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Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Japanese GAAP)

May 16, 2023

Company name: SHiDAX CORPORATION
 Listing Stock Exchange: Tokyo
 Stock code: 4837
 URL: <https://www.shidax.co.jp/>
 Representative: Kinichi Shida, President and Chairman of the Board of Directors
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 Scheduled date of ordinary general meeting of shareholders: June 29, 2023
 Scheduled date to file securities report: June 29, 2023 (in Japanese)
 Scheduled date to commence dividend payments: June 15, 2023
 Preparation of supplementary material on financial results: Yes
 Financial results briefing to be held: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	121,220	4.9	4,301	76.1	4,188	82.7	3,817	(6.7)
March 31, 2022	115,525	4.9	2,442	253.8	2,292	156.6	4,089	549.0

[Note] Comprehensive income for the fiscal year ended March 31, 2023: 3,891 million yen/ (6.7%)

Comprehensive income for the fiscal year ended March 31, 2022: 4,171 million yen/ 550.8%

Fiscal year ended	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/ equity	Ordinary profit/ total assets	Operating profit/ net sales
	Yen	Yen	%	%	%
March 31, 2023	76.07	69.76	32.4	12.6	3.5
March 31, 2022	102.56	74.39	43.3	6.3	2.1

[Reference] Equity in earnings of affiliates for the fiscal year ended March 31, 2023: -

Equity in earnings of affiliates for the fiscal year ended March 31, 2022: -

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
March 31, 2023	33,195	12,225	36.8	223.33
March 31, 2022	33,159	11,371	34.3	114.15

[Reference] Equity capital as of March 31, 2023: 12,225 million yen

Equity capital as of March 31, 2022: 11,371 million yen

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	4,173	1,409	(5,168)	7,426
March 31, 2022	(4,120)	4,327	(4,002)	7,007

2. Cash Dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2022	-	0.00	-	5.00	5.00	199	4.9	7.6
March 31, 2023	-	0.00	-	10.00	10.00	547	13.1	5.9
Fiscal year ending March 31, 2024 (forecast)	-	0.00	-	12.00	12.00		24.3	

[Note] The source of dividends for the fiscal year ended March 31, 2023 includes capital surplus. For details, please refer to the "Breakdown of Dividends Paid Out of Capital Surplus" described later.

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	124,000	2.3	4,400	2.3	4,400	5.1	2,700	(29.3)	49.32

Notes

- (1) Changes in significant subsidiaries during the period under review (Transfers of specified subsidiaries resulting in changes in the Company's scope of consolidation): Yes

Newly included: -

Excluded: 1 company (SHiDAX NAKAIZU WINERY HILLS CORPORATION)

- (2) Changes in accounting policies and accounting estimates and retrospective restatement

(i) Accounting policy changes due to accounting standard revisions, etc.: None

(ii) Other accounting policy change: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

- (3) Number of shares outstanding (common shares)

- (i) Shares outstanding (including treasury shares)

As of March 31, 2023	55,722,121 shares	As of March 31, 2022	40,929,162 shares
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- (ii) Treasury shares outstanding

As of March 31, 2023	980,482 shares	As of March 31, 2022	1,052,858 shares
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- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Fiscal year ended March 31, 2023	50,180,696 shares	Fiscal year ended March 31, 2022	39,876,359 shares
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[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

- (1) Non-consolidated operating results (Percentages indicate year-on-year changes)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	4,227	(0.6)	799	206.3	284	-	754	(57.9)
March 31, 2022	4,253	1.5	261	-	(98)	-	1,791	-

Fiscal year ended	Earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	15.04	13.79
March 31, 2022	44.94	32.60

- (2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	29,500	10,927	37.0	199.62
March 31, 2022	27,334	13,211	48.3	160.27

[Reference] Equity capital as of March 31, 2023: 10,927 million yen

Equity capital as of March 31, 2022: 13,211 million yen

<Differences between non-consolidated financial results for the fiscal year under review and those for the previous fiscal year>

Net sales for the fiscal year under review (ended March 31, 2023) were at the same level as the results for the previous fiscal year (ended March 31, 2022).

For operating profit and ordinary profit, there is a difference between the results for the fiscal year under review and those for the previous fiscal year mainly due to the effects of the provision of allowance for doubtful accounts for our consolidated subsidiary recorded in the previous fiscal year.

As for profit, there is a difference between the results for the fiscal year under review and those for the previous fiscal year due partly to the recording of a gain on sale of non-current assets due to the transfer of non-current assets (trust beneficiary right) as extraordinary income in the previous fiscal year. This is in addition to the above factors for the difference in the results for the previous fiscal year.

*Summaries of financial statements are not subject to audit by certified public accountants or auditing corporations.

*Appropriate use of earnings forecast and other special notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to us and certain assumptions that we believe to be reasonable. Actual results may differ significantly from these forecasts due to various reasons.

