

# Annual Securities Report

The 26th Fiscal Year    From April 1, 2020 to March 31, 2021

Benefit One Inc.

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# Annual Securities Report

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1. This document was prepared by outputting and printing the annual securities report prepared based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act and by adding a Table of Contents and pages to the data submitted by using the electronic data processing system for disclosure (EDINET) set forth in Article 27-30-2 of the Act.
2. At its end, this document contains the audit report attached to the annual securities report submitted by the above method, as well as the internal control report and the confirmation letter submitted with the above annual securities report.

# Table of Contents

	Page
The 26th Fiscal Year Annual Securities Report	
[Cover] .....	1
Part I: Company Information.....	2
I-1: Company overview .....	2
1. Transition of major management indicators, etc.....	2
2. Company history.....	4
3. Contents of business.....	6
4. Status of associated companies.....	8
5. Status of employees.....	9
I-2. Status of business.....	10
1. Management policies, management environment, challenges to address, etc.....	10
2. Risk of business, etc.....	11
3. Analysis of financial position, operating results, and cash flow status by the management.....	15
4. Important business contracts, etc.....	19
5. R&D activities.....	19
I-3. Status of equipment.....	20
1. Outline of capital investment, etc.....	20
2. Status of major equipment.....	20
3. Plans for new equipment, equipment retirement, etc.....	20
I-4. Status of the reporting company.....	21
1. Status of shares, etc.....	21
2. Status of the acquisition of treasury shares, etc.....	25
3. Dividend policy.....	26
4. Status of corporate governance, etc.....	26
I-5. Status of accounting.....	44
1. Consolidated financial statements, etc. ....	45
2. Financial statements, etc. ....	73
I-6. Outline of share-related procedures of the reporting company.....	86
I-7. Reference information on the reporting company.....	87
1. Information on the reporting company's parent company, etc.....	87
2. Other reference information.....	87
Part II: Information on the Reporting Company's Guarantor Company, etc.....	88
 Audit Report	
 Internal Control Report	
 Confirmation Letter	

## [Cover]

Document submitted: Annual Securities Report

Grounds: Article 24, Paragraph 1 of the Financial Instruments and Exchange Act

Submitted to: Director-general of the Kanto Finance Bureau

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Fiscal year: The 26th fiscal year (April 1, 2020 to March 31, 2021)

Company name: Benefit One Inc.

Company name in English: Benefit One Inc.

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Yokohama Branch, Benefit One Inc.  
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Tokyo Stock Exchange, Inc.  
(2-1, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan)

## Part I: Company Information

### I-1 Company overview

#### 1. Transition of major management indicators, etc.

##### (1) Consolidated management indicators, etc.

Fiscal period		22nd	23rd	24th	25th	26th
Closing month/year		Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021
Sales	(¥Mil)	29,478	32,089	34,461	37,271	37,841
Ordinary income	(¥Mil)	5,727	6,263	7,707	8,462	9,858
Net income attributable to owners of parent	(¥Mil)	3,855	4,190	5,176	5,641	6,766
Comprehensive income	(¥Mil)	4,139	4,250	5,089	5,620	7,285
Net assets	(¥Mil)	14,712	17,107	19,882	16,567	19,865
Total assets	(¥Mil)	26,779	30,235	34,774	29,926	36,171
Net assets per share	(¥)	181.83	105.69	123.03	104.10	124.84
Net income per share	(¥)	47.75	25.95	32.05	35.24	42.52
Diluted per share amount of net income	(¥)	-	-	-	-	-
Equity ratio	(%)	54.8	56.5	57.1	55.4	54.9
Return on equity	(%)	29.1	26.4	28.0	31.0	37.1
Price earnings ratio	(times)	35.8	56.7	67.8	40.0	69.1
Cash flow from operating activities	(¥Mil)	5,765	6,289	5,628	5,476	9,862
Cash flow from investing activities	(¥Mil)	△906	△1,079	△844	△748	△1,175
Cash flow from financing activities	(¥Mil)	△1,214	△2,189	△2,387	△9,077	△4,110
Cash and cash equivalents, end of year	(¥Mil)	11,896	14,924	17,328	12,962	17,554
Number of employees (Average number of temporary workers)	(persons)	730 (275)	692 (275)	676 (331)	704 (400)	860 (449)

Note 1: Sales do not include consumption tax, etc.

Note 2: Diluted net income per share is not stated because there are no dilutive shares.

Note 3: The Company has introduced the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT) since the 22nd fiscal year. Treasury shares remaining in the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT) that are recorded as treasury shares in the shareholders' equity are included in treasury shares deducted from the total number of issued shares as of the end of the year for the calculation of net assets per share, and in treasury shares deducted in the calculation of the average number of shares during the year for the calculation of net income per share.

Note 4: One common share was split into two shares, effective on October 1, 2017. Net assets per share and net income per share were calculated assuming that the share split was conducted at the beginning of the 22nd fiscal year.

Note 5: One common share was split into two shares, effective on March 1, 2019. Net assets per share and net income per share were calculated assuming that the share split was conducted at the beginning of the 23rd fiscal year.

## (2) Management indicators, etc. of the reporting company

Fiscal period		22nd	23rd	24th	25th	26th
Closing month/year		Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021
Sales	(¥Mil)	23,831	24,366	24,512	34,597	36,456
Ordinary income	(¥Mil)	5,792	6,215	7,337	8,578	9,964
Net income	(¥Mil)	3,704	4,126	4,957	6,344	6,857
Share capital	(¥Mil)	1,527	1,527	1,527	1,527	1,527
Total number of issued shares	(shares)	45,144,000	90,288,000	162,400,000	159,970,000	159,970,000
Net assets	(¥Mil)	14,901	17,182	19,783	17,196	20,586
Total assets	(¥Mil)	25,400	27,515	33,178	30,254	36,488
Net assets per share	(¥)	184.53	106.39	122.49	108.06	129.37
Dividend per share (Interim dividends per share)	(¥)	48 (-)	28.5 (-)	25 (-)	25 (-)	30 (-)
Net income per share	(¥)	45.88	25.55	30.69	39.63	43.09
Diluted net income per share	(¥)	-	-	-	-	-
Equity ratio	(%)	58.7	62.4	59.6	56.8	56.4
Return on equity	(%)	27.3	25.7	26.8	34.3	36.3
Price earnings ratio	(times)	37.2	57.6	70.8	35.6	68.2
Payout ratio	(%)	52.3	55.8	81.4	63.1	69.6
Number of employees (Average number of temporary workers)	(persons)	589 (178)	546 (185)	537 (229)	649 (375)	790 (449)
Total shareholder return (Comparative indicator: TOPIX including dividends)	(%) (%)	136.4 (114.7)	236.0 (132.9)	350.3 (126.2)	234.1 (114.2)	479.8 (162.3)
Highest share price	(¥)	3,545	3,095 (5,100)	2,244 (4,340)	2,441	3,445
Lowest share price	(¥)	2,180	1,981 (3,310)	1,930 (2,546)	1,104	1,296

Note 1: Sales do not include consumption tax, etc.

Note 2: Dividend per share of ¥25 in the 24th fiscal year includes a commemorative dividend of ¥6.

Note 3: Diluted net income per share is not stated because there are no dilutive shares.

Note 4: The Company has introduced the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT) since the 22nd fiscal year. Treasury shares remaining in the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT) that are recorded as treasury shares in the shareholders' equity are included in treasury shares deducted from the total number of issued shares as of the end of the year for the calculation of net assets per share, and in treasury shares deducted in the calculation of the average number of shares during the year for the calculation of net income per share.

Note 5: One common share was split into two shares, effective on October 1, 2017. Net assets per share and net income per share were calculated assuming that the share split was conducted at the beginning of the 22nd fiscal year.

Note 6: One common share was split into two shares, effective on March 1, 2019. Net assets per share and net income per share were calculated assuming that the share split was conducted at the beginning of the 23rd fiscal year.

Note 7: The highest share price and the lowest share price after November 28, 2018 represent the stock prices at the First Section of the Tokyo Stock Exchange. The highest and lowest share prices before that date represent the

share prices at the Second Section of the Tokyo Stock Exchange. The highest and lowest share prices in the 23rd and 24th fiscal years represent the prices after the share splits. The highest and lowest share prices before the share splits are shown in parentheses.

## 2. Company history

Mar. 1996	Established Business Coop, Co., Ltd. in Shibuya, Tokyo, and started providing Employee Benefit Service and discount services (selling various office supply products at low prices).
Jan. 1998	Launched Cafeteria Plan business.
Sep. 1998	Opened Osaka Branch in Kita-ku, Osaka City.
Apr. 1999	Started accepting orders for Cafeteria Plan automatic payment system.
Aug. 1999	Opened Nagoya Branch in Naka-ku, Nagoya City.
Sep. 1999	Opened Sapporo Branch in Chuo-ku, Sapporo City, and Fukuoka Branch in Chuo-ku, Fukuoka City.
Apr. 2001	Changed the company name to Benefit One Inc.
Nov. 2001	Opened Hiroshima Branch in Naka-ku, Hiroshima City.
Jul. 2002	Opened Tohoku Branch (current Sendai Branch) in Aoba-ku, Sendai City, and Yokohama Branch in Yokohama City.
Apr. 2003	Obtained Privacy Mark certification.
Aug. 2003	Acquired business rights of Fukuri Koseika Co., Ltd.
Sep. 2004	Registered company shares as OTC stock with the Japan Securities Dealers Association.
Nov. 2004	Acquired business rights of Cendant Japan Co., Ltd. and began membership shopping business.
Dec. 2004	Withdrew OTC registration of shares with the Japan Securities Dealers Association and listed shares on the JASDAQ Securities Exchange, Inc.
Feb. 2006	Conducted a simple company split of the membership business (current CRM business) and the membership shopping business to establish subsidiary Benefit One Partners Inc.
Mar. 2006	Listed shares on the Second Section of the Tokyo Stock Exchange.
May 2006	Started Incentive Point business.
Jul. 2006	Acquired Global Healthcare Co., Ltd. and made it a subsidiary.
Aug. 2006	Delisted from the JASDAQ Securities Exchange, Inc.
Feb. 2007	Opened the Matsuyama Customer Center in Minamiyoshida-cho, Matsuyama City, Ehime Prefecture, by renting an office. Acquired gourmet-related discount service business from Overseas Development Center Co., Ltd.
Jun. 2007	Opened Matsuyama Branch in Matsuyama City, Ehime Prefecture.
Feb. 2008	Started Healthcare business.
Jan. 2009	Built the Matsuyama Operation Center in Fujiwara, Matsuyama City, Ehime Prefecture, and relocated the Matsuyama Customer Center.
Jul. 2009	Absorbed Benefit One Partners Inc. and Global Healthcare Co., Ltd.
Dec. 2009	Started business travel support service (current BTM business).
Mar. 2010	Centralized customer center functions and paperwork functions, including member management and Cafeteria Point operations at Matsuyama Operation Center, and closed the Tokyo Customer Center.
Nov. 2010	Started Personal Package Service (current Individual Benefit Service business).
Mar. 2012	Acquired shares of Unimat Solutions Co., Ltd. and made it a wholly owned subsidiary, then changed its name to Benefit One Solutions Inc.
May 2012	Acquired shares of Hoken Kyoiku Center Co., Ltd. and made it a wholly owned subsidiary Established subsidiary Benefit One Shanghai Inc. in China.
Jul. 2012	Established business rights and obligations of the Company's Healthcare. Business was transferred to Hoken Kyoiku Center Co., Ltd. through an absorption-type company split and the company name was changed to Benefit One Healthcare Inc.
Oct. 2012	Established subsidiary BENEFIT ONE USA, INC. in the U.S.
Oct. 2013	Established subsidiary BENEFIT ONE ASIA PTD. LTD. (current BENEFIT ONE INTERNATIONAL PTE. LTD.) in Singapore.
Jan. 2014	Established subsidiary BENEFIT ONE (THAILAND) COMPANY LIMITED in Thailand.
May 2014	Established subsidiary PT. BENEFIT ONE INDONESIA in Indonesia.
Dec. 2014	Established subsidiary Benefit One Deutschland GmbH in Germany.



