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Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Japanese GAAP)

February 10, 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 to file quarterly securities report: February 14, 2023 (in Japanese)
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Quarterly financial results briefing to be held: None

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2022	90,860	3.7	3,640	63.7	3,454	56.2	2,773	(37.7)
December 31, 2021	87,622	6.1	2,224	205.0	2,211	179.5	4,449	-

Note: Comprehensive income for the nine months ended December 31, 2022: 2,835 million yen/ (36.8%)
 Comprehensive income for the nine months ended December 31, 2021: 4,483 million yen/ -%

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2022	56.96	50.69
December 31, 2021	111.58	81.10

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of				
December 31, 2022	33,238	11,169	33.6	204.04
March 31, 2022	33,159	11,371	34.3	114.15

Reference: Equity capital as December 31, 2022: 11,169 million yen
 Equity capital as of March 31, 2022: 11,371 million yen

2. Cash Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	0.00	-	5.00	5.00
Fiscal year ending March 31, 2023	-	0.00	-		
Fiscal year ending March 31, 2023 (forecast)			-	10.00	10.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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	120,000	3.9	3,900	59.7	3,700	61.4	3,100	(24.2)	61.84

Note: Revisions to the forecast of consolidated earnings most recently announced: Yes

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) Distinctive accounting treatment methods applied to prepare quarterly consolidated financial statements: None

- (3) 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

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

- (i) Shares outstanding (including treasury shares)

As of December 31, 2022	55,722,121 shares
As of March 31, 2022	40,929,162 shares

- (ii) Treasury shares outstanding

As of December 31, 2022	980,362 shares
As of March 31, 2022	1,052,858 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	48,688,014 shares
Nine months ended December 31, 2021	39,876,371 shares

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

*Appropriate use of earnings forecast and other special notes

(Notice on forward-looking statements, etc.)

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.

(How to access presentation/ supplementary materials for financial results)

The Company holds the second quarter and year-end financial results briefings for analysts and institutional investors. The presentation materials used in these briefings and supplementary materials for the first and third quarter results are available on the Company's website at:

<https://www.shidax.co.jp/ir/en/>

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

The business environment surrounding the SHiDAX Group is undergoing a period of major change, in which the Group is faced with the need to address the accumulated social issues. These include labor shortages caused by the declining birthrate and aging population and lifestyle changes caused by the continued intermittent spread of COVID-19.

In such an environment, the SHiDAX Group formulated a new management philosophy "Mission, Vision, Value (MVV)," starting from the fiscal year ending March 31, 2023. 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 devised a medium-term management plan "Re-Growth 2025" looking ahead to further growth in the three years until the fiscal year ending March 31, 2025, and we made a fresh start toward achieving our major goals.

During the nine months ended December 31, 2022, as we are transitioning to a new stage of living with COVID-19 with the normalization of economic and social activities, the Group has performed strongly, continuing to achieve an increase in profits although they were affected by the continuation of rises in raw material prices, in addition to the eighth wave of COVID-19 infections following the seventh wave, which was several times larger than previous waves. These strong results were driven by various management reforms including cost reductions, the steady recovery from the COVID-19 pandemic, and aggressive promotion of cross-selling activities.

<Consolidated results>				(Millions of yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Year on year Amount	Year on year %	
Net sales	87,622	90,860	3,237	103.7%	
Operating profit	2,224	3,640	1,415	163.7%	
Ordinary profit	2,211	3,454	1,242	156.2%	
Profit attributable to owners of parent*	4,449	2,773	(1,675)	62.3%	

* In the third quarter of the previous fiscal year, an extraordinary gain of 3.406 billion yen was recorded due to the sale of assets.

<Consolidated results by segment>							(Millions of yen)		
	Net sales			Operating profit					
	Nine months ended December 31, 2022	Year on year Amount	Year on year %	Nine months ended December 31, 2022	Year on year Amount	Year on year %			
Food services business	39,113	(931)	97.7%	1,619	(456)	78.0%			
Vehicle operation services business	17,571	1,223	107.5%	1,664	283	120.5%			
Social services business	32,208	4,084	114.5%	2,092	747	155.5%			
Other	2,370	(1,483)	61.5%	260	509	-			
Eliminations/ Corporate-wide expenses	(403)	344	-	(1,995)	332	-			
Total	90,860	3,237	103.7%	3,640	1,415	163.7%			

(Food services business)

The business environment remained challenging due to intensifying competition from major players in the same industry, soaring raw material prices, chronic labor shortages at meal service facilities due to the prolonged impact of the COVID-19.