Breakdown of Dividends Paid Out of Capital Surplus

The following provides a breakdown of the portion of the dividends for common shares for the fiscal year ended March 31, 2023 that was paid out of capital surplus:

Record date	Fiscal year-end
Dividend per share	10.00 yen
Total cash dividends	547 million yen

[Note] Proportional reduction in net assets: 0.022

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

The business environment surrounding the SHiDAX Group is going through dramatic changes due to various social issues, including labor shortages brought on by the aging society and declining birthrate, as well as demand for responses to changes in lifestyle due to the intermittent spread of COVID-19.

Under such circumstances, the Group formulated a new management philosophy system, "Mission, Vision, and Value" during the fiscal year ended March 31, 2023. Setting up the mission "to cooperatively establish an era of 'safety,' 'security,' and 'smiles' as we strive to create a better society for future generations," while looking toward further growth, we have formulated a medium-term management plan for the three years up to the fiscal year ending March 31, 2025, "Re-Growth 2025," and made a fresh start toward achieving this immense goal.

Overall, the financial results for the fiscal year under review have remained strong. Specifically, while we were affected by the global raw materials and fuel price hikes and the seventh wave of the COVID-19 pandemic, which was several times greater in scale than the previous ones, being immediately followed by an eighth wave, and amid the shift toward coexisting with the coronavirus as a result of the normalization of economic activities, our various management reform efforts, including cost reduction, have resulted in a steady recovery from COVID-19 pandemic levels, and we have achieved the targets for orders received by aggressively conducting sales activities through cross-selling. In terms of profit, both operating profit and ordinary profit have increased significantly for two consecutive periods following the V-shaped recovery of the previous fiscal year.

<Consolidated results>

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Year on year Amount	Year on year %
Net sales	115,525	121,220	5,694	104.9%
Operating profit	2,442	4,301	1,858	176.1%
Ordinary profit	2,292	4,188	1,895	182.7%
Profit attributable to owners of parent	4,089	3,817	(272)	93.3%

<Consolidated results by segment>

(Millions of yen)

	Net sales			Operating profit		
	Fiscal year ended March 31, 2023	Year on year Amount	Year on year %	Fiscal year ended March 31, 2023	Year on year Amount	Year on year %
Food services business	51,976	(473)	99.1%	2,276	(366)	86.1%
Vehicle operation services business	23,359	1,621	107.5%	2,105	329	118.5%
Social services business	43,231	5,887	115.8%	2,364	854	156.6%
Other	3,195	(1,686)	65.5%	283	723	-
Eliminations/ Corporate-wide expenses	(542)	345	-	(2,728)	317	-
Total	121,220	5,694	104.9%	4,301	1,858	176.1%

(Food services business)

Business conditions remain tough due to competition intensifying with other leading companies in the same industry, raw materials price hikes, chronic labor shortages due to the effects of the prolonged spread of COVID-19 infections, and other factors.

In the Contract Food Services Division, which mainly engages in employee cafeteria services, while the number of people consuming meals is recovering mainly at offices and factories, there are many clients who have incorporated new ways of working in line with the government's recommended new normal lifestyles, such as remote working. As such, expectations for new workplace food services are growing among such clients.

Under these circumstances, the Division is aggressively engaged in proposal activities and has focused its efforts on increasing the number of new contracts by creating a low-cost operation model that corresponds to the reduced number of people consuming meals due partly to the increase in other food-providing services and cases of people working from home.

The Medical Food Services Division, which is mainly engaged in hospital, elderly facility, and preschool food services, has endeavored to improve customer satisfaction by introducing in December an "Irodori (Colorful) Menu" that uses "soy meat" at approximately 190 preschools and kindergartens nationwide where the Division operates food services under contract while also promoting an activity to strengthen performance in fully prepared food.

In addition to these efforts, the Division has focused on winning new contracts while taking into consideration measures for raw materials price hikes and sales efficiency. However, while net sales were at the same level as the previous fiscal year, partly due to a temporary increase in labor costs as a result of the effects of the seventh and eighth waves of the COVID-19 pandemic, operating profit decreased as a result of the decline in the operating margin in addition to the loss of profits from large events during the previous fiscal year.

(Vehicle operation services business)

The trend of outsourcing non-core business is continuing among privately owned companies. Particularly in vehicle operation management, the operation of executive transportation vehicles and employee shuttle buses is being outsourced. In local governments, needs, such as the development of new transport systems and the demand for school buses as a result of the integration of schools, are increasing for financial reconstruction and community revitalization.

Under these circumstances, the Executive Vehicle Management Division and the General Vehicle Management Division have endeavored to increase demand by making proposals to maintain social distancing by using vehicles as a new means of commuting and increasing bus services for employee shuttle buses. The Divisions have also focused on promoting cross-selling and making proposals for demand-responsive transport systems and school buses as part of its strengthening of sales activities to public service corporations, from which stable profits can be expected. Moreover, the Divisions have strengthened its web promotion and sales structure, which has led to the procurement of new orders, including those started during the period, and has produced steady results.

The Passenger Transport Division has continued to make efforts to stabilize its sales structure by switching to an operation based on fixed-term contracts for employee pickup at factories and warehouses and school busses with an eye toward the full-scale recovery of tourism demand, as well as by making proposals to local governments for regional transport systems including demand-responsive bus services.

