptions made by management in estimating the undiscounted future cash flows described above.	• With respect to future assumptions about the number of nursing care equipment users, the number of client companies in the directory for nursing care service providers and on the job recruitment websites of Heart Medical Care Co., Ltd., and the number of customers and the conversion rate of recruitment services, we evaluated the reasonableness of the future assumptions by comparing them to the most-recent business performance of the Heart Medical Care Group and the actual growth rates in previous years. We also evaluated the reasonableness of the estimated amounts by management by performing a sensitivity analysis considering the uncertainties in future estimates. Moreover, we assessed the reasonableness of the estimated amounts by management by comparing them to market growth rates projected by external third parties or the growth rates for peer companies.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and 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 accounting principles generally accepted in Japan, 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, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan 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. The procedures selected depend on the auditor's judgment. In addition, we 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, when performing risk assessment procedures, 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 consolidated 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 overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

Deloitte Touche Tohmatsu LLC

August 7, 2023