Sep. 2016	Participated in the capital of REWARDZ PRIVATE LIMITED and made it an affiliate.
Dec. 2016	Acquired additional shares of REWARDZ PRIVATE LIMITED and made it a subsidiary
Sep. 2017	Established subsidiary DG1 Inc. through merger with ECOMMEARTH LTD.
Oct. 2017	Relocated the head office to Chiyoda-ku, Tokyo.
Jan. 2018	Established satellite office "Ainan Base" in Ainan-cho, Minamiuwa-gun, Ehime Prefecture.
Feb. 2018	Certified as a "Health Management Stock 2018" and a "Health and Productivity Enterprise 2018" for the first time. Subsidiary Benefit One Healthcare Inc. was selected as a "Health and Productivity Enterprise 2018" for the first time.
Oct. 2018	Absorbed subsidiary Benefit One Solutions Inc. Established satellite office "Yawatahama Base" in Yawatahama City, Ehime Prefecture.
Nov. 2018	Listed shares on the First Section of the Tokyo Stock Exchange.
Dec. 2018	Established satellite office "Sukumo Base" in Sukumo City, Kochi Prefecture.
Feb. 2019	Certified as a "Health and Productivity Enterprise 2019." Subsidiary Benefit One Healthcare Inc. was certified as a "Health and Productivity Enterprise 2019."
Apr. 2019	Established satellite office "Kumakogen Base" in Kumakogen-cho, Kamiukena-gun, Ehime Prefecture.
Jul. 2019	Absorbed subsidiary Benefit One Healthcare Inc.
Aug. 2019	Selected for "JPX Nikkei Index 400" for the first time.
Oct. 2019	Established satellite office "Uchiko Base" in Uchiko-cho, Kita-gun, Ehime Prefecture.
Dec. 2019	Established satellite office "Kamijima Base" in Kamijima-cho, Ochi-gun, Ehime Prefecture.
Feb. 2020	Established satellite office "Awaji Base" in Awaji City, Hyogo Prefecture.
Mar. 2020	Certified as a "Health and Productivity Enterprise 2020."
Mar. 2021	Certified as "Health Management Stock 2021."

### 3. Contents of business

The Group is composed of the Company, 11 consolidated subsidiaries, one affiliated company to which the equity method is applied, and one non-consolidated subsidiary (as of March 31, 2021).

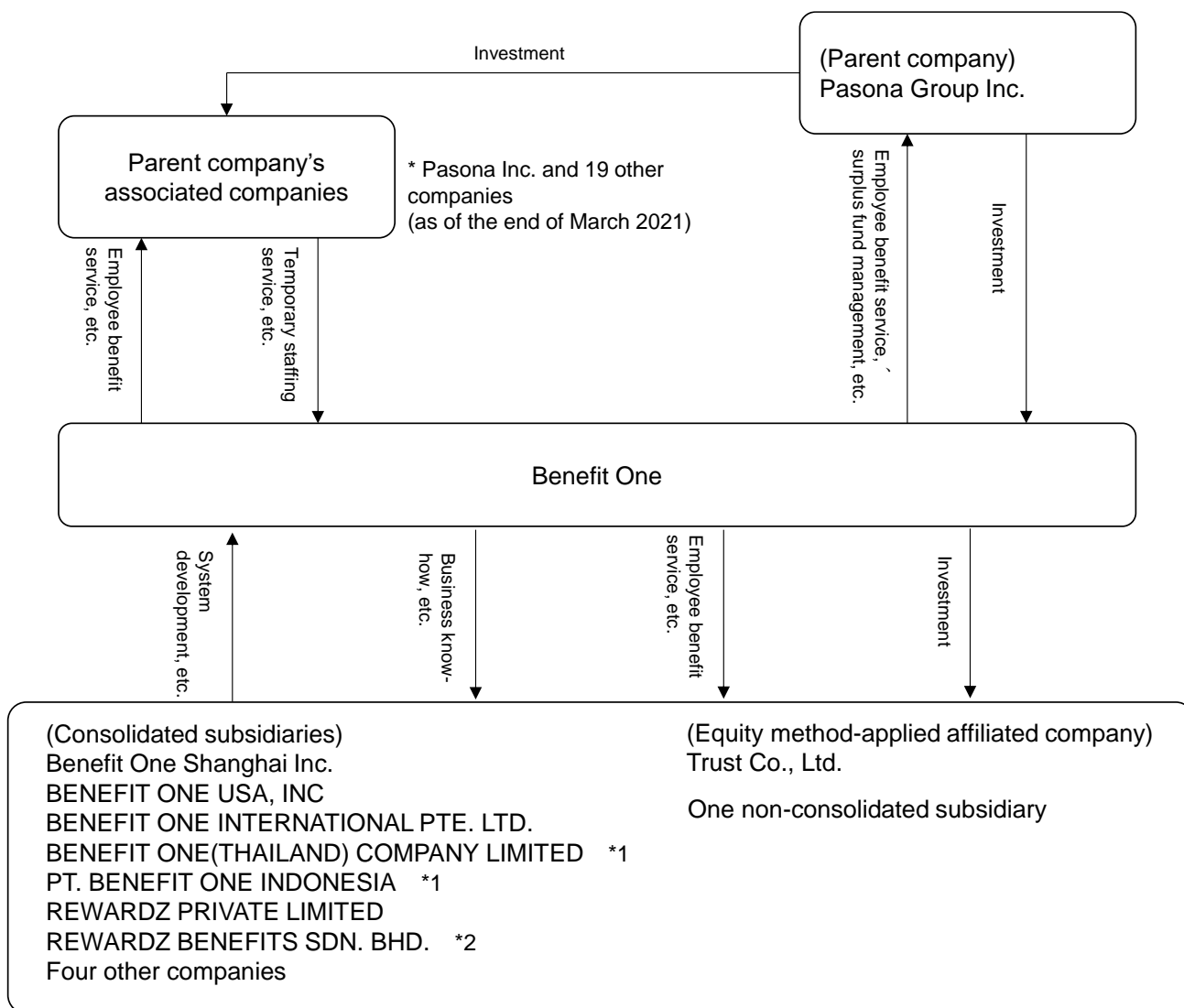
The Group is engaged in the membership service business, mainly the outsourced employee benefit service business in Japan. As a result of consolidating business segments, the segment to be reported is only the membership service business, and thus segment information is omitted.

The Company belongs to a corporate group centered around its parent company, Pasona Group Inc. (hereinafter, the "Pasona Group").

The Pasona Group is mainly engaged in a HR-related business and the Group is positioned as the core in the field of outsourcing business.

The Company is the outsourcee of employee benefit services for the parent company and its subsidiaries, including Pasona Inc., while accepting temporary staff from the Pasona Group's affiliated business companies. The Company deposits funds in the parent company by using the CMS (cash management system).

The business and investment relationship among the companies is shown below.



\*1: including indirect investment through BENEFIT ONE INTERNATIONAL PTE. LTD.

\*2: Indirect investment through REWARDZ PRIVATE LIMITED

The Group's main business is the Employee Benefit Service business designed to promote the improvement of management efficiency and the enhancement of employee satisfaction. The Group is also engaged in the Individual Benefit Service business, the Incentive business, the Healthcare business, the Purchase and Settlement Service business, etc.

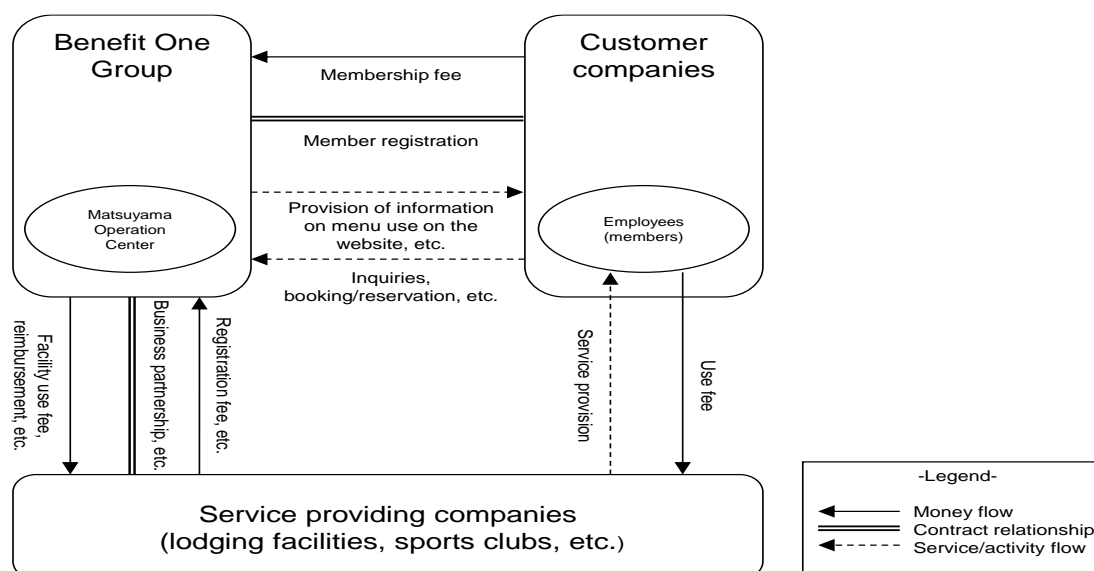
In the core Employee Benefit Service business, customer companies sign up to the "Benefit Station" service operated by the Company, and their employees (Members) can use our employee benefit service menu, such as lodging facilities, sports clubs, and schools offered by service providing companies having a partner relationship with the Company at discount prices. The Group receives monthly membership fees from customer companies according to the number of employees, and provides reimbursement according to customer companies' service courses when members use lodging facilities, etc.

The Company is also engaged in the Settlement Agency business using a selection-based employee benefit service system (Cafeteria Plan). In this service, the Company grants points to customer companies' employees (members) in advance, and members can choose employee benefit service menu options within their points depending on their needs.

By using the Company's services, customer companies can reduce their cost burden for employee benefits and have a good employee benefit service system regardless of the company size.

The Company's service system diagram is shown below.

(Employee Benefit Service business)



The Individual Benefit Service business offers the "Benefit Station" program primarily to customers of collaboration partners. The programs can be arranged, and the business offers new revenue opportunities to collaboration partners by combining the program with their original products. Membership fees are collected from individual members and revenue is shared with collaboration partners.

In the Incentive business, reward points are issued and managed and items are provided in exchange for points to support enterprises' loyalty and motivation enhancement measures. Customer companies introduce the program (Incentive Point) operated by the Company and grant points to their employees, agency staff, etc. Employees, agency staff, etc. exchange their points with items provided by the Company through the point management system. The Company receives money equivalent to granted points from enterprises. Point prices of items purchased by employees, agency staff, etc. are recorded as sales and the purchase prices of the items are recorded as the cost of the items.

The Healthcare business offers a one-stop health support service designed to prevent physical and mental diseases, such as health checkup service, specified health guidance, health point, and stress check by collecting outsourcing fees from health insurance associations and business owners. The business supports appropriate medical expenses and productivity enhancement by promoting the health of insured persons and employees.

The Purchase and Settlement Service business offers a settlement service related to short-distance travel

expenses, business travel expenses, and social/ entertainment expenses. By switching to enterprises' bulk settlement from advance payment by employees, the business supports enterprises' governance improvement, cost reduction, and operational efficiency improvement, earning fee income and settlement fees as a revenue source according to the handling volume. The business also offers a small-amount adjustment service for branch offices, compiling utility charges and other expenses and serving as a payment agency by collecting fees according to the number of cases processed.

By reorganizing services on the "Bene One Platform," an infrastructure designed to manage and utilize HR data and health data, the Company is shifting its axis from single solution sales, including the Employee Benefit Service business and the Healthcare business, to a platform business and promoting enterprises' HRDX (digital transformation in HR).

#### 4. Status of associated companies

As of March 31, 2021

Company name	Location	Share capital or investments in capital (Millions of yen)	Contents of major business	Ratio of voting rights holding or held (%)	Relationship			
					Interlocking Officer	Fund assistance	Lease of equipment	Sales and other transactions
(Parent company) Pasona Group Inc. (Note 1)	Chiyoda-ku, Tokyo	5,000	Development of group management strategies and support for business execution; business administration and the optimal allocation of management resources; the development of new businesses related to employment creation; etc.	[Held] [50.92]	Yes	-	-	Provision of employee benefit outsourcing services on a contract basis Deposit of funds
(Consolidated subsidiary) Benefit One Shanghai Inc. (Note 2)	Shanghai, China	RMB 20.96 million	Provision of point-based incentive system "Incentive Point"	100.00	Yes	Yes	-	Performance guarantee to customers
BENEFIT ONE USA, INC. (Note 2)	California, U.S.	USD 3.05 million	Provision of point-based incentive system "Incentive Point"	100.00	Yes	Yes	-	-
BENEFIT ONE INTERNATIONAL PTE. LTD. (Note 2)	Singapore	SGD 5.5 million	Management and control of the group's overseas business	100.00	Yes	-	-	Entrustment of the control of the overseas business
BENEFIT ONE (THAILAND) COMPANY LIMITED (Note 3)	Bangkok, Thailand	THB 4 million	Provision of point-based incentive system "Incentive Point"	49.00 (49.00) (Note 4)	Yes	Yes	-	Guarantee of debts
PT. BENEFIT ONE INDONESIA (Note 2)	Jakarta, Indonesia	IDR 26,000 million	Provision of point-based incentive system "Incentive Point"	96.15 (57.69) (Note 4)	Yes	Yes	-	-
REWARDZ PRIVATE LIMITED	Singapore	SGD 1.51 million	Employee Benefit Service business, Incentive Point business, Healthcare Point business, etc.	70.00	Yes	Yes	-	Entrustment of system development Payment of software use fee
REWARDZ BENEFITS SDN. BHD.	Kuala Lumpur, Malaysia	MYR 50 million	Employee Benefit Service business, Incentive Point business, Healthcare Point business, etc.	100.00 (100.00) (Note 4)	-	-	-	-
Four other companies								
(Equity method-applied affiliated company) Trust Co., Ltd. (Note 5)	Ojiya-shi, Niigata Prefecture	21	Development and sale of software	33.53	-	-	-	Entrustment of the development and maintenance of systems

Note 1: The company submits annual securities reports.