The Contract Food Services Division, which focuses on in-company cafeterias, saw a gradual return in the number of meals consumed, mainly in the offices and factories. Meanwhile, many clients were adopting new ways of working in line with the government's recommended new normal lifestyles, such as remote working, and expectations for new meal services at workplaces are increasing. Under these circumstances, we have focused on winning new contracts by developing low-cost operation models to address the reduced number of meals due to the increase in use of meal services other than corporate cafeteria and in people working from home, and by actively implementing proposal activities.

The Medical Food Services Division, which mainly serves hospitals, elderly facilities, and daycare centers, strived to increase customer satisfaction. In December we started offering "Irodori (Colorful) Menu" using soybean meat as part of food education program at approximately 190 daycare centers and kindergartens nationwide to which we provide contracted food services. Furthermore, the Division promoted activities to strengthen its fully-cooked products (food offered in the form of fully-cooked dishes).

In addition to these initiatives, we focused on implementing countermeasures against soaring raw material prices and on acquiring new contracts with an enhanced awareness of operating efficiency. However, sales and profits declined due to factors such as the absence of large-scale event revenues in the previous fiscal year and a temporary increase in labor costs caused by the seventh and eighth waves of COVID-19 infections.

(Vehicle operation services business)

Private corporations continued to outsource their non-core functions, especially their vehicle operation management of executive transportation vehicles and employee shuttle buses. In local governments, for fiscal reconstruction and regional revitalization, needs are growing for the development of new transportation systems and school buses due to consolidations and closures of schools.

Under such circumstances, the Executive Vehicle Management Division and the General Vehicle Management Division have made new proposals to cultivate new demand, such as encouraging the use of vehicles as a means of commuting and increasing the frequency of employee shuttle bus services to avoid close contact between passengers. In addition, these Divisions strengthened sales activities targeting public corporations, which were expected to generate stable earnings, by focusing their efforts on promoting cross-selling and making proposals for on-demand bus systems and school buses. We also strengthened our website promotion and sales systems to deliver stable results. For example, we have succeeded in winning new orders, including those that started in the period under review.

In the Passenger Transport Division, taking into consideration the expected period until full recovery in tourism demand, we have continued to work to stabilize the sales structure. Measures cover switching our operations to those under fixed-term contracts, such as transportation of factory and warehouse employees and school buses, and making proposals to local governments for transportation systems, including on-demand bus systems.

As a result, both sales and profits increased due to the steady rise in the number of new vehicles and the firm recovery in the extension of operating hours and holiday operations, following the resumption of economic activities, although fuel unit prices which are a factor behind the increase in costs of sales, and sluggish inbound demand have continued.

(Social services business)

The government is continuing its regional revitalization policy despite the impact of the COVID-19 pandemic, while there is an increasing need among local governments to outsource their services to the private sector in order to restore their fiscal health and to revitalize regions. In addition to the integration of facilities aimed at efficient resident services, the increasing cost of administrative services and the labor shortage due to the declining birthrate and aging population are the solid driving forces behind the expansion of the outsourcing market for administrative services.

In this environment, in our services provided under contracts with after-school care centers, children's centers and parenting support centers as our key growth drivers, we focused on content development that utilizes our accumulated know-how to meet diversified child-rearing needs. As a result, the number of contracted facilities from local governments nationwide increased by 194 year on year.

In contracted services for facilities management, library operations, and public school lunches, our business was on a recovery trend, despite the lingering impact of the COVID-19 pandemic, which led to a decrease in the number of users and closures of some facilities. 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 opened anew in Tamano City, Okayama in September, 2022. Moreover, the acquisition of contracts for the operations of mass vaccination sites, as well as efforts to improve profitability through efficient cost control, resulted in a significant breakthrough and strong performance, with double-digit growth in both net sales and operating profit.