As a result, both net sales and operating profit increased. In addition to the above efforts, the following factors contributed to this result: vehicle operation hours were extended, and operation on holidays significantly recovered after the resumption of economic activities, which offset negative factors, including the rise in the unit price of fuel, a key cost-increase factor, and sluggish inbound demand as well as an increase in the number of new vehicles.

(Social services business)

The regional revitalization policy set out by the Japanese government has been ongoing even amidst the COVID-19 pandemic, and the need is increasing among local governments to outsource services provided by them to the private sector to achieve sound public finance and regional revitalization. In addition, the integration of facilities aimed at the efficient operation of resident services and cost increases and labor shortages in administrative services due to the declining birthrate and aging population are certainly factors causing the outsourcing market for administrative services to grow.

Under these circumstances, in order to meet diversifying childcare support needs, we have focused our efforts to develop content by taking advantage of the know-how cultivated through our experience with contracted after-school childcare centers, children's centers, and parenting support centers, to which we give high priority as a growth driver. Substantial growth has been continuing with 1,570 contracted facilities with local governments nationwide.

In contracted facility management services and library operations, the trend was toward the recovery of operations to a level higher than before the COVID-19 pandemic. In addition, the number of contracted facilities increased by 18, including our first contract in Fukushima Prefecture with the contracted operation of Michi-no-Eki Soma (roadside station), which reopened in Soma City after renovation.

In the contracted public school lunch services, we also won contracts from many local governments, and steady operations have continued after the service launches, including the start of contracted operations of "Tamano City School Lunch Center," which newly opened in Tamano City, Okayama in September, 2022.

We also improved profitability by winning contracts for the distribution of antigen test kits and through efficient operations. As a result, both net sales and operating profit achieved two-digit growth and continued to be strong.

(Initiatives for ESG and SDGs)

The SHiDAX Group has been addressing social and governance issues and challenges, including responses to global environmental problems, work-style reforms with due consideration for working conditions and human rights, improving customer satisfaction, and contributing to local communities, in order to meet the demands of various stakeholders for ESG (Environment, Social, and Governance) practices, and also to implement management and business reforms that utilize DX (Digital Transformation).

In October 2021, the Group established its SDGs Committee under the direct supervision of the Board of Directors with the aim of contributing to the achievement of SDGs through business activities to fulfill its management philosophy, goals and strategies.

At the SDGs Committee meeting in May 2022, we established the SDGs management policy as follows: Under the mission of "to cooperatively establish an era of "safety," "security," and "smiles" as we strive to create a better society for future generations," we aim to achieve Creating Shared Value (CSV), a virtuous cycle of social and economic value, by taking the approach of increasing productivity through investing in employee engagement, returning the results of such investment to our employees, and promoting

innovation through collaborative creation with customers and partner companies. Our efforts to promote SDGs management are also explained in our integrated report disclosed in September 2022. The integrated report disclosed in September 2022 also describes the promotion of our SDGs management.

The core of the SHiDAX Group's business is to nurture happiness by providing customers and business partners with the value of security, safety, and smiles created by employees. We develop the potential of each of our employees with consideration for ensuring gender equality and diversity, and we are contributing to the creation of a sustainable society as a "company that solves social issues while nurturing people and maximizing happiness."

The SHiDAX Group is committed to establishing competitive advantages through its business activities, strengthening its business foundation, and returning profits widely to people, society, the environment, and shareholders.

(Examples of ESG and SDGs activities)

In the vehicle operation services business, we additionally installed five next-generation fuel-cell buses using hydrogen (hereafter, "fuel-cell buses") as employee shuttle buses and school buses that we operate under contract in Tokyo and have started their operation sequentially since March 2023. In the Hachioji area in Tokyo, in particular, we introduced one fuel-cell bus to each of the two schools for which we operate school buses under contract. Note that it is the first introduction and operation of a fuel-cell school bus in Japan. Since our fuel-cell buses are powered by electricity and not diesel fuel, CO₂, nitrogen oxide, particulate matter will not be generated while in operation. Additional introductions of these buses will lead to a reduction in the environmental burden, reducing CO₂ by approximately 20 tons per year per vehicle or approximately 100 tons per year per five vehicles.

In March 2023, we also entered into a disaster cooperation agreement (an agreement for transport cooperation in the event of an emergency or disaster) with Minamiboso City in Chiba Prefecture. Under this agreement, in the event (or likelihood) of an emergency situation that will bring serious damage to the lives, bodies, and properties of citizens due to a natural disaster or the like, we will secure the school bus vehicles we operate under contract as a means of transportation, and our driver service personnel will provide operational support upon request from the city. Specifically, the "transportation of citizens to evacuation sites" and "transportation between evacuation sites in the event of a disaster at an evacuation site (and a reduction of the site)" are expected. In addition to the school bus operation, the SHiDAX Group is currently providing cooking services at school lunch supply centers in Minamiboso City, conducting food services operations at certified centers for early childhood education and care, and operating after-school childcare centers under contract. The Group will not only provide a wide range of livelihood support to citizens in the community through the services it provides but will also have further community collaboration with Minamiboso City to contribute to solving social issues in the community through the cooperation agreement that we recently entered into for disaster and other emergency situations.