Note 2: The company is a specified subsidiary company.

Note 3: The company is positioned as a subsidiary because Benefit One substantially controls the company although Benefit One's equity does not exceed 50/100.

Note 4: Figures in parentheses in the "Ratio of voting rights holding or held" column represent the indirect ownership ratio.

Note 5: Benefit One acquired the shares of Trust Co., Ltd. by underwriting a capital increase through third-party allotment on February 26, 2021 and made it an affiliated company to which the equity method is applied.

## 5. Status of employees

### (1) Status of consolidated companies

As of March 31, 2021

Segment	Number of employees
Companywide	860 (449)
Total	860 (449)

Note 1: The number of employees represents the number of working employees excluding employees who are temporarily loaned from the Group to outside the Group but including employees who are temporarily loaned to the Group from outside the Group.

Note 2: The number in parentheses in the "Number of employees" column represents the average number of contract employees and part-timers during the year.

Note 3: As for the status of employees, the number of employees by the type of business, segment, or business division is not presented and the number of employees across the company is presented.

Note 4: The number of employees increased by 156 from the end of the previous consolidated fiscal year. This is mainly because of the employment of new employees and the appointment of temporary employees as regular employees in response to business expansion.

Note 5: The average number of contract employees and part-timers during the year increased by 49 from the end of the previous consolidated fiscal year. This is mainly because of staffing to strengthen the business processing structure in the Healthcare business.

### (2) Status of the reporting company

As of March 31, 2021

Number of employees	Average age	Average years of service	Average annual salary (¥ thousand)
790 (449)	35.6	6.6	6,130

Note 1: The number of employees represents the number of working employees excluding employees who are temporarily loaned from the Company to other companies but including employees who are temporarily loaned to the Company from other companies.

Note 2: The number in parentheses in the "Number of employees" column represents the average number of contract employees and part-timers during the year.

Note 3: The average years of service represents the years of service of employees on the management track.

Note 4: The average annual salary represents the amount of salary paid to employees on the management track and includes bonuses and non-standard wages.

Note 5: The Company's segment to be reported is only the membership service business, and thus statement by segment is omitted.

Note 6: The number of employees increased by 141 from the end of the previous fiscal year. This is mainly because of the employment of new employees and the appointment of temporary employees as regular employees in response to business expansion.

Note 7: The average number of contract employees and part-timers during the year increased by 74 from the end of the previous fiscal year. This is mainly because of the merger with Benefit One Healthcare Inc. in the previous fiscal year and staffing to strengthen the business processing structure in the Healthcare business.

### (3) Status of labor union

The Group has no labor union. The employer-employee relationship is in good shape, and there is no information to be noted.

## I-2. Status of business

### 1. Management policies, management environment, challenges to address, etc.

Matters regarding the future described in this report are assessments of the Group as of the end of the current consolidated fiscal year.

#### (1) Basic policy for company management

With the corporate philosophy of “Connect people and companies, aim to create new value, and contribute to fulfilling lifestyles and social development by creating the concept of service distribution,” the Group is engaged in businesses that contribute to the resolution of enterprises’ business challenges and the improvement of consumers’ satisfaction with service use.

#### (2) Medium- to long-term management strategy and priority challenges to address

While COVID-19 has a significant impact on society and economy, the crisis has triggered the acceleration of corporate HR departments’ initiatives for business challenges including workstyle reform, health management, and digitalization. The Group intends to accelerate the following initiatives to further develop its business, taking this socioeconomic trend as an opportunity.

##### 1) Support for enterprises’ HRDX (Note 1)

Corporate HR departments will increasingly utilize HR- and labor-related outsourcing services in the future, and HRDX, in which HR and health data are organized and utilized for management, is expected to become an important business challenge.

The Group is developing not only the employee benefit service, healthcare, and other outsourcing services but also the “Bene One Platform” that allows the management and utilization of HR and health data by linking such data with various HR- and labor-related outsourcing services. The Group will widely spread this platform, promoting its use as the group’s medium- to long-term core strategy, and intends to contribute to society through the improvement of the performance of customer companies’ people and organizations.

Note 1: “HRDX” refers to digital transformation in HR.

##### 2) Initiatives for the improvement of service distribution and the monetization of the Settlement business

The Group has established service distribution through the provision of an employee benefit outsourcing service by matching customer companies’ employees and suppliers (Note 2). The Group expects that the size of the service distribution will dramatically expand with the spread of the “Bene One Platform” and measures to promote its use.

The Group will utilize the payroll deduction scheme as a new initiative, try to reduce distribution cost by collecting each customer company’s purchase data and providing a settlement agency service, and aim to improve the satisfaction of both customer companies’ employees and suppliers. At the same time, the Group plans to make settlement fees generated in this initiative a new pillar of revenue.

Moreover, the Group intends to reduce the membership fee for the employee benefit service on a medium- to long-term basis by using the settlement fee revenue as a fund resource. The Group will make further efforts to capture members and expand service distribution.

Note 2: “Suppliers” refer to the providers of employee benefit services.

##### 3) Further promotion of the improvement of management efficiency

The Group has improved its management efficiency by horizontally applying its business while multiply and effectively using management resources accumulated in its main Employee Benefit Service business and by actively working on operational standardization, digitalization, and outsourcing.

The Group will make efforts to continuously maintain and increase the ordinary income margin and return on equity capital (ROE), while maintaining a high growth rate, by strongly promoting continuous BPR and workstyle reform across the group for further management innovation in the future.

Based on the above, the Group announced its medium-term management plan in May 2021 for three years from FY03/22 to FY03/24 in order to realize the above corporate philosophy and medium- to long-term management strategy.

The medium-term growth strategy focuses on two important themes: (1) “the acceleration of member increase” by supporting enterprises’ HRDX and (2) “the monetization of the settlement business” utilizing the payroll deduction scheme. The Group will work on the creation of new service distribution with the aim of becoming the only platformer in Japan utilizing its strength of B-to-E business.

Management indicators for the last fiscal year of the medium-term management plan (FY03/24) are set as follows:

(Targeted consolidated performance)

(Millions of yen)	FY03/21 (actual)	FY03/22 (plan)	FY03/24 (plan)
Sales	37,841	37,310	60,640
Operating income	9,774	11,750	20,950
Operating income margin	25.8%	31.5%	34.5%

(Management indicator related to “the acceleration of member increase”)

	April 2021 (actual)	April 2022 (plan)	April 2024 (plan)
Number of Members in the Employee Benefit Service business	6.33 million persons	7.75 million persons	16 million persons

(Management indicator related to “the monetization of the settlement business”)

(Millions of yen)	FY03/21 (actual)	FY03/22 (plan)	FY03/24 (plan)
Annual usage amount	-	400	100,000

## 2. Risk of business, etc.

(The Company’s risk management system)

In the Company’s risk management system, the department responsible for risk management is clarified and the Risk Management Committee chaired by the responsible Officer is set up based on the Basic Risk Management Regulations. The Risk Management Committee prevents risks that would have a significant impact on management and tries to minimize possible damage by assuming and classifying specific risks in advance and by developing and operating a system required for risk management. As for the subsidiaries’ risk management, the Company concludes a business management contract with the subsidiaries in accordance with the Associated Company Management Regulations, which specifies important matters that require prior discussion. The subsidiaries promptly report to the Company when an important fact arises or is expected to arise. Thus, the Company centrally manages risk.

In addition, the Management Council meeting is held with the attendance of full-time Directors and titled Executive Officers for the early comprehension of the status of the execution of operations and for prompt response. The Management Council reports important matters to the Board of Directors. The Audit Department conducts audits on the effectiveness of internal control and reports the results to the Board of Directors. Through these activities, the Board of Directors is able to appropriately monitor the status of the Group and its measures.

(Risk that could affect the Group’s operating results, etc.)

Among matters related to the status of business, the status of accounting, etc. stated in the annual securities report, listed below are major risks recognized by the management as possibly having a significant impact on consolidated companies’ financial position, operating results, and cash flow status. Additionally, matters that are not necessarily a business risk but are assessed as being important for investors’ investment decisions are stated for the purpose of active information disclosure for investors.

Matters regarding the future described in this report are assessments as of the end of the current consolidated fiscal year unless otherwise stated, and all risks related to investment in the Company’s shares are not covered.



(1) Operation of the Group's business

1) Securing human resources

Although many growth opportunities are expected in the Group's business, it is necessary to secure sufficient human resources, including sales personnel and professionals, to meet the operation volume that is expected to increase as a result of business expansion while improving the abilities of human resources in a timely manner. The Group is making efforts to improve the productivity with its own workstyle reform, including the promotion of online sales activities and operation processing and the promotion of the utilization of self-employed workers and other external workforce by standardizing operations.

In the Healthcare business with particularly high expectations for growth, it is important to secure certified personnel including registered dietitians who provide health guidance. The Group is making efforts to establish a system that does not miss growth opportunities by taking measures such as the improvement of the operational efficiency by promoting the ICT interview, in addition to measures such as active employment activities, in-company human resources development, and securing human resources through M&A.

The Group recognizes that securing competent IT engineers is important to secure competitive advantages, improve the business in response to environmental changes, and allow a continuous growth. The Group is making efforts to secure human resources through active employment activities and M&A.

If a sufficient number of competent human resources, including certified personnel and IT engineers, cannot be secured despite these efforts, that could affect the Group's operating results, etc. such as missing a growth opportunity.

2) System risk

In the Group's business, system infrastructure plays an important part for service provision. The Group is promoting the utilization of cloud infrastructure with sufficient safety measures and working on flexible expansion and the improvement of operation management efficiency in order to handle data that have increased with business expansion and to stably operate and manage the system infrastructure. Regarding important information systems and network facilities/equipment, the Group is taking measures against problems such as duplicating these systems and equipment. The Group is also taking security measures such as the prevention of unauthorized access from outside by employing a firewall.

If the Group's system is damaged or disrupted despite these efforts due to various factors that are difficult to predict, such as rapid access increase, internet connection problem, unknown computer virus, power outage, and natural disaster, that could affect the Group's operating results, etc. such as posing a problem for customers' service use.

3) Handling of personal information

The Group handles a large amount of personal information including HR and health data through service provision. Sufficiently recognizing the importance and risk of handling personal information, the Group is making efforts for information management, such as establishing a compliance manual and regulations on the protection of personal information, ensuring training and education on the protection and management of personal information for Officers and employees, and collecting a written confidentiality pledge from employees when they are employed and leave the Group.

In addition to these, the Group is taking measures against information leakage, including the adoption of a firewall and encryption technology, to prevent unauthorized access to systems from outside.

If personal information is leaked to outside despite these efforts due to the intention or negligence of employees, unforeseen circumstances, etc., the Group's operating results, etc. could be affected by a damage claim, deterioration of the brand image, etc.

4) Reimbursement in the Employee Benefit Service business

In the Employee Benefit Service business, the Company sometimes pays a part of members' service use fees as reimbursement, using the monthly membership fee income as a main resource, to promote members' use of our service menu. Such reimbursement is reported as cost of sales. Usually, members' service use does not significantly vary every fiscal year, but it is possible that their service use will decrease due to various factors that significantly affect socio-economic activities in general and that are difficult to predict, such as a pandemic and natural disaster. Such cases could affect the operating results, etc. of the Employee Benefit Service business, such as a temporary decrease in the amount of reimbursement payment.

5) "Accounts receivable – other" and "Advances paid"

The balance of “Accounts receivable – other” and “Advances paid” in the consolidated financial statements as of the end of the current consolidated fiscal year is ¥2,248 million. This is primarily because, in a part of the transactions in the Purchase and Settlement Service business, etc., the Company temporarily pays service use fees to its business partners on behalf of customers and later charges the fees to customers, based on the agreement with customers, when customers use services provided by the partners. With the expansion of the Purchase and Settlement Service business, transactions that generate “Accounts receivable – other” and “Advances paid” could increase, and the Group is making efforts to strengthen its credit management system by means such as ensuring credit management on the system and establishing an operation check system.

Despite these efforts, unexpected system problems, mistakes made by an employee or someone else, the rapid deterioration of a customer’s financial situation, etc. could affect the Group’s operating results, etc. such as problems in the collection of “Accounts receivable – other” and “Advances paid.”