(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, we established the SDGs Committee that directly reports to the Board of Directors, aiming to contribute to the achievement of the SDGs through our business activities, while working to realize our 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 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, while ensuring gender

equality and diversity, and we are contributing to the creation of a sustainable society as a "company that solves social issues by 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 Japan, there are currently areas in which no public transportation is available from many local governments due to the withdrawal of bus operators or a shortage of bus drivers. And the importance of public transportation is rising from the perspective of maintaining and securing means of transportation for senior citizens who have returned their driver's license. In our vehicle operation services business, we concluded a disaster cooperation agreement (agreement on securing vehicles for means of transportation, etc.) with Koto-ku, Tokyo on December 1, 2022. Under this agreement, we will secure our own vehicles as means of transportation and provide operational support by our driver service staff in Koto-ku in the event of a disaster as defined in Item 1 of Article 2 of the Disaster Countermeasures Basic Act, such as heavy rain, earthquakes, floods, etc. The Group currently provides contracted services for library operations, public school lunches, after-school childcare centers and after-school children's classes in Koto-ku. In addition to providing a wide range of lifestyle support to local residents through the services offered by our group, we would like to further strengthen our community partnership with Koto-ku through the conclusion of the disaster cooperation agreement.

On October 30, "Food Waste Reduction Day," the Medical Food Services Division held a food education program on the theme of "food waste" for about 10,000 children and their parents at approximately 190 daycare centers and kindergartens nationwide to which we provide contracted food services. In Japan, about 5.22 million tons of food that could still be eaten (food waste) is thrown away each year, of which about half is generated by households (according to "FY3/20 estimates" by the Ministry of Agriculture, Forestry and Fisheries and by the Ministry of the Environment). In order to raise awareness of food waste reduction, we have been conducting food education programs on the theme of food waste at daycare centers and kindergartens to which we provide contracted food services since Fiscal Year 2020. We use tools such as coloring books and picture-story shows, aiming to reduce food waste as much as possible by "eating food without leftovers".

The Contract Food Services Division and the Medical Food Services Division became supporting members to participate in "Fish Days" (the third to seventh of each month) which was established by the Fisheries Agency in 2022. Fishery products are sustainable resources that can recover resources in the food chain if properly managed. Choosing and eating fish also leads to "ensuring sustainable consumption and production patterns" in SDGs (Goal 12). We offered special menus such as "grilled white fish with herbs" and "Japanese Spanish mackerel boiled in soy sauce" for "Good Fish Days," during the overall activity enhancement week of November 3 to 7, at approximately 1,800 facilities to which we provide contracted foodservice. We also disseminated this initiative on posters and websites.

In our social services business, we have been contracted to operate a new complex facility "KOMPAS" to be located in Katori City, Chiba Prefecture since December 25, 2022. Based on the concepts of "a base for interaction," "a base for attracting visitors and creating attractiveness," and "a base for lifestyle support, learning and fostering," the facility is integrated with a library, a space for supporting child-rearing generations, rental facilities and a hall. With the cooperation of local producers and business operators, we plan to increase our efforts to create a bustling environment, such as holding monthly Marche events that sell local vegetables, fruits, and processed products.

Going forward, the SHiDAX Group will continue to strengthen partnerships with customers and business partners by utilizing the SDGs through its business activities, aiming for sustainable growth in the areas of health, sustainable urban development, carbon neutrality, and work-style reforms.

(Initiatives for health management)

In order to promote health management within the SHiDAX Group, we have established a cross-functional Health Management Promotion Project to support the maintenance and promotion of employees' health, and in March 2022, we were certified as an Excellent Health Management Corporation (Large Corporation Category) for the second consecutive year. We regard human resources as our valuable assets and promote diversity management that allows people with different personalities and abilities to play an active role, regardless of their gender, nationality, or disabilities. Amid the ongoing shift to a society in which people live with COVID-19, we are actively implementing a system to support employees to take leave from work during the temporary closure of daycare centers, elementary schools, etc., or when they are infected with COVID-19, so that they can work without anxiety. We strongly encourage employees' health maintenance and promotion by working to improve the ratio of employees who have medical checkup and to promote 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 third quarter of the current consolidated fiscal year were ¥33,238 million, up ¥78 million, or 0.2%, from the end of the previous consolidated fiscal year. Total current assets increased ¥2,083 million, to ¥24,644 million, mainly due to an increase in cash and deposits of ¥530 million and to an increase in notes and accounts receivable - trade of ¥947 million. Total non-current assets declined ¥2,004 million to ¥8,593 million, mainly due to a decrease in property, plant and equipment of ¥1,025 million.