With regard to the Food Services Business, two companies have joined "Blue Seafood Partners" as a company that actively uses sustainable Blue Seafood (*1).

From now on, we will actively provide Blue Seafood at approximately 1,800 client locations such as employee and student cafeterias, hospitals, preschools, and kindergartens, which we operate under contract. Since September 2021, we have provided sustainable food (*2) to customers mainly at employee and student cafeterias. As we have become a member of Blue Seafood Partners, we will more actively provide and promote Blue Seafood, which is secure, safe, and friendly to the earth, to customers at locations where we provide our contracted food services.

The SHiDAX Group will continue to aim for sustainable growth by strengthening our partnerships with clients and business partners, promoting health, building sustainable cities, taking on the challenge of carbon neutrality and working on workstyle reform, while taking advantage of SDGs through our business activities.

*1: Blue Seafood: Bonito (Skipjack), flatfish (Alaska Sole), and other sustainable seafood which have comparatively abundant resources and are caught by well-managed fisheries that protect the ecosystems. By prioritizing the consumption of seafood with abundant resources, we can restore seafood with declining resources. In Japan, the Japan branch of Sailors for the Sea provides a list of sustainable seafood items in the Blue Seafood Guide. The organization also approves organizations, restaurants in various fields who agree with the idea of the Blue Seafood Guide as Blue Seafood partners.

*2: Sustainable food: At the SHiDAX Group, we define food that is produced and processed in a sustainable system in terms of the environment and animal welfare as "sustainable food."

(Initiatives for health management)

The SHiDAX Group has a cross-sectional "health management promotion project" that supports employees in maintaining and enhancing health with the aim of promoting health management within the company. In February 2023, SHiDAX Corporation was approved as a Sports Yell Company by the Japan Sports Agency for the second consecutive year. In March 2023, SHiDAX Corporation was also certified as an Excellent Health and Productivity Management Corporation (Large-Scale Corporate Division) for the third consecutive year. The SHiDAX Group considers human resources as valuable assets and promotes diversity management so that people with different personalities and abilities can play an active role regardless of their gender, nationality, or disability. Amid the ongoing shift to a society that coexists with COVID-19, we are actively implementing an employee support system for acquiring a leave of absence due to a temporary shutdown of preschools, elementary schools or to an infection of COVID-19 so that employees will be able to work with peace of mind. We also strongly encourage employees to maintain and enhance their health by improving the rate of receiving medical check-ups and promoting stress checks.

The SHiDAX Group will strive to continue its human-centric management, as well as its efforts to create a rewarding and secure work environment for all employees.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the current consolidated fiscal year were ¥33,195 million, up ¥35 million, or 0.1%, from the end of the previous consolidated fiscal year. Total current assets increased ¥1,722 million, to ¥24,283 million, mainly due to an increase in notes and accounts receivable - trade of ¥423 million and to an increase in cash and deposits of ¥418 million. Total non-current assets declined ¥1,686 million to ¥8,911 million, mainly due to a decrease in property, plant and equipment of ¥1,277 million.

(Liabilities)

Total liabilities at the end of the current consolidated fiscal year were ¥20,969 million, down ¥817 million, or -3.8%, from the end of the previous consolidated fiscal year. Total current liabilities declined ¥2,763 million to ¥18,639 million, mainly due to a decrease in the current portion of long-term borrowings of ¥3,672 million, to an increase in accounts payable - trade of ¥356 million and to an increase in accounts payable - other of ¥348 million. Total non-current liabilities rose ¥1,945 million to ¥2,330 million, mainly due to an increase in long-term borrowings of ¥1,875 million.

(Net assets)

Net assets at the end of the current consolidated fiscal year were ¥12,225 million, up ¥853 million, or 7.5%, from the end of the previous consolidated fiscal year. This is mainly attributable to the recognition of a profit attributable to owners of parent of ¥3,817 million.

As a result, the equity ratio at the end of the current consolidated fiscal year rose 2.5 percentage points from the end of the previous consolidated fiscal year to 36.8%.

(3) Explanation of Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of the current fiscal year were ¥7,426 million, an increase of ¥418 million from the end of the previous fiscal year (up 6.0%).

The status of cash flows by category for the fiscal year ended March 31, 2023 is as follows:

(Cash flows from operating activities)

Operating activities resulted in a net cash inflow of ¥4,173 million (as opposed to a net cash outflow of ¥4,120 million for the same period last year). This is mainly attributable to the recognition of a profit before income taxes of ¥4,101 million.

(Cash flows from investing activities)

Investing activities resulted in a net cash inflow of ¥1,409 million (as compared with a net cash inflow of ¥4,327 million for the same period last year). This is mainly attributable to proceeds from sale of property, plant and equipment of ¥1,461 million.

(Cash flows from financing activities)

Financing activities resulted in a net cash outflow of ¥5,168 million (as compared with a net cash outflow of ¥4,002 million for the same period last year). This is mainly attributable to proceeds from long-term borrowings of ¥4,500 million, repayments of long-term borrowings of ¥6,297 million, purchase of Class C preferred shares of ¥2,557 million, and dividends paid of ¥518 million.