#### 6) Seasonal performance fluctuations

In Employee Benefit Service reimbursement, the cost rate tends to be higher in the first half than the second half due to concentrated service use during summer holidays and other seasonal factors. In the Healthcare business, the provision of the health checkup service, health guidance, etc. tends to be larger in the second half, resulting in a larger revenue in the second half. The Group’s performance tends to change by season due to these seasonally variable factors.

### (2) Business investment

#### 1) M&A, capital tie-up, etc.

The Group intends to actively consider company acquisition (M&A), capital tie-up, etc. with the expectation of economic effects by expanding the business size and synergy effects by advancing into the peripheral business domain. When carrying out an acquisition or capital tie-up, the Group will make efforts for preliminary risk comprehension, including due diligence of the financial data and business of target companies, and carefully examine the profitability and potential for return on investment.

Despite these efforts, the effect of business integration after acquisition will not always go as initially planned due to changes in the socioeconomic environment, changes in market conditions, etc. There is the possibility that the Group will not be able to secure the assumed revenue size. In such a case, the Group’s operating results, etc. could be affected as a result of revaluating goodwill and intangible assets or by other factors.

#### 2) New business

The Group has promoted the diversification of revenue by multiply utilizing service infrastructure built in the Employee Benefit Service business and launching new businesses. Specifically, the Group is engaged in the Incentive business, the Healthcare business, the Purchase and Settlement Service business, etc. and plans to focus on the monetization of the settlement business in the future.

When launching a new business, the Group makes investments after sufficiently examining the adequacy of the business plan and risk peculiar to the new business, including recognition and assumption of the market environment and customer trends, business revenue structure, and risk management system. After launching a business, the Group tries to constantly grasp the progress of the business plan and review/revise the business scheme or modify the business plan as appropriate.

If the new business does not generate expected revenue despite these efforts due to changes in customer needs, competitive environment, etc., the Group’s operating results, etc. could be affected.

### 3) Overseas business

The Group has consolidated subsidiaries in Singapore, China, Thailand, U.S., Indonesia, etc. The Group's main overseas business is the Incentive business as it recognizes that corporate needs related to the recruitment of human resources and the management of employees' performance are common although overseas markets vary in personnel systems and business practices. In the overseas business, transactions are generally increasing, but it is still in the stage of up-front investment and additional funding, including investment and loans, may be required in the future. If the business does not develop as assumed, unexpected loss could be incurred due to the revaluation of investment, loans, etc.

Moreover, the Company's consolidated financial statements are affected by exchange rate fluctuations between JPY and foreign currencies because foreign currency-based financial statement amounts of overseas subsidiaries are converted into JPY in the Company's consolidated financial statements. If exchange rates abnormally fluctuate, the Group's operating results and financial position could be affected as a result of recording foreign exchange losses (gains) or for other reasons.

### (3) Risk arising from natural disasters, infectious disease epidemic, etc.

If an unexpected situation that has a substantial impact on society and economy in general such as a natural disaster and infectious disease epidemic occurs, the Group's business could be affected with a decrease, postponement, etc. of transactions.

The Group will make efforts to collect information on environmental changes as early as possible and to disperse risk by promoting business diversification, operational decentralization, and digitalization.

With regard to the COVID-19 pandemic in the current consolidated fiscal year, the impact on performance was observed mainly in the first half. In the Employee Benefit Service business, Members' service use decreased, resulting in a decrease in reimbursement payments. Health checkup and health guidance were delayed in the Healthcare business while the use of the business travel settlement service decreased in the Purchase and Settlement Service business. Overseas subsidiaries were also affected, such as business suspension of partners due to each country's regulations, lockdown, etc. The scope of impact was shrinking at the end of the current consolidated fiscal year, and we recognize that economic activities are being normalized. However, if the pandemic lasts longer than assumed or if COVID-19 spreads again after it is once controlled, the Group's operating results and financial position could be affected, and it is difficult to reasonably predict the impact as of the date of submission.

### (4) Relationship with the parent company

The Company's parent company is Pasona Group Inc., which holds 50.92% of the Company's voting rights as of March 31, 2021. One of eight Officers of the Company also serves as a Director of the parent company as of the date of submission, but the Company secures independence as a listed company and engages in management and business activities.

In transactions with the parent company, the Company goes through the Board of Directors' approval procedure and appropriately performs transactions in accordance with the Related Party Transaction Management Regulations and company rules on official authority so as not to harm the interests of the Company. Regarding important transactions with the parent company, the necessity and appropriateness of such transactions are deliberated by the Nomination and Compensation Committee, which is the Board of Directors' advisory body comprised of only Independent Outside Directors, and the Board of Directors' approval procedure is performed after obtaining a report and advice from the committee.

### (5) Management indicators

Management indicators targeted by the Group are estimated based on many assumptions related to the business environment, including changes in socioeconomic trends, the trends of customer companies, the needs of individual users, and the trends and effects of laws and regulations.

Many growth opportunities are expected in the Group's business. However, the management indicators may not be achieved at the expected time or degree because it is difficult to accurately forecast the degree, speed, etc. of changes in the business environment in the future.

### 3. Analysis of financial position, operating results, and cash flow status by the management

Described below is an outline of the status of operating results, financial position, and cash flows (hereinafter, "Operating results, etc.") of the Group in the current consolidated fiscal year; an analysis of the financial resources for capital and the liquidity of funds; and the recognition, analysis, and examination of the status of operating results, etc. of the Group from the management perspective.

Matters regarding the future described in this report are assessments of the Group as of the end of the current consolidated fiscal year.

#### (1) Important accounting policies and estimates

The consolidated financial statements of the Group are based on the accounting standards generally accepted as fair and appropriate in Japan. The preparation of these statements requires the selection and application of accounting policies by the management; the reported amounts of assets, liabilities, revenue, and expenses; and estimates that affect disclosure. The management reasonably assesses these estimates in consideration of historical performance, etc., but actual results may differ from these estimates because of uncertainty peculiar to estimates.

The accounting standards used in the preparation of these consolidated financial statements are stated in "I-5. Status of accounting, 1. Consolidated financial statements, etc. (Material matters that serve as the basis for preparing consolidated financial statements), and 4. Matters regarding accounting policies."

Of the accounting estimates and assumptions used in the preparation of the consolidated financial statements, important matters are stated in "I-5. Status of accounting, 1. Consolidated financial statements, etc. (Material accounting estimates)."

Information on the assumptions of the impact of COVID-19 is stated in "I-5. Status of accounting, 1. Consolidated financial statements, etc. (Additional Information)."

#### (2) Operating results, etc.

##### (Consolidated performance)

(Millions of yen)	FY03/20 (Previous consolidated FY)	FY03/21 (Current consolidated FY)	Amount of increase/decrease (%)	
Sales	37,271	37,841	+569	(+1.5%)
Operating income	8,394	9,774	+1,379	(+16.4%)
Ordinary income	8,462	9,858	+1,396	(+16.5%)
Net income attributable to owners of parent	5,641	6,766	+1,125	(+19.9%)

##### (Member count)

(10 thousand persons)	March 2020	March 2021	Change in member counts
Employee Benefit Service business	522	621	+99
Individual Benefit Service business	134	111	△23
CRM business	124	130	+6
Total member count	780	862	+82

In the current consolidated fiscal year, the Japanese economy continued to experience difficult circumstances due to the impact of COVID-19.

In many enterprises, the necessity of business challenges, such as workstyle reform, health management, and DX (digital transformation), has become more distinct with the increasing interest in the performance management of people and organizations in the COVID-19 environment.

The Group has proposed the resolution of HR department issues through the provision of BPO (business process outsourcing) services, such as employee benefit services and healthcare services. The group intends to further accelerate the improvement of its services and support the DX strategies of its customer companies' HR departments in consideration of recent socioeconomic trends. The Company released the new service "Bene One Platform" in June 2020. Through this service, the Company aims to contribute to the improvement of HR departments' management efficiency by centrally managing enterprises' HR and health data, etc., linking various HR- and labor-related outsourcing services with data, and utilizing them.

Regarding the performance in the current consolidated fiscal year, the Group maintained a year-on-year increase in sales and income, despite decreased service use and delay in health checkups and health guidance due to the impact of COVID-19. The overall consolidated performance was strong.

In the Employee Benefit Service business, we steadily captured new Members from large and middle-ranking enterprises although new member-capturing decelerated among SMEs. We tried to recover the use of services for Members by improving the menu that can be used at home, such as the e-learning and EC menu, but reimbursement payments decreased from the previous year since menus involving outings, such as accommodation and leisure menus, were less used partly because of the reissuance of the declaration of a state of emergency at the end of the year in response to the re-expansion of COVID-19. In the Incentive business, new customer development made progress with an increase in points granted to customers and increasing needs as an alternative for travel and annual events in the COVID-19 environment. In the Healthcare business, health checkup and health guidance were delayed in the COVID-19 environment, and a part of the revenue planned for FY03/21 was carried forward to FY03/22.

As a result of the above, in the current consolidated fiscal year, the Group recorded sales of ¥37,841 million (up 1.5% YoY), operating income of ¥9,774 million (up 16.4% YoY), ordinary income of ¥9,858 million (up 16.5% YoY), and net income attributable to owners of the parent of ¥6,766 million (up 19.9% YoY).

Major causes of increase or decrease in the operating income are as follows:

Increased income from the Employee Benefit Service, Individual Benefit Service, and CRM businesses:	¥ +1,510 million
Increased income from the Incentive business:	¥ +186 million
Decreased income from the Healthcare business:	¥△376 million
Decreased income from the Purchase and Settlement Service business:	¥△36 million
Improved profit/loss in the Overseas business:	¥ +129 million
Other:	¥△33 million

Performance by business is as follows:

1) Employee Benefit Service, Individual Benefit Service, and CRM businesses

Sales were ¥20,458 million (down ¥255 million YoY) and operating income was ¥8,389 million (up ¥1,510 million YoY). Sales decreased primarily because of a decrease in member count in the Individual Benefit Service business due to the impact of COVID-19. The increase in operating income was primarily because of an increase in new Members of large and medium-sized enterprises in the Employee Benefit Service business and a decrease in reimbursement payment due to the sluggish use of menus involving outings.

2) Incentive business

Sales were ¥3,957 million (up ¥276 million YoY) and operating income was ¥975 million (up ¥186 million YoY). Both sales and operating income increased because needs as an alternative to travel and annual events increased in the COVID-19 environment, promoting new customer development, and because business partners' points were steadily exchanged.

### 3) Healthcare business

Sales were ¥10,366 million (down ¥230 million YoY) and operating income was ¥755 million (down ¥376 million YoY). Both sales and operating income decreased because health checkup and specified health guidance were delayed due to COVID-19. A part of the operations will be carried forward to the next year.

### 4) Purchase and Settlement Service business

Sales were ¥694 million (down ¥56 million YoY) and operating income was ¥72 million (down ¥36 million YoY). Both sales and operating income decreased because voluntary restraints on business trips and entertainment use were prolonged due to COVID-19.

### 5) Overseas business

Sales were ¥1,423 million (up ¥568 million YoY) and operating income/loss was ¥△103 million (improvement of ¥129 million YoY). Sales increase and the improvement of operating income/loss were primarily a result of the expansion of business partners in Singapore and Thailand.

As a result of the above, both the operating income margin (25.8%) (22.5% in the previous consolidated fiscal year) and ordinary income margin (26.1%) (22.7% in the previous consolidated fiscal year) improved in the current consolidated fiscal year.

### (Status of production, orders, and sales)

The Group's main business is outsourced employee benefit services for enterprises, and thus production results and orders received are not applicable.

### (Financial position)

#### 1) Assets

Net assets at the end of the current consolidated fiscal year were ¥36,171 million, an increase of ¥6,245 million from the end of the previous consolidated fiscal year.

Current assets were ¥28,696 million, an increase of ¥5,226 million. This is mainly due to an increase of cash and deposits (¥4,602 million), notes and accounts receivable – trade (¥649 million), etc.

Property, plant, and equipment increased by ¥1,018 million to ¥7,475 million.

#### 2) Liabilities

Total liabilities at the end of the current consolidated fiscal year were ¥16,306 million, an increase of ¥2,947 million from the end of the previous consolidated fiscal year.

Current liabilities were ¥15,184 million, an increase of ¥2,879 million. This is mainly due to an increase of accounts payable – trade (¥1,018 million), income taxes payable (¥486 million), advances received (¥888 million), etc.

Non-current liabilities increased by ¥67 million to ¥1,121 million.

#### 3) Net assets

Net assets at the end of the current consolidated fiscal year were ¥19,865 million, an increase of ¥3,298 million from the end of the previous consolidated fiscal year. This is mainly due to net income attributable to owners of the parent (¥6,766 million) and dividends paid (¥3,987 million), etc. in the current consolidated fiscal year.