(Liabilities)

Total liabilities at the end of the third quarter of the current consolidated fiscal year were ¥22,068 million, up ¥281 million, or 1.3%, from the end of the previous consolidated fiscal year. Total current liabilities declined ¥1,950 million to ¥19,452 million, mainly due to a decrease in the current portion of long-term borrowings of ¥3,672 million and to an increase in accounts payable - other of ¥1,221 million. Total non-current liabilities rose ¥2,231 million to ¥2,616 million, mainly due to an increase in long-term borrowings of ¥2,250 million.

(Net assets)

Net assets at the end of the third quarter of the current consolidated fiscal year were ¥11,169 million, down ¥202 million, or -1.8%, from the end of the previous consolidated fiscal year. This was mainly due to a decrease of shareholders' equity of ¥264 million.

As a result, the equity ratio at the end of the third quarter of the current consolidated fiscal year fell 0.7 percentage points from the end of the previous consolidated fiscal year to 33.6%.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Statements

Based on recent performance trends, we revised the consolidated earnings forecast for the fiscal year ending March 31, 2023, which was announced in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Japan GAAP)" on May 16, 2022, as shown below. There are no revisions to the dividend forecast due to revisions to the consolidated earnings forecast.

Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	12,000	3,700	3,200	2,200	40.24
Revised forecast (B)	12,000	3,900	3,700	3,100	61.84
Change (B-A)	-	200	500	900	-
Percentage change (%)	-	5.4	15.6	40.9	-
(Reference) Previous results (FY3/22)	115,525	2,442	2,292	4,089	102.56

2. Quarterly Consolidated Financial Statements and Primary Notes
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	7,134	7,664
Notes and accounts receivable - trade	13,360	14,307
Merchandise and finished goods	516	701
Raw materials and supplies	661	745
Other	901	1,238
Allowance for doubtful accounts	(13)	(13)
Total current assets	22,560	24,644
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,111	341
Other, net	959	704
Total property, plant and equipment	2,071	1,046
Intangible assets		
Goodwill	839	713
Other	380	369
Total intangible assets	1,220	1,083
Investments and other assets		
Shares of subsidiaries and associates	75	75
Leasehold and guarantee deposits	1,081	844
Deferred tax assets	4,831	4,403
Other	1,400	1,213
Allowance for doubtful accounts	(82)	(73)
Total investments and other assets	7,307	6,464
Total non-current assets	10,598	8,593
Total assets	33,159	33,238

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	4,621	5,111
Current portion of long-term borrowings	5,172	1,500
Accounts payable - other	1,212	2,434
Accrued expenses	6,086	6,398
Income taxes payable	293	285
Accrued consumption taxes	1,603	1,396
Provision for bonuses for directors (and other officers)	134	95
Provision for bonuses	1,530	764
Provision for withdrawal costs	19	19
Other	728	1,447
Total current liabilities	21,402	19,452
Non-current liabilities		
Long-term borrowings	—	2,250
Asset retirement obligations	203	221
Other	181	145
Total non-current liabilities	385	2,616
Total liabilities	21,787	22,068
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	13,588	10,521
Retained earnings	(2,148)	625
Treasury shares	(438)	(408)
Total shareholders' equity	11,102	10,838
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27	21
Foreign currency translation adjustment	241	309
Total accumulated other comprehensive income	269	330
Total net assets	11,371	11,169
Total liabilities and net assets	33,159	33,238

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

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	87,622	90,860
Cost of sales	76,205	78,174
Gross profit	11,417	12,685
Selling, general and administrative expenses	9,192	9,045
Operating profit	2,224	3,640
Non-operating income		
Interest income	6	1
Dividend income	6	7
Dividends income of group term insurance	156	158
Membership fee income	19	15
Other	28	21
Total non-operating income	217	203
Non-operating expenses		
Interest expenses	115	52
Commission for syndicated loans	60	248
Foreign exchange losses	24	60
Other	28	26
Total non-operating expenses	229	389
Ordinary profit	2,211	3,454
Extraordinary income		
Gain on sale of non-current assets	3,406	59
Gain on forgiveness of debts	—	102
Subsidy income	200	87
Gain on sale of shares of subsidiaries and associates	—	14
Other	20	—
Total extraordinary income	3,627	264
Extraordinary losses		
Loss on sale of non-current assets	93	5
Loss on valuation of investment securities	—	49
Payment compensation	19	—
Impairment losses	689	—
Other	9	21
Total extraordinary losses	811	76
Profit before income taxes	5,027	3,642
Income taxes - current	324	438
Income taxes - deferred	253	430
Total income taxes	578	869
Profit	4,449	2,773
Profit attributable to owners of parent	4,449	2,773

(Quarterly Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	4,449	2,773
Other comprehensive income		
Valuation difference on available-for-sale securities	4	(6)
Foreign currency translation adjustment	29	68
Total other comprehensive income	33	61
Comprehensive income	4,483	2,835
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,483	2,835

(3) Notes to Quarterly Consolidated Financial Statements

(Segment information, etc.)