During the next consolidated fiscal year, we plan to promote a more efficient allocation of management resources and enhance profitability. With regard to cash flow, we will continue to strive to reduce interest-bearing debt and secure internal reserves in an attempt to strengthen our financial position while improving capital efficiency.

[Reference] Changes in Cash Flow-Related Indices

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Shareholders' equity ratio (%)	18.8	34.3	36.8
Shareholders' equity ratio based on market value (%)	30.0	46.9	115.3
Interest-bearing debt to cash flow ratio (%)	126.76	-	81.84
Interest coverage ratio (times)	30.4	-	65.3

* Shareholders' equity ratio: Equity capital/ Total asset

Shareholders' equity ratio based on market value: Market capitalization/ Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/ Operating cash flow

Interest coverage ratio: Operating cash flow/ Interest payments

1. All indices are calculated based on consolidated financial figures.

2. Market capitalization is calculated using the closing price at the end of the period multiplied by the number of outstanding shares at the end of the period (less treasury stock at cost).

3. Operating cash flow is net cash provided by operating activities as shown in the consolidated statements of cash flows. Interest-bearing debt is all liabilities in the consolidated balance sheets for which interest is payable. Interest payments are the amount of interest paid as presented in the consolidated statements of cash flow.

4. The interest-bearing debt to cash flow ratio and the interest coverage ratio are not presented for the fiscal year ended March 31, 2022, as operating cash flow was negative.

(4) Outlook for the Fiscal Year Ending March 31, 2024

Going forward, while Japan's economy is expected to recover thanks to the effects of policies on coexisting with the coronavirus, the uncertain situation is expected to continue in relation to how far the reclassification of COVID-19 as a Category 5 infectious disease under the law will affect our group, as well as how long it will take for the situation to normalize, the surfacing of downside risks in the world economy owing to global instability due in part to the Ukrainian situation, and rising raw materials.

Under these circumstances, we will strengthen the establishment of foundations for growth including active investment in employee engagement and focus our efforts on various measures in an attempt to achieve sustainable growth through business activities to "solve social issues" based on the Group's SDGs management policy.

Consolidated earnings forecast for the fiscal year ending March 31, 2024 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Year on year Amount	Year on year %
Net sales	121,220	124,000	2,780	102.3%
Operating profit	4,301	4,400	99	102.3%
Ordinary profit	4,188	4,400	212	105.1%
Profit attributable to owners of parent*	3,817	2,700	(1,117)	70.7%

(5) Basic Policy Concerning Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2023 and the Fiscal Year Ending March 31, 2024

While strengthening its financial position and management base, the SHiDAX Group considers redistribution of profits to shareholders as one of management's top priorities. Our basic policy is to pay dividends corresponding to earnings and make long-term, stable dividend payments while endeavoring to secure internal reserves for the strengthening of competitiveness and corporate structure.

The dividend for common shares for the fiscal year ended March 31, 2023, is expected to be 10 yen per share as described in "Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Japanese GAAP)" released on May 16, 2022.

The decision-making body for dividends is the Board of Directors.

The dividend per share for the fiscal year ending March 31, 2024, is expected to be 12 yen per share by comprehensively taking into account the earnings forecasts and basic dividend payment policy.

2. Basic Approach Concerning Selection of Accounting Standards

For the time being, the Group intends to prepare consolidated financial statements under Japanese GAAP while taking into account the comparability of consolidated financial statements between periods and the comparability between companies.

Going forward, however, the Group intends to consider the adoption of the International Financial Reporting Standards (IFRS) in view of the trend of the ratio of foreign shareholders and the trend in IFRS adoption by other companies in Japan.

3. Consolidated Financial Statements and Principal Notes
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	7,134	7,552
Notes receivable - trade	38	39
Accounts receivable - trade	13,322	13,745
Merchandise and finished goods	516	793
Raw materials and supplies	661	689
Other	901	1,486
Allowance for doubtful accounts	(13)	(24)
Total current assets	22,560	24,283
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,111	290
Land	706	169
Other, net	252	333
Total property, plant and equipment	2,071	793
Intangible assets		
Goodwill	839	671
Other	380	406
Total intangible assets	1,220	1,078
Investments and other assets		
Investment securities	374	328
Shares of subsidiaries and associates	75	105
Deferred tax assets	4,831	5,118
Leasehold and guarantee deposits	1,081	832
Other	1,026	727
Allowance for doubtful accounts	(82)	(73)
Total investments and other assets	7,307	7,039
Total non-current assets	10,598	8,911
Total assets	33,159	33,195

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	4,621	4,978
Current portion of long-term borrowings	5,172	1,500
Accounts payable - other	1,212	1,560
Accrued expenses	6,086	6,385
Income taxes payable	293	418
Accrued consumption taxes	1,603	1,444
Provision for bonuses for directors (and other officers)	134	126
Provision for bonuses	1,530	1,471
Provision for withdrawal costs	19	19
Other	728	734
Total current liabilities	21,402	18,639
Non-current liabilities		
Long-term borrowings	-	1,875
Asset retirement obligations	203	275
Other	181	179
Total non-current liabilities	385	2,330
Total liabilities	21,787	20,969
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	13,588	10,521
Retained earnings	(2,148)	1,669
Treasury shares	(438)	(408)
Total shareholders' equity	11,102	11,882
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27	28
Foreign currency translation adjustment	241	314
Total accumulated other comprehensive income	269	342
Total net assets	11,371	12,225
Total liabilities and net assets	33,159	33,195