As a result, the equity ratio at the end of the current consolidated fiscal year was 54.9% (55.4% at the end of the previous consolidated fiscal year) and the return on equity capital (ROE) for the current consolidated fiscal year was 37.1% (31.0% for the previous consolidated fiscal year).

### (Cash flows)

The balance of cash and cash equivalents (hereinafter, "Funds") at the end of the current consolidated fiscal year was ¥17,554 million, an increase of ¥4,591 million from the end of the previous consolidated fiscal year.

The status of each cash flow and factors in the current consolidated fiscal year are described below.

1) Cash flow from operating activities

Cash flow from operating activities increased by ¥9,862 million. (In the previous consolidated fiscal year (FY03/20), cash flow from operating activities increased by ¥5,476 million.)

The increase in Funds is attributed to net income before income taxes of ¥9,852 million (¥8,228 million in FY03/20), depreciation of ¥778 million (¥819 million in FY03/20), increased trade payables of ¥1,013 million (decrease of ¥420 million in FY03/20), increased advances received of ¥873 million (decrease of ¥417 million in FY03/20), etc.

Decrease in Funds is attributed to increased trade receivables of ¥637 million (increase of ¥524 million in FY03/20), decreased accounts payable – other of ¥594 million (decrease of ¥626 million in FY03/20), income taxes paid of ¥2,647 million (¥2,650 million in FY03/20), etc.

2) Cash flow from investing activities

Cash flow from investing activities decreased by ¥1,175 million. (In FY03/20, cash flow from investing activities decreased by ¥748 million.)

The decrease in Funds is attributed to the purchase of tangible/intangible assets of ¥1,119 million (¥736 million in FY03/20), etc.

3) Cash flow from financing activities

Cash flow from financing activities decreased by ¥4,110 million. (In FY03/20, cash flow from financing activities decreased by ¥9,077 million.)

The decrease in Funds is attributed to dividends paid of ¥3,986 million (¥4,044 million in FY03/20), etc.

(3) An analysis of the financial resources for capital and the liquidity of funds

1) Liquidity and the source of funds

Funds required by the Group are roughly divided into funds for capital investment including system development, funds for business investment in subsidiaries, affiliated companies, etc., and funds for ordinary working capital. Of these necessary funds, funds for capital investment and funds for business investment, including acquisition and investment, are procured from funds on hand and through finance lease, as appropriate. Ordinary working capital is also procured from funds on hand.

Capital investment totaled ¥1,246 million in the current consolidated fiscal year. The Group invested in system development for HRDX promotion, system hardware, etc.

Currently, the Group recognizes that it has sufficiently secured necessary business funds and is prepared for sudden demands for funds and unforeseen circumstances by setting a commitment line with financial institutions.

2) Policy on fund allocation

The Company intends to make efforts for continuous and stable dividend growth targeting an annual dividend on equity ratio of 10% or more and a consolidated payout ratio of 70% or more in consideration of the status of income of each fiscal year, business development in the future, investment plan, etc.

Regarding the acquisition of treasury shares, the Company makes a comprehensive decision as one of the measures for return to shareholders in consideration of the impact on the financial status, the stock supply and demand balance, etc.

As for retained earnings, the Company intends to increase its profitability by using retained earnings for IT investment aimed at integrating business infrastructure, improving the service quality, saving operational labor, etc., as well as for investment in new businesses, M&A investment, etc., while improving business foundations.

(4) Recognition of issues by the management and policies for the future

As stated in “1-2. Status of business, 1. Management policies, management environment, challenges to address, etc., (2) Medium- to long-term management strategy and priority challenges to address,” the Company believes that its medium- to long-term priority challenges are (a) initiatives to promote the use of the “Bene One Platform” that allows the management and utilization of HR and health data by linking such data with various HR- and labor-related outsourcing services and (b) initiatives to monetize the new settlement business utilizing a payroll deduction scheme.

The Company developed the basic functions of the “Bene One Platform” in the current consolidated fiscal year. From FY03/22, the Company will aim to increase Members and expand the business by linking the system used to provide existing services, such as employee benefit, healthcare, and incentive, with the “Bene One Platform”; as well as by widely spreading the platform as an infrastructure for HR and health data management and promoting

the use of the platform.

The Company will start to offer the new settlement service through payroll deduction from FY03/22. By offering the settlement service for service distribution that is expected to increase with the promotion of the use of the "Bene One Platform," the Company will promote initiatives for the monetization of settlement fees.

The Company will make efforts to further increase the ordinary income margin and return on equity capital (ROE), while aiming at a high growth, by promoting these initiatives as the core strategy and by simultaneously promoting initiatives for the improvement of the operational efficiency such as the utilization of the external workforce in the development of customers and member shops/stores/restaurants and the reduction of in-company man-hours by automating operations.

We expect that the impact of COVID-19 will gradually decrease in the second half of FY03/22. We expect that members' service use in the Employee Benefit Service business and the use of business trips in the Purchase and Settlement Service business will gradually recover. In other businesses, we expect no significant impact, and we will aim to expand transactions and increase profit mainly in the Healthcare business.

#### 4. Important business contracts, etc.

Not applicable.

#### 5. R&D activities

Not applicable.



### I-3. Status of equipment

#### 1. Outline of capital investment, etc.

In the current consolidated fiscal year, the Company invested in system development for HRDX promotion, system hardware, etc.

Capital investment, etc. totaled ¥1,246 million in the current consolidated fiscal year. (Long-term prepaid expenses are included. Consumption tax, etc. are not included in the amount.)

#### 2. Status of major equipment

##### (1) Reporting company

Major equipment and employees of the Company as of March 31, 2021 are as follows:

Business site (Location)	Segment	Equipment	Book value (Millions of yen)							Number of employees (persons)
			Buildings and structures	Land (Area in m <sup>2</sup> )	Leased assets	Software	Long- term prepaid expenses	Other	Total	
Head Office (Chiyoda-ku, Tokyo)	Membership service business Other	Business site equipment Business systems	12	-	125	1,113	46	64	1,361	364 (34)
Matsuyama Operation Center (Matsuyama City, Ehime Prefecture)	Membership service business Other	Business site equipment	242	370 (1,818.20)	60	-	-	9	684	271 (297)
Directly-managed facility (Hakone-machi, Ashigarashimo-gun, Kanagawa Prefecture)	Membership service business	Lodging facility	50	139 (10,347.04)	-	-	-	8	198	-
Directly-managed facility (Tateyama City, Chiba Prefecture)	Membership service business	Lodging facility	76	44 (1,044.34)	-	-	-	0	121	-

Note 1: The above amounts do not include consumption tax, etc.

Note 2: Currently, there is no idle equipment.

Note 3: "Other" under "Book value" represents "Machinery and equipment," "Vessels," and "Tools, furniture, and fixtures."

Note 4: Book value does not include the amount reported as "Construction in progress" or "Software in progress."

Note 5: The number in parentheses in the "Number of employees" column represents the average number of contract employees and part-timers during the year.

##### (2) Subsidiaries in Japan

There is no major equipment.

##### (3) Overseas subsidiaries

Company name (Location)	Segment	Equipment	Book value (Millions of yen)							Number of employees (persons)
			Buildings and structures	Land (Area in m <sup>2</sup> )	Leased assets	Software	Long- term prepaid expenses	Other	Total	
REWARDZ PRIVATE LIMITED (Singapore)	Membership service business	Business site equipment Business systems	-	-	0	90	-	0	91	13 (-)

Note 1: Currently, there is no idle equipment.

Note 2: "Other" under "Book value" represents "Tools, furniture, and fixtures."

Note 3: Book value does not include the amount reported as "Construction in progress" or "Software in progress."

Note 4: The number in parentheses in the "Number of employees" column represents the average number of contract employees and part-timers during the year.

### 3. Plans for new equipment, equipment retirement, etc.

#### (1) Important new equipment, etc.

Company name	Business site (Location)	Segment	Equipment	Investment plan amount		Financing method	Start month/year	Scheduled completion month/year
				Total amount (Millions of yen)	Paid amount (Millions of yen)			
Reporting company	Head office (Chiyoda-ku, Tokyo)	Membership service business Other	Business systems (Note 1)	3,200	950	Funds on hand	April 2020	March 2022

Note 1: This includes hardware investment and long-term prepaid expenses related to business systems.

Note 2: The above amounts do not include consumption tax, etc.

Note 3: The above investment plan amount includes a part of the amount that is not included in assets and will possibly be processed as an expense.

#### (2) Retirement of important equipment, etc.

Not applicable.

#### I-4. Status of the reporting company

##### 1. Status of shares, etc.

###### (1) Total number of shares, etc.

###### 1) Total number of shares

Class	Total number of authorized shares
Common shares	560,000,000
Total	560,000,000

###### 2) Issued shares

Class	Number of issued shares as of the end of the fiscal year (March 31, 2021)	Number of issued shares as of the date of submission (June 25, 2021)	The financial instruments exchange on which the shares are listed or the association of authorized financial instruments firms to which the shares are registered	Information on shares
Common shares	159,970,000	159,970,000	First Section, Tokyo Stock Exchange	The number of shares constituting one unit is 100 shares.
Total	159,970,000	159,970,000	-	-

###### (2) Status of share options, etc.

###### 1) Stock option plan

Not applicable.

###### 2) Rights plan

Not applicable.

###### 3) Status of other share options, etc.

Not applicable.

###### (3) Status of exercise, etc. of corporate bond certificates, etc. with share options subject to exercise value change

Not applicable.

(4) Transition of the total number of issued shares, share capital, etc.

Date	Increase/ decrease in the total number of issued shares	Balance of the total number of issued shares	Increase/ decrease in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Increase/ decrease in legal capital surplus (Millions of yen)	Legal capital surplus balance (Millions of yen)
October 1, 2017 (Note 1)	45,144,000	90,288,000	-	1,527	-	1,467
May 18, 2018 (Note 2)	△9,088,000	81,200,000	-	1,527	-	1,467
March 1, 2019 (Note 3)	81,200,000	162,400,000	-	1,527	-	1,467
August 16, 2019 (Note 4)	△1,800,000	160,600,000	-	1,527	-	1,467
November 15, 2019 (Note 5)	△630,000	159,970,000	-	1,527	-	1,467

Note 1: One share was split into two shares for shareholders registered in the shareholder register as of September 30, 2017.

Note 2: The Board of Directors meeting held on May 7, 2018 resolved to cancel a part of treasury shares based on the provisions of Article 178 of the Companies Act, and 9,088,000 treasury shares were canceled on May 18, 2018. As a result, the total number of issued shares decreased by 9,088,000 shares to 81,200,000 shares.

Note 3: One share was split into two shares for shareholders registered in the shareholder register as of February 28, 2019.

Note 4: The Board of Directors meeting held on July 29, 2019 resolved matters regarding the acquisition of treasury shares based on the provisions of the Articles of Incorporation pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act, and also resolved to cancel a part of treasury shares based on the provisions of Article 178 of the Companies Act. Based on the resolution of the Board of Directors, the Company acquired 1,800,000 treasury shares on July 30, 2019 and cancelled 1,800,000 treasury shares on August 16, 2019. As a result, the total number of issued shares decreased by 1,800,000 shares to 160,600,000 shares.

Note 5: The Board of Directors meeting held on October 31, 2019 resolved matters regarding the acquisition of treasury shares based on the provisions of the Articles of Incorporation pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act, and also resolved to cancel a part of treasury shares based on the provisions of Article 178 of the Companies Act. Based on the resolution of the Board of Directors, the Company acquired 630,000 treasury shares on November 1, 2019 and cancelled 630,000 treasury shares on November 15, 2019. As a result, the total number of issued shares decreased by 630,000 shares to 159,970,000 shares.

(5) Status of shares by shareholder

As of March 31, 2021

Category	Status of shares (1 unit = 100 shares)								Status of shares less than one unit (shares)
	Government and local public body	Financial institution	Financial instruments business operator	Other corporations	Foreign corporation, etc.		Individual & other	Total	
					Non- individual	Individual			
Number of shareholders (persons)	-	37	23	56	250	15	12,889	13,270	-
Number of shares held (unit)	-	281,249	6,076	829,442	323,227	130	159,339	1,599,463	23,700
Percentage of shares held (%)	-	17.58	0.38	51.86	20.21	0.01	9.96	100	-

Note 1: Of 468,243 treasury shares, 4,682 units are included in "Individual & other" while 43 shares are included in "Status of shares less than one unit."

Note 2: 3,669 units of the Company's shares held by Custody Bank of Japan, Ltd. (trust account E) for the purpose of the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT) are included in "Financial institutions" while 17 shares are included in "Status of shares less than one unit."

Note 3: Japan Trustee Services Bank, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd., and changed its trade name to Custody Bank of Japan, Ltd. as of July 27, 2020.