Segment information

I. Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

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

(Millions of yen)

	Reportable segments				Other*	Grand Total
	Food services	Vehicle operation services	Social services	Total		
Sales						
Contract food services	16,011	-	-	16,011	-	16,011
Medical food services	23,142	-	-	23,142	-	23,142
Executive vehicle management	-	7,201	-	7,201	-	7,201
General vehicle management	-	6,472	-	6,472	-	6,472
Passenger transport	-	2,620	-	2,620	-	2,620
Social services	-	-	8,449	8,449	-	8,449
After-school care services	-	-	9,961	9,961	-	9,961
Public school lunch services	-	-	9,668	9,668	-	9,668
Other	872	-	-	872	3,008	3,881
Sales generated through contracts with customers	40,026	16,295	28,079	84,401	3,008	87,409
Other sales*	-	-	-	-	212	212
Sales generated through external customers	40,026	16,295	28,079	84,401	3,221	87,622
Intersegment sales and transfer	18	52	44	115	632	748
Total	40,044	16,348	28,124	84,516	3,854	88,371
Segment profit	2,076	1,380	1,345	4,802	(249)	4,552

Notes:

1. "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.

2. "Other sales" contains profit from leases based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

2. Differences between the total amount of profits or losses of the reportable segments and the amount recorded in the quarterly consolidated statements of income, and key details of differences (matters related to adjustment of differences)

(Millions of yen)

Profit	Amount
Reportable segment total	4,802
Profit (loss) in the "Other" segment	(249)
Intersegment eliminations	(112)
Corporate-wide expenses*	(2,215)
Operating profit in the quarterly consolidated statements of income	2,224

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.

3. Information on impairment loss on fixed assets, goodwill, etc. by reportable segment
(Significant impairment losses on fixed assets)

In the third quarter of the current fiscal year, the non-current assets related to NAKAIZU WINERY HILLS in the "Other" segment were written down by 689 million yen to the recoverable amount. The impairment loss recorded through the third quarter of the current fiscal year amounted to 689 million yen.

(Significant changes in amount of goodwill)

Not applicable.

(Significant gains on negative goodwill)

Not applicable.

II. Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

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

(Millions of yen)

	Reportable segments				Other*	Grand Total
	Food services	Vehicle operation services	Social services	Total		
Sales						
Contract food services	15,404	–	–	15,404	–	15,404
Medical food services	23,229	–	–	23,229	–	23,229
Executive vehicle management	–	7,625	–	7,625	–	7,625
General vehicle management	–	7,257	–	7,257	–	7,257
Passenger transport	–	2,641	–	2,641	–	2,641
Social services	–	–	10,409	10,409	–	10,409
After-school care services	–	–	11,640	11,640	–	11,640
Public school lunch services	–	–	10,121	10,121	–	10,121
Other	474	–	–	474	1,925	2,400
Sales generated through contracts with customers	39,109	17,524	32,172	88,805	1,925	90,731
Other sales*	–	–	–	–	128	128
Sales generated through external customers	39,109	17,524	32,172	88,805	2,054	90,860
Intersegment sales and transfer	4	47	36	87	316	403
Total	39,113	17,571	32,208	88,893	2,370	91,264
Segment profit	1,619	1,664	2,092	5,376	260	5,636

Notes:

1. “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.
2. “Other sales” contains profit from leases based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

2. Differences between the total amount of profit and loss of the reportable segments and the amount recorded in the quarterly consolidated statement of income, and key details of differences (matters related to adjustment of differences)

(Millions of yen)

Profit	Amount
Reportable segment total	5,376
Profit in the “Other” segment	260
Intersegment eliminations	(83)
Corporate-wide expenses*	(1,912)
Operating profit in the quarterly consolidated statements of income	3,640

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.

3. Information on impairment loss on fixed assets, goodwill, etc. by reportable segment

(Significant impairment losses on fixed assets)

Not applicable.

(Significant changes in amount of goodwill)

Not applicable.

(Significant gains on negative goodwill)

Not applicable.