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	115,525	121,220
Cost of sales	100,772	104,575
Gross profit	14,752	16,644
Selling, general and administrative expenses	12,310	12,343
Operating profit	2,442	4,301
Non-operating income		
Interest income	8	1
Dividends income of group term insurance	156	172
Membership fee income	24	24
Subsidy income	6	80
Other	39	33
Total non-operating income	235	312
Non-operating expenses		
Interest expenses	145	63
Commission for syndicated loans	65	253
Foreign exchange losses	67	65
Other	107	44
Total non-operating expenses	386	426
Ordinary profit	2,292	4,188
Extraordinary income		
Gain on sale of non-current assets	3,408	87
Gain on forgiveness of debts	-	102
Subsidy income	228	115
Gain on sale of shares of subsidiaries and associates	-	14
Other	20	-
Total extraordinary income	3,657	320
Extraordinary losses		
Compensation payment	19	158
Loss on sale of non-current assets	93	5
Loss on valuation of investment securities	-	49
Loss on closing of restaurant store	15	-
Expenses related to research financial statements	-	109
Impairment losses	1,331	48
Other	18	36
Total extraordinary losses	1,478	407
Profit before income taxes	4,471	4,101
Income taxes - current	438	570
Income taxes - deferred	(56)	(287)
Total income taxes	381	283
Profit	4,089	3,817
Profit attributable to owners of parent	4,089	3,817

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	4,089	3,817
Other comprehensive income		
Valuation difference on available-for-sale securities	2	0
Foreign currency translation adjustment	79	73
Total other comprehensive income	82	73
Comprehensive income	4,171	3,891
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,171	3,891

(3) Consolidated Statements of Changes in Net Assets
Fiscal Year Ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	13,908	(6,237)	(438)	7,333
Changes during period					
Dividends of surplus		(320)			(320)
Profit attributable to owners of parent			4,089		4,089
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	(320)	4,089	(0)	3,769
Balance at end of period	100	13,588	(2,148)	(438)	11,102

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	25	161	187	7,520
Changes during period				
Dividends of surplus				(320)
Profit attributable to owners of parent				4,089
Purchase of treasury shares				(0)
Net changes in items other than shareholders' equity	2	79	82	82
Total changes during period	2	79	82	3,851
Balance at end of period	27	241	269	11,371

Fiscal Year Ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	13,588	(2,148)	(438)	11,102
Changes during period					
Dividends of surplus		(519)			(519)
Profit attributable to owners of parent			3,817		3,817
Purchase of treasury shares				(2,557)	(2,557)
Cancellation of treasury shares		(2,557)		2,557	-
Restricted share awards remuneration		9		30	39
Net changes in items other than shareholders' equity					
Total changes during period	-	(3,067)	3,817	30	779
Balance at end of period	100	10,521	1,669	(408)	11,882

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	27	241	269	11,371
Changes during period				
Dividends of surplus				(519)
Profit attributable to owners of parent				3,817
Purchase of treasury shares				(2,557)
Cancellation of treasury shares				-
Restricted share awards remuneration				39
Net changes in items other than shareholders' equity	0	73	73	73
Total changes during period	0	73	73	853
Balance at end of period	28	314	342	12,225

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	4,471	4,101
Depreciation	539	294
Impairment losses	1,331	48
Amortization of goodwill	167	167
Increase (decrease) in provision for bonuses	(55)	(52)
Increase (decrease) in allowance for doubtful accounts	16	1
Increase (decrease) in provision for shareholder benefit program	(91)	-
Increase (decrease) in provision for withdrawal costs	(24)	-
Interest and dividend income	(18)	(8)
Interest expenses	145	63
Expenses related to research financial statements	-	109
Compensation payment	19	158
Syndicated loan fee	65	253
Loss (gain) on sale of shares of subsidiaries and associates	-	(14)
Loss (gain) on valuation of investment securities	-	49
Loss (gain) on sale of non-current assets	(3,314)	(81)
Subsidy income	(228)	(195)
Decrease (increase) in trade receivables	(352)	(449)
Decrease (increase) in inventories	(5)	(358)
Decrease (increase) in accounts receivable - other	(17)	39
Increase (decrease) in trade payables	(370)	372
Increase (decrease) in accrued consumption taxes	(1,230)	(158)
Increase (decrease) in accounts payable - other	(5,381)	168
Increase (decrease) in accrued expenses	133	326
Increase (decrease) in deposits received	44	(81)
Proceeds from leasehold and guarantee deposits received	156	0
Other, net	213	(6)
Subtotal	(3,786)	4,745
Interest and dividends received	20	10
Interest paid	(152)	(63)
Subsidies received	228	195
Expenses related to research financial statements paid	-	(68)
Paid of amount compensation	(44)	(32)
Income taxes paid	(386)	(613)
Net cash provided by (used in) operating activities	(4,120)	4,173