## (6) Status of major shareholders

As of March 31, 2021

Name	Address	Number of shares held	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
Pasona Group Inc.	5-1, 1-chome, Marunouchi, Chiyoda-ku, Tokyo	81,210,400	50.92
The Master Trust Bank of Japan Ltd. (Trust account)	11-3, 2-chome, Hamamatsucho, Minato-ku, Tokyo	8,901,700	5.58
Custody Bank of Japan, Ltd (Trust account)	8-12, 1-chome, Harumi, Chuo-ku, Tokyo	7,257,700	4.55
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston, MA, USA, 02111 (11-1, 3-chome, Nihonbashi, Chuo-ku, Tokyo)	3,890,887	2.44
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT (Standing proxy: MUFG Bank, Ltd.)	225 Liberty Street, New York, New York, 10286, USA (7-1, 2-chome, Marunouchi, Chiyoda-ku, Tokyo)	2,600,000	1.63
Norio Shiraishi	Hachioji-shi, Tokyo	2,201,600	1.38
TMAM-GO JAPAN ENGAGEMENT FUND (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	26 Throgmorten Street, London, EC2N 2AN, United Kingdom (Shinagawa Intercity Tower A, 15-1, 2-chome, Konan, Minato-ku, Tokyo)	1,890,100	1.19
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2-1, 1-chome, Marunouchi, Chiyoda-ku, Tokyo	1,600,000	1.00
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	P.O.Box 351 Boston, Massachusetts, 02101, USA, (Shinagawa Intercity Tower A, 15-1, 2-chome, Konan, Minato-ku, Tokyo)	1,566,389	0.98
SUNNEXTA GROUP Inc.	35 Tansumachi, Shinjuku-ku, Tokyo	1,388,000	0.87
Total	-	112,506,776	70.54

Note 1: Other than the above, 468,243 treasury shares are held by the Company. (Percentage of the number of shares held to the total number of issued shares: 0.29%)

Note 2: The Company has introduced the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT), and Custody Bank of Japan, Ltd. (trust account E) holds 366,917 shares of the Company. The Company's shares held in trust account E are not included in treasury shares.

Note 3: Of the number of shares held by the trust banks above, the number of shares held in connection with trust business are as follows:

Of the number of shares held by the Master Trust Bank of Japan Ltd. (Trust account), 8,839,700 shares are held in connection with trust business.

Of the number of shares held by Custody Bank of Japan, Ltd. (Trust account), 7,127,900 shares are held in connection with trust business.

Note 4: Japan Trustee Services Bank, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd., and changed its trade name to Custody Bank of Japan, Ltd. as of July 27, 2020.

## (7) Status of voting rights

## 1) Issued shares

As of March 31, 2021

Category	Number of shares	Number of voting rights	Information
Non-voting shares	-	-	-
Shares with restricted voting right (treasury shares, etc.)	-	-	-
Shares with restricted voting right (Other)	-	-	-
Shares with voting rights (treasury shares, etc.)	(Shares owned by the Company) Common shares 468,200	-	-
Shares with voting rights (Other)	Common shares 159,478,100	1,594,781	—
Shares less than one unit	Common shares 23,700	-	-
Total number of issued shares	159,970,000	-	-
Voting rights of all shareholders	-	1,594,781	-

Note 1: Common shares in the “Shares with voting rights (Other)” column include 366,900 shares of the Company (the number of voting rights: 3,669) held by the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT).

Note 2: Common shares in the “Shares less than one unit” column include 43 treasury shares held by the Company and 17 shares of the Company held by the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT).

## 2) Treasury shares, etc.

As of March 31, 2021

Name of the shareholder	Address of the shareholder	Number of treasury shares held	Number of non-treasury shares held	Total number of shares held	Percentage of shares held to the total number of issued shares (%)
(Shares owned by the Company) Benefit One Inc.	6-2, 2-chome, Otemachi, Chiyoda-ku, Tokyo	468,200	-	468,200	0.29
Total	-	468,200	-	468,200	0.29

Note 1: 366,900 shares of the Company (0.23%) held by the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT) are not included in the above treasury shares.

Note 2: Other than the above, the Company holds 43 shares as treasury shares less than one unit.

## (8) Information on the Officer/employee stock ownership plan

## 1) Introduction of the Japanese version of the Employee Stock Ownership Plan (J-ESOP) for employees

Based on the resolution at the Board of Directors meeting held on July 28, 2016, the Company introduced an incentive plan, the Japanese version of the Employee Stock Ownership Plan (J-ESOP) (hereinafter, the “J-ESOP scheme”), on September 2, 2016 for the purpose of enhancing employees’ motivation and morale for higher stock price and performance. In this scheme, treasury shares are allocated to employees of the Company and Officers and employees of the Company’s subsidiaries (hereinafter, “Employees, etc.”).

## i) Outline of the J-ESOP scheme

The Company established the Stock Benefit Regulations when it introduced the J-ESOP scheme. Based on the Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire in advance shares to be allocated in the future, and trust banks acquired the Company’s shares using the entrusted money.

In the J-ESOP scheme, the Company grants points to Employees, etc. and allocates shares to Employees, etc. according to their points based on the Stock Benefit Regulations.

## ii) Total number of shares to be allocated to Employees, etc.

212,497 shares

## iii) Scope of persons who are entitled to beneficiary rights and other rights under the J-ESOP scheme

Persons who satisfy the beneficiary requirements specified in the Stock Benefit Regulations.

## 2) Introduction of the Board Benefit Trust (BBT) for Directors

Based on the resolution at the General Meeting of Shareholders held on June 29, 2016, the Company introduced the Board Benefit Trust (BBT) (hereinafter, the "BBT scheme") on September 2, 2016 as a performance-linked stock-based remuneration system for Directors (limited to Executive Directors).

At the General Meeting of Shareholders held on June 25, 2019, the Company resolved to abolish the previous remuneration slot in the previous BBT scheme for Directors in a Company with a Board of Company Auditors, primarily for the transition to a Company with an Audit and Supervisory Committee, and also resolved to set a new remuneration slot for performance-linked stock-based remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members and limited to Executive Directors; the same applies hereinafter).

At the General Meeting of Shareholders held on June 24, 2021, the Company resolved to set a new remuneration slot again for performance-linked stock-based remuneration for Directors in response to the enforcement of the Act Partially Amending the Companies Act (Act No. 70 of 2019) on March 1, 2021.

### i) Outline of the BBT scheme

The Company established the Officer Stock Benefit Regulations when it introduced the BBT scheme. Based on the Officer Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire in advance shares to be allocated in the future, and trust banks acquired the Company's shares using the entrusted money.

In the BBT scheme, the Company grants points to Directors and allocates shares to Directors according to their points based on the Officer Stock Benefit Regulations.

### ii) Total number of shares to be allocated to Directors

154,420 shares

### iii) Scope of persons who are entitled to beneficiary rights and other rights under the BBT scheme

Of those who have resigned from the Director position, persons who satisfy the beneficiary requirements specified in the Officer Stock Benefit Regulations.

## 2. Status of the acquisition of treasury shares, etc.

[Class of shares, etc.] Acquisition of common shares based on Article 155, Paragraph 7 of the Companies Act

### (1) Status of acquisition based on a resolution of the General Meeting of Shareholders

Not applicable.

### (2) Status of acquisition based on a resolution of the Board of Directors

Not applicable.

### (3) Acquisitions that are not based on a resolution of the General Meeting of Shareholders or the Board of Directors

Category	Number of shares	Total value (Millions of yen)
Treasury shares acquired in the current fiscal year	53	0
Treasury shares acquired in the current period	-	-

Note: Treasury shares acquired in the current period do not include the number of shares less than one unit sold based on a buy-out request or a request for additional purchase made between June 1, 2021 and the date of submission of the annual securities report.

#### (4) Status of disposal and holding of acquired treasury shares

Category	Current fiscal year		Current period	
	Number of shares	Total disposal value (Millions of yen)	Number of shares	Total disposal value (Millions of yen)
Acquired treasury shares for which subscribers were solicited	-	-	-	-
Acquired treasury shares that were cancelled	-	-	-	-
Acquired treasury shares that were transferred as a result of merger, share exchange, share issuance, or company split	-	-	-	-
Other (-)	-	-	-	-
Number of treasury shares held	468,243	-	468,243	-

Note 1: 366,917 shares of the Company held by the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT) are not included in the above number of treasury shares held.

Note 2: The number of treasury shares held in the current period does not include the number of shares less than one unit sold based on a buy-out request or a request for additional purchase made between June 1, 2021 and the date of submission of the annual securities report.

#### 3. Dividend policy

The Company has a basic policy of paying annual dividends of surplus as the year-end dividend and specifies in the Articles of Incorporation that it may pay dividends of surplus, etc. by a resolution of the Board of Directors based on the provisions of Article 459, Paragraph 1 of the Companies Act.

With regard to profit allocation, the Company is willing to make efforts for a continuous and stable dividend growth in consideration of income status in each fiscal year, business development and investment plan in the future, etc. with the target of 10% or more dividend on equity ratio and 70% or more consolidated payout ratio.

Regarding the dividend for the current fiscal year, the Board of Directors meeting held on May 12, 2021 resolved to pay ¥30.0 dividend per share based on the above policy.

As for retained earnings, the Company intends to increase its profitability by using retained earnings for IT investment aimed at integrating business infrastructure, improving the service quality, saving operational labor, etc., as well as for investment in new businesses, M&A investment, etc. while improving business foundations.

The Company specifies in the Articles of Incorporation that it may pay interim dividends by a resolution of the Board of Directors, setting September 30 every year as the reference date.

Note: Dividends of surplus for the current fiscal year to which the reference date belongs are as follows:

Resolution date	Total amount of dividend (Millions of yen)	Dividend per share (Yen)
May 12, 2021 Resolution by the Board of Directors	4,785	30.0

#### 4. Status of corporate governance, etc.

##### (1) Outline of corporate governance

##### (Basic policy on corporate governance)

Recognizing the importance of corporate management based on the compliance with laws, regulations, etc., the Company positions making management decisions promptly in response to the changing socioeconomic environment, improving the soundness of management, and eventually increasing the shareholder value as its high-priority management challenges.

To achieve these, the Company intends to establish a good relationship with stakeholders, including communities and employees, in addition to shareholders and business partners, and to improve corporate governance while further strengthening, improving, and developing legal functions and systems including the General Meeting of Shareholders, the Board of Directors, the Audit and Supervisory Committee, and financial auditors.

The Company will also make efforts to promptly disclose accurate information to shareholders and investors to increase the management transparency.

##### (Outline of the corporate governance system and reasons for adopting the system)

The Company is a Company with an Audit and Supervisory Committee, aiming to strengthen the audit and supervisory functions of the Board of Directors, further increase the effectiveness of corporate governance, and improve the management efficiency by promoting prompt decision-making through authority delegation to Executive Directors.

Major internal control-related organizations of the Company are as follows:



#### 1) Board of Directors

The Board of Directors discusses and decides important business matters as the decision-making body for the execution of operations and supervises Directors' execution of operations. As of the date of submission, the Board of Directors is composed of four Directors who are not serving as Audit and Supervisory Committee Members (Ms. Junko Fukasawa, Mr. Norio Shiraishi, Ms. Hideyo Tanaka, and Mr. Kenji Ozaki) and four Directors serving as Audit and Supervisory Committee Members (Mr. Takuo Umekita, Mr. Nobuyasu Kubo, Mr. Toshiaki Hamada, and Mr. Tomonori Fujiike).

Of the four Directors who are not serving as Audit and Supervisory Committee Members, two are males and the other two are females. All the four Directors serving as Audit and Supervisory Committee Members are males.

Of the four Directors serving as Audit and Supervisory Committee Members, Mr. Nobuyasu Kubo, Mr. Toshiaki Hamada, and Mr. Tomonori Fujiike are Outside Directors who satisfy the independence criteria set forth by the Company. The Board of Directors' monitoring function is strengthened as Independent Outside Directors account for over one-third of the board members.

The Board of Directors is chaired by the President.

#### 2) Audit and Supervisory Committee

The Audit and Supervisory Committee audits the status of the execution of the duties by the Directors, etc. and, in cooperation with financial auditors and the internal audit department, makes efforts so that audits will be effectively conducted. As of the date of submission, the Audit and Supervisory Committee is composed of four members (Mr. Takuo Umekita, Mr. Nobuyasu Kubo, Mr. Toshiaki Hamada, and Mr. Tomonori Fujiike).

Of the four Directors serving as Audit and Supervisory Committee Members, Mr. Takuo Umekita is a full-time Audit and Supervisory Committee member. Mr. Nobuyasu Kubo, Mr. Toshiaki Hamada, and Mr. Tomonori Fujiike are Outside Directors. All three Outside Directors are designated as independent Directors.

The Audit and Supervisory Committee is chaired by the full-time Audit and Supervisory Committee member.

#### 3) Nomination and Compensation Committee

The Nomination and Compensation Committee aims to improve corporate governance by increasing the fairness, transparency, and objectivity of the procedures related to the nomination, remuneration, etc. of Directors and by ensuring the independence of the Company from controlling shareholders. In response to a consultation by the Board of Directors, the committee deliberates matters regarding the nomination, remuneration, etc. of Directors and matters regarding the necessity and appropriateness of related party transactions. The Board of Directors makes decisions after receiving reports and advice from the committee.

The Nomination and Compensation Committee is comprised of only Independent Outside Directors who satisfy the independence criteria set forth by the Company. As of the date of submission, the Nomination and Compensation Committee is composed of three members (Mr. Nobuyasu Kubo, Mr. Toshiaki Hamada, and Mr. Tomonori Fujiike).

The Nomination and Compensation Committee is chaired by Mr. Tomonori Fujiike.

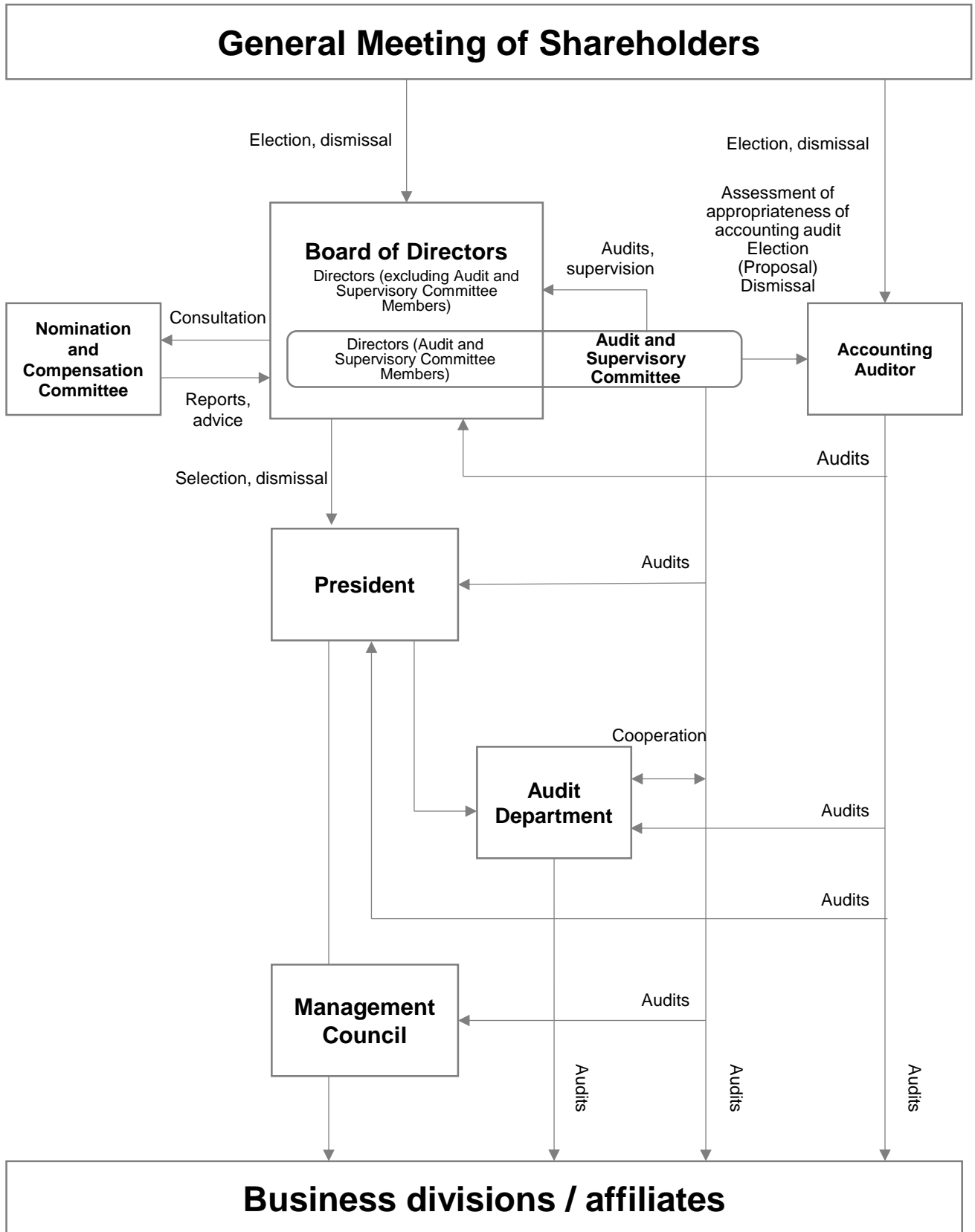
#### 4) Management Council

The Management Council meeting is held every week, in principle, to make decisions promptly and efficiently on important matters having a companywide impact and to deliberate and report agenda items of the Board of Directors. As of the date of submission, the Management Council is composed of four full-time Directors (Mr. Norio Shiraishi, Ms. Hideyo Tanaka, Mr. Kenji Ozaki, and Mr. Takuo Umekita) and seven titled Executive Officers (Mr. Yoshihisa Takita, Ms. Masako Kuse, Mr. Kiyoshi Koga, Mr. Takio Sudo, Mr. Tsuyoshi Saito, Mr. Akira Arimura, and Mr. Hidefumi Matsufuji).

The Management Council is chaired by the President.

The Company's corporate governance chart is shown below.

## Corporate Governance Structure



(Basic policy on the internal control system)

The Company recognizes that developing and improving the internal control system and ensuring the effective operation of the system are essential when it aims at sound corporate management. The Company has established the group's code of conduct in order to promote efficient and legitimate management activities while considering the characteristics of the Company's business and resulting risk. The Company is making efforts to cultivate sound corporate culture by establishing a structure, based on the code of conduct, for the development of human resources and the appropriate supervision of the execution of operations.

(Development and operation of the internal control system)

- 1) System to ensure that the execution of the duties by the Directors of the Company and its subsidiaries complies with laws, regulations, and the Articles of Incorporation.

[System]

- A. The Company has established the compliance manual to set forth the code of conduct applicable to the Officers and employees of the group and provides compliance training to all Officers and employees every year to prevent the violation of laws, regulations, or the Articles of Incorporation.
- B. The Board of Directors and the Management Council deliberate and make decisions on the execution of operations. Agenda items are appropriately submitted to these bodies based on regulations that specify such items.
- C. The Company elects Outside Directors who do not have interest in the Company and strengthens the mutual monitoring and supervisory functions of the Directors.

[Status of development and operation]

- A. The Company reviews/revises the compliance manual, as appropriate, considering the changes of laws, regulations, and the content of business, and posts it on the in-house website to enable all Officers and employees to view the manual at any time and to promote the manual to all. In addition, the Company conducts compliance training for all Officers and employees once every year.
- B. The internal control system is appropriately operated in accordance with the provisions of the Board of Directors Regulations, the Organization Regulations, and the Detailed Regulations for Management Council Operation.
- C. Three Outside Directors who do not have interest in the Company are elected, and the Audit and Supervisory Committee and the Board of Directors discuss matters from various perspectives, including ethicality and legality.

- 2) System for the retention and management of information on the execution of the duties by Directors

[System]

Each department in charge appropriately records, stores, and manages information on the execution of duties by Directors pursuant to laws, regulations, and relevant regulations.

[Status of development and operation]

The system is developed and operated as described in 2) [System] above.

- 3) Regulations and other systems related to the management of the Company and its subsidiaries' risk of loss

[System]

- A. The Company's risk management system prevents risk that could have a significant impact on management and tries to minimize possible damage by clarifying the department responsible for risk management in accordance with the Basic Risk Management Regulations and by establishing the Risk Management Committee chaired by the responsible Officer. As for the subsidiaries' risk management, the Company concludes a business management contract with the subsidiaries in accordance with the Associated Company Management Regulations, which specifies important matters that require prior discussion. The subsidiaries promptly report to the Company when an important fact arises or is expected to arise. Thus, the Company centrally manages risk.
- B. The Management Council meeting is held every week with the attendance of full-time Officers and titled Executive Officers for the early comprehension of the status of the execution of operations and for prompt response. The Management Council reports important matters to the Board of Directors.
- C. The Audit Department audits the effectiveness of internal control.

[Status of development and operation]

- A. As described in 3) [System] A. above, the Company manages risk in accordance with the Basic Risk Management Regulations and the Associated Company Management Regulations.
- B. The Management Council meeting is held every week, in principle. Each person responsible for the execution of operations reports the status of the execution of operations while the Management Council takes prompt measures and reports important matters to the Board of Directors.
- C. The Audit Department audits the effectiveness of internal control and reports the results to the Board of Directors.

4) System to ensure the efficient execution of the duties by the Directors of the Company and its subsidiaries

[System]

- A. The Board of Directors Regulations specify the matters to be resolved by and reported to the Board of Directors while the Regulations on Official Authority and the Division of Duties clarify approval authority.
- B. The Company concludes a business management contract with the subsidiaries in accordance with the Associated Company Management Regulations, which specify important matters that require prior discussion. The subsidiaries promptly report to the Company when an important fact arises or is expected to arise.
- C. The Management Council meeting is held every week with the attendance of full-time Officers and titled Executive Officers for the early comprehension of the status of the execution of operations and for prompt response. The Management Council reports important matters to the Board of Directors.

[Status of development and operation]

- A. The Company operates the system in accordance with the Board of Directors Regulations, the Regulations on Official Authority and the Division of Duties, and relevant regulations. Important matters are carefully discussed and matters with delegated authority are promptly decided to improve the efficiency.
- B. The Company concludes a business management contract with the subsidiaries in accordance with the Associated Company Management Regulations. With the Corporate Planning Division responsible for the control of the subsidiaries, the Company discusses the subsidiaries' institutional decisions in advance and comprehends the management status of the subsidiaries.
- C. The system is developed and operated as described in 4) [System] C. above.

5) System to ensure that the execution of the duties by the Company's employees and the subsidiaries' Directors, employees, etc. complies with laws, regulations, and the Articles of Incorporation

[System]

- A. The Company has established the compliance manual to set forth the code of conduct applicable to the Officers and employees of the group and provides compliance training to all Officers and employees every year to prevent the violation of laws, regulations, or the Articles of Incorporation.
- B. The Company has established the Compliance Committee as a permanent organization. The committee deliberates important compliance matters of the Company and its subsidiaries and decides matters related to measures including enlightenment, education, etc. within the Company.
- C. Based on the Internal Audit Regulations, the Audit Department under the direct control of the President audits the legality of the operations performed by the Company and its subsidiaries.
- D. Based on the Compliance Hotline Regulations, the Company prevents or stops the violation of laws, regulations, company rules, ethics, etc. within the group by utilizing the internal reporting system, and by doing so, the Company ensures the soundness and legality of the Group's organization management.

[Status of development and operation]

- A. The Company reviews/revises the compliance manual, as appropriate, considering the changes of laws, regulations, and the content of business, and posts it on the in-house website to enable all Officers and employees to view the manual at any time and to promote the manual to all. In addition, the Company conducts compliance training for all Officers and employees once every year.
- B. The Compliance Committee meeting is held basically every month. The committee deliberates important compliance matters of the Company and its subsidiaries and decides in-company enlightenment measures.
- C. The system is developed and operated as described in 5) [System] C. above.
- D. The Company has established a system, in which whistleblowers can report to the department in charge or an outside law firm. The Company announces the system on the in-company website that is viewable to all Officers and employees at any time and promotes the contact point through compliance training, etc. for the effective use of the internal reporting system.

6) System to ensure the suitability of business activities in the business group comprised of the Company and its subsidiaries

[System]

In addition to the statement in 1) to 5) above, the Company sends its Directors or company auditors to the subsidiaries and comprehends the subsidiaries' business conditions through the attendance at the Board of Directors meetings and audit by company auditors in order to ensure proper business operations.

[Status of development and operation]

The system is developed and operated as described in 6) [System] above.

7) Particulars related to Directors and employees to assist with the duties of the Audit and Supervisory Committee  
[System]

- A. Full-time Audit and Supervisory Committee Members effectively collect information and conduct audits in cooperation with the Audit Department.
- B. The Company must assign full-time employees or employees who hold another position if requested by the Audit and Supervisory Committee and sufficiently considers the Audit and Supervisory Committee's opinions on specific details, such as the number of employees to be assigned, when assigning personnel.

[Status of development and operation]

The system is developed and operated as described in 7) [System] above.

8) Particulars related to ensuring the independence of the Directors and employees in the preceding paragraph from other Directors of the Company (excluding Directors serving as Audit and Supervisory Committee Members) and the effectiveness of instructions given by the Company's Audit and Supervisory Committee to the Directors and employees

[System]

The Company asks the Audit and Supervisory Committee for its preliminary opinion on personnel affairs related to the Directors and employees mentioned in the preceding paragraph and the employees of the Audit Department, and the Board of Directors respects it.