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Payments into time deposits and compulsory deposits	(217)	(217)
Proceeds from withdrawal of time deposits and compulsory deposit	217	217
Purchase of property, plant and equipment	(14,201)	(193)
Proceeds from sale of property, plant and equipment	17,986	1,461
Purchase of intangible assets	(40)	(135)
Payments for asset retirement obligations	(99)	(25)
Purchase of investment securities	(2)	(3)
Proceeds from redemption of investment securities	100	-
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(8)
Loan advances	-	(0)
Proceeds from collection of loans receivable	269	15
Proceeds from sale of investment property	-	153
Payments of leasehold and guarantee deposits	(28)	(42)
Proceeds from refund of leasehold and guarantee deposits	211	250
Proceeds from cancellation of insurance funds	194	0
Other, net	(60)	(61)
Net cash provided by (used in) investing activities	4,327	1,409
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,000)	-
Repayments of lease liabilities	(19)	(12)
Proceeds from long-term borrowings	-	4,500
Repayments of long-term borrowings	(2,585)	(6,297)
Arrangement fees and others paid	(66)	(252)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(12)	(30)
Dividends paid	(320)	(518)
Purchase of treasury shares	(0)	(2,557)
Net cash provided by (used in) financing activities	(4,002)	(5,168)
Effect of exchange rate change on cash and cash equivalents	49	3
Net increase (decrease) in cash and cash equivalents	(3,746)	418
Cash and cash equivalents at beginning of period	10,754	7,007
Cash and cash equivalents at end of period	7,007	7,426

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Segment information, etc.)

[Segment information]

1. Description of reportable segments

(1) Determination of reportable segments

The Group's reportable segments are the Group's business units for which separate financial information can be obtained and which are subject to periodic reviews by the Board of Directors for deciding the allocation of management resources and evaluating business performance.

The Group has business divisions by service at its head office. Each division formulates a comprehensive strategy for the services it handles and develops business activities.

Therefore, the Group is comprised of service-specific segments based on business divisions, and the following three categories correspond to the reportable segments.

(2) Type of services belonging to each reportable segment

- i. The food services business is engaged in contracted food and management services for cafeterias at companies, public offices, and schools, as well as contracted food services for inpatient hospitals, and healthcare facilities for the elderly.
- ii. The vehicle operation services business is engaged in contracted vehicle operation and management services outsourced from private companies and local governments.
- iii. The social services business is engaged in the contracted operation of services including food, such as facility management and operations outsourced from private companies and local governments and food services provided mainly for public elementary and junior high schools.

2. Method of measurement for the amounts of net sales, profit or loss, assets, and other items by reportable segment

The accounting treatment method used for the reported business segments is generally the same as the one used in the preparation of the consolidated financial statements.

Profit or loss by reportable segment is based on the values for operating profit.

Intersegment sales and transfers are based on prevailing market prices.

3. Information on sales and profit or loss by reportable segment and breakdown of earnings

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments				Other*1	Grand Total
	Food services	Vehicle operation services	Social services	Total		
Net Sales						
Contract food services	20,595	-	-	20,595	-	20,595
Medical food services	30,815	-	-	30,815	-	30,815
Executive vehicle management	-	9,576	-	9,576	-	9,576
General vehicle management	-	8,603	-	8,603	-	8,603
Passenger transport	-	3,487	-	3,487	-	3,487
Social services	-	-	10,950	10,950	-	10,950
After-school childcare services	-	-	13,324	13,324	-	13,324
Public school lunch services	-	-	13,010	13,010	-	13,010
Other	1,013	-	-	1,013	3,880	4,894
Net sales generated through contracts with clients	52,425	21,667	37,286	111,380	3,880	115,260
Other sales*2	-	-	-	-	264	264
Net sales generated through external clients	52,425	21,667	37,286	111,380	4,145	115,525
Intersegment sales and transfer	24	70	57	152	736	888
Total	52,450	21,737	37,344	111,532	4,881	116,413
Segment profit	2,643	1,776	1,509	5,929	(440)	5,488
Segment assets	10,943	9,476	9,380	29,800	5,047	34,847
Other items						
Depreciation	66	158	34	259	128	388
Impairment losses	13	8	67	89	1,249	1,338
Increase in property, plant and equipment, and intangible assets	34	35	23	92	34	127

[Note]

- "Other" is a business segment that is not included in the reportable segments and contains the management of specialty restaurant businesses in Japan and so on.
- "Other sales" contains profit from leases based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments				Other*1	Grand Total
	Food services	Vehicle operation services	Social services	Total		
Net Sales						
Contract food services	20,338	-	-	20,338	-	20,338
Medical food services	30,977	-	-	30,977	-	30,977
Executive vehicle management	-	10,177	-	10,177	-	10,177
General vehicle management	-	9,656	-	9,656	-	9,656
Passenger transport	-	3,462	-	3,462	-	3,462
Social services	-	-	13,993	13,993	-	13,993
After-school childcare services	-	-	15,579	15,579	-	15,579
Public school lunch services	-	-	13,612	13,612	-	13,612
Other	652	-	-	652	2,587	3,240
Net sales generated through contracts with clients	51,969	23,296	43,184	118,450	2,587	121,037
Other sales*2	-	-	-	-	182	182
Net sales generated through external clients	51,969	23,296	43,184	118,450	2,769	121,220
Intersegment sales and transfer	7	62	47	117	425	542
Total	51,976	23,359	43,231	118,567	3,195	121,763
Segment profit	2,276	2,105	2,364	6,746	283	7,029
Segment assets	12,111	11,478	11,227	34,816	3,205	38,022
Other items						
Depreciation	34	87	19	141	35	177
Impairment losses	11	-	-	11	36	48
Increase in property, plant and equipment, and intangible assets	26	184	97	309	54	364

[Note]

- "Other" is a business segment that is not included in the reportable segments and contains the management of specialty restaurant businesses in Japan and so on.
- "Other sales" contains profit from leases based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

4. Differences between the amounts in reportable segment totals and the amounts recorded in the consolidated financial statements, and key details of differences (matters related to adjustment of differences)

(Millions of yen)

Net Sales	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segment total	111,532	118,567
Net sales in the "Other" segment	4,881	3,195
Intersegment eliminations	(888)	(542)
Net sales in the consolidated statements of income	115,525	121,220

(Millions of yen)

Profit	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segment total	5,929	6,746
Profit (loss) in the "Other" segment	(440)	283
Intersegment eliminations	(124)	(72)
Corporate-wide expenses	(2,921)	(2,655)
Operating profit in the consolidated statements of income	2,442	4,301

[Note] Corporate-wide expenses mainly consist of expenses incurred by the Company's administrative departments such as for general affairs, human resources, finance, accounting, and information systems, as well as those related to corporate image advertising that are not attributable to a reportable segment.

(Millions of yen)

Assets	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segment total	29,800	34,816
Assets in the "Other" segment	5,047	3,205
Other adjustments	(8,212)	(13,958)
Corporate assets	6,523	9,130
Total assets in the consolidated balance sheet	33,159	33,195

[Note]

1. Other adjustments mainly consist of the elimination of intersegment receivables and payables.
2. Corporate assets mainly consist of surplus funds for management (cash and deposits), long-term investment funds (investment securities), and assets related to administrative operations that do not belong to each reportable segment.

(Millions of yen)

Other items	Reportable segment total		Other		Adjustments		Carrying amount in consolidated financial statements	
	FY ended March 31, 2022	FY ended March 31, 2023	FY ended March 31, 2022	FY ended March 31, 2023	FY ended March 31, 2022	FY ended March 31, 2023	FY ended March 31, 2022	FY ended March 31, 2023
Depreciation	259	141	128	35	146	113	534	290
Impairment losses	89	11	1,249	36	(7)	(0)	1,331	48
Increase in property, plant and equipment, and intangible assets	92	309	34	54	14,171	121	14,298	485

[Note]

1. The adjustment for depreciation includes the elimination of intersegment unrealized profit (-¥10 million for the fiscal year ended March 31, 2022; -¥15 million for the fiscal year ended March 31, 2023) and depreciation of corporate assets not belonging to each reportable segment (¥156 million for the fiscal year ended March 31, 2022; ¥128 million for the fiscal year ended March 31, 2023).
2. The adjustment for impairment losses includes the elimination of intersegment unrealized profit (-¥7 million for the fiscal year ended March 31, 2022; -¥0 million for the fiscal year ended March 31, 2023).
3. The adjustment for an increase in property, plant and equipment, and intangible assets includes the elimination of intersegment unrealized profit (-¥2 million for the fiscal year ended March 31, 2022; -¥3 million for the fiscal year ended March 31, 2023) and an increase in corporate assets not belonging to each reportable segment (¥14,173 million for the fiscal year ended March 31, 2022; ¥125 million for the fiscal year ended March 31, 2023).

(Information per share)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share (yen)	114.15	223.33
Basic earnings per share (yen)	102.56	76.07
Diluted basic earnings per share (yen)	74.39	69.76

[Note] 1. The basis for the calculation of basic earnings per share and diluted basic earnings per share is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	4,089	3,817
Amount not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Millions of yen)	4,089	3,817
Average number of common shares outstanding during the period (Shares)	39,876,359	50,180,696
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	-	-
Increase in number of common shares (Shares)	15,095,860	4,539,209
(Of which are preferred shares (Shares))	(15,095,860)	(4,539,209)
Outline of potential shares not included in the calculation of diluted earnings per share because of no dilutive effect	-	-

2. The basis for the calculation of net assets per share is as follows:

	As of March 31, 2022	As of March 31, 2023
Total net assets (Millions of yen)	11,371	12,225
Amount to be deducted from total net assets (Millions of yen)	6,820	-
(Of which is the amount paid for preferred shares (Millions of yen))	(6,500)	(-)
(Of which is the amount of preferred dividends (Millions of yen))	(320)	(-)
Net assets pertaining to common shares at the end of the period (Millions of yen)	4,551	12,225
Number of common shares used for the calculation of net assets per share at the end of the period (Shares)	39,876,304	54,741,639

(Significant subsequent events)

Not applicable.