[Status of development and operation]

The system is developed and operated as described in 8) [System] above.

9) System designed for Directors (excluding Directors serving as Audit and Supervisory Committee Members) and employees of the Company and Directors, company auditors, employees, etc. of the subsidiaries to report to the Audit and Supervisory Committee of the Company, and the system designed to ensure that the person who made the report suffers no disadvantageous treatment for the reason of reporting

[System]

- A. Full-time Audit and Supervisory Committee Members attend the Management Council meeting that is held basically every week. Directors and employees of the Company report to the Audit and Supervisory Committee matters related to the business conditions, financial status, compliance of the Company and its subsidiaries, and important business matters including matters related to internal control. The persons responsible for each business division regularly attend the Audit and Supervisory Committee and report the status of the execution of operations and important business matters. In addition, the Audit and Supervisory Committee, the President, and other Executive Directors discuss, as appropriate, and provide necessary management information and business information to the Audit and Supervisory Committee.
- B. Based on the Compliance Hotline Regulations, the Company prevents or stops the violation of laws, regulations, company rules, ethics, etc. within the group by utilizing the internal reporting system, and by doing so, the Company ensures the soundness and legality of the Group's organization management. The Compliance Hotline Regulations also set forth that whistleblowers must not be treated disadvantageously for the reason of reporting.

[Status of development and operation]

The system is developed and operated as described in 9) [System] above.

10) Policies concerning the procedures for advance payment or reimbursement of expenses that arise with regard to the execution of the duties of the Audit and Supervisory Committee Members (limited to those related to the execution of the duties of the Audit and Supervisory Committee) or any other processing of expenses or obligations that arise with regard to the execution of those duties, and other systems to ensure that audits by the Audit and Supervisory Committee are performed effectively

[System]

- A. The procedures for advance payment or reimbursement of expenses that arise with regard to the execution of the duties of the Audit and Supervisory Committee Members or any other processing of expenses (limited to those related to the execution of the duties of the Audit and Supervisory Committee) or obligations that arise with regard to the execution of those duties are appropriately performed based on an application made by Audit and Supervisory Committee Members.
- B. Effective audit is conducted based on the Audit and Supervisory Committee Regulations and the Audit and Supervisory Committee Audit and Supervisory Standards. The head of the Audit Department establishes a close cooperation relationship with the Audit and Supervisory Committee by means such as regularly reporting to the committee, regularly discussing with financial auditors, and ensuring efficient and effective execution of the duties.

[Status of development and operation]

The system is developed and operated as described in 10) [System] above.

11) Basic policy for the elimination of antisocial forces and the status of system development

[System]

The Company and its subsidiaries adopt the basic policy of assuming a resolute attitude toward antisocial forces and blocking any relationship with antisocial forces, and have set forth specific guidelines in the Regulations on the Antisocial Forces Policy and the compliance manual.

[Status of development and operation]

The system is developed and operated as described in 11) [System] above. The Company announces the policy and guidelines on the in-company website that is viewable to all Officers and employees at any time and promotes them through compliance training, etc. The Company regularly cooperates with external specialized institutions, collects and manages information on antisocial forces, and tries to develop and maintain internal systems.

(Outline of a limited liability contract with Directors)

The Company sets forth provisions on limited liability contracts with Directors (excluding Executive Directors, etc.) in the Articles of Incorporation. As of the date of submission of the annual securities report, the Company has a contract with Directors Ms. Junko Fukasawa, Mr. Takuo Umekita, Mr. Nobuyasu Kubo, Mr. Toshiaki Hamada, and Mr. Tomonori Fujiike based on the provisions of Article 427, Paragraph 1 of the Companies Act, limiting the Directors' liability pursuant to Article 423, Paragraph 1 of the Act.

The upper limit of the liability amount based on the contract is ¥3.6 million or the amount specified by laws and regulations, whichever is higher. The limited liability applies only when the Directors have acted in good faith and without gross negligence regarding the performance of the duties that caused the liability.

(Outline of the indemnity agreement with Directors)

Not applicable.

(Outline of the Directors and Officers liability insurance contract)

The Company did not conclude or renew any Directors and Officers liability insurance contract after March 1, 2021 when the Act Partially Amending the Companies Act (Act No. 70 of 2019) was enforced.

(Requirements for the resolution of the election of Directors)

Directors serving as Audit and Supervisory Committee Members and other Directors must be elected separately at the General Meeting of Shareholders. Concerning the General Meeting of Shareholders' resolution of electing Directors, the Company specifies in the Articles of Incorporation that the resolution must be made with the attendance of the shareholders who hold one-third or more of the voting rights of the shareholders who can exercise their voting rights and by a majority of the votes. The Articles of Incorporation also provide that the resolution of the election of Directors shall not be affected by cumulative voting.

(Exemption from liability of Directors)

Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company provides in the Articles of Incorporation that it may exempt, by a resolution of the Board of Directors, the liability of Directors (including persons who were a Director) for the negligence of the duties to the limit of laws and regulations. The aim of this is so that Directors can fully play their expected roles in the performance of the duties.

(Requirements for a special resolution by the General Meeting of Shareholders)

Pursuant to the provisions of Article 309, Paragraph 2 of the Companies Act, the Company specifies in the Articles of Incorporation that, concerning the requirements for a special resolution by the General Meeting of Shareholders, the resolution must be made with the attendance of the shareholders who hold one-third or more of the voting rights of the shareholders who can exercise their voting rights and by two-thirds or more of the votes. This is aimed at the smooth operation of the General Meeting of Shareholders by easing the quorum of the General Meeting of Shareholders.

(Decision-making body for dividends of surplus, etc.)

With regard to the matters specified in Article 459, Paragraph 1 of the Companies Act, including dividends of surplus, the Company specifies in the Articles of Incorporation that the Company may determine these matters by a resolution by the Board of Directors unless otherwise provided in laws or regulations.

Pursuant to the provisions of Article 454, Paragraph 5 of the Companies Act, the Company specifies in the Articles of Incorporation that the Company may pay interim dividends, setting September 30 every year as the reference date, by a resolution of the Board of Directors. This is aimed at allowing a flexible return of profit to shareholders.

(Fixed number of Directors)

The Company specifies in the Articles of Incorporation that the number of Directors not serving as Audit and Supervisory Committee Members must be up to 10 and the number of Directors serving as Audit and Supervisory Committee Members must be up to six.

## (2) Officers

## 1) List of Officers

Six males and two females (Female Officers: 25.00%)

Title	Name	Birth date	Biography		Term of office	Number of shares of the Company held
Chairman & Director	Junko Fukasawa	May 28, 1953	Apr. 1974 Jul. 1978 Sep. 1981 Jan. 1990 Jun. 2000 Apr. 2003 Dec. 2007 Jun. 2015 Jun. 2017 Aug. 2018	Joined Mitsui Toatsu Chemicals Inc. (currently Mitsui Chemicals, Inc.) Joined DENTSU INC. Joined Temporary Center Inc. (currently Nambu Enterprise Inc.) Director, General Manager, Public Relations Department, Temporary Center Inc. Senior Managing Executive Officer, General Manager, Human Resources & Planning Headquarters, Pasona Inc. President & COO, Pasona Heartful Inc. (current position) Senior Managing Director, responsible for Human Resources Division, Public Relations and Advertising Department, General Manager, Social Contribution Department, Pasona Group Inc. Senior Managing Director, General Manager, Human Resources & Planning Headquarters, responsible for Social Contribution Department, Pasona Group Inc. Chairman & Director, the Company (current position) Executive Officer and Vice President/Director, General Manager, Pasona Way Headquarters, responsible for Social Contribution Department, Pasona Group Inc. (current position)	(Note 3)	-
President & COO, responsible for Audit Department, the Company	Norio Shiraishi	Jan. 23, 1967	Aug. 1990 Mar. 1996 Jun. 2000 Jan. 2012 Mar. 2012 May 2012 May 2012 Nov. 2012 Aug. 2013 Oct. 2013 Jan. 2014 Dec. 2016 Dec. 2016 Jun. 2017 Apr. 2021	Joined Pasona Japan Inc. (currently Randstad K.K.) Established Business Coop Inc. (currently Benefit One Inc.) Director President & COO, the Company Outside Director, J.S.B. Co., Ltd. (current position) Director, Benefit One Solutions Inc. Director, Benefit One Health care Inc. Director, Benefit One Shanghai Inc. (current position) Director/Chair of the Board, BENEFIT ONE USA, INC. (current position) Director, Pasona Group Inc. Director, BENEFIT ONE ASIA PTE. LTD. (currently BENEFIT ONE INTERNATIONAL PTE. LTD.) (current position) Director, BENEFIT ONE (THAILAND) COMPANY LIMITED (current position) Director, REWARDZ PRIVATE LIMITED (current position) Outside Director, Japan Best Rescue System Co., Ltd. (current position) Director, PT. BENEFIT ONE INDONESIA (current position) President & COO, responsible for Audit Department, the Company (current position)	(Note 3)	2,201,600

Position	Name	Birth date	Biography		Term of office	Number of shares of the Company held (shares)
Executive Vice-President, responsible for Administration Sector and DX Promotion and Development Business Division	Hideyo Tanaka	February 7, 1969	Aug. 1991 May 2000 Oct. 2003 Jan. 2005 Mar. 2014 May 2017 Jun. 2019 Apr. 2020 Jun. 2020 Apr. 2021	Joined Temporary Center Inc. (currently Nambu Enterprise Inc.) President and Representative Director, Kobe Cruiser Executive Vice President and Representative Director, Medical Associa Inc. President & COO, Medical Associa Inc. Retired from Director, Medical Associa Inc. Director, the Company Executive Vice-President, responsible for Human Resources Division, General Affairs Department, Legal Affairs & Compliance Management Department, System Development Division Executive Vice-President, responsible for Human Resources Division, General Affairs Department, Legal Affairs & Compliance Management Department, System Development Division, and DX Platform Promotion Division, General Manager, Healthcare Division (current position) Executive Vice-President, responsible for Human Resources Division, General Affairs Administration Sector and DX Platform Promotion Division, General Manager, Healthcare Division Executive Vice-President, responsible for Administration Sector and DX Promotion and Development Business Division (current position)	(Note 3)	—
Managing Director, responsible for Finance and Accounting Department, General Manager, Corporate Planning Division	Kenji Ozaki	Aug. 31, 1972	Apr. 1995 Jul. 2007 Mar. 2008 Apr. 2012 Oct. 2012 Apr. 2013 Jun. 2015 Jan. 2016 May 2016 Dec. 2016 Dec. 2016 Jun. 2019	Joined Pasona Inc. (currently Nambu Enterprise Inc.) Executive Officer, General Manager, Corporate Planning Division, Pasona Tech, Inc. Director, Pasona Tech Consulting (Dalian) Co., Ltd. Executive Officer, responsible for Corporate Planning, Administration, Business, IT and CS, General Manager, Corporate Planning Division, Pasona Tech, Inc. Director, ARGO Co., Ltd. (currently Pasona Tech, Inc.) Executive Officer, responsible for Administration and Business Strategy Headquarters, General Manager, Business Strategy Headquarters, Pasona Tech, Inc. Director, responsible for Finance and Accounting Department, General Manager, Corporate Planning Division, the Company Audit & Supervisory Board Member, Benefit One Healthcare Inc Managing Director, responsible for Finance and Accounting Department, General Manager, Corporate Planning Division, the Company (current position) Commissioner, PT. BENEFIT ONE INDONESIA (current position) Director, REWARDZ PRIVATE LIMITED (current position) Audit & Supervisory Board Member, Benefit One Shanghai Inc. (current position) Director/Treasurer/CFO, BENEFIT ONE USA, INC. (current position) Director, BENEFIT ONE INTERNATIONAL PTE. LTD. (current position)	(Note 3)	1,900
Director (full-time Audit and Supervisory Committee Member)	Takuo Umekita	Mar. 18, 1957	Apr. 1981 Apr. 1984 Apr. 1986 Jul. 1989 Jul. 2003 Dec. 2007 Sep. 2008 Aug. 2018 Jun. 2019	Joined THE KAGOSHIMA BANK, LTD Joined the Ministry of Justice Kagoshima District Legal Affairs Bureau Ministry of Justice Fukuoka Legal Affairs Bureau Joined International Digital Communications Inc. (currently IDC Frontier Inc.) General Manager, Legal Affairs Department, Pasona Inc. Executive Officer, General Manager, Legal Affairs Department, Pasona Group Inc. Executive Officer, General Manager, Legal Affairs Department and General Manager, Internal Control Department, Pasona Group Inc. Audit & Supervisory Board Member, Pasona Inc. Director and full-time Audit and Supervisory Committee Member, the Company (current position)	(Note 4)	—



Position	Name	Birth date	Biography		Term of office	Number of shares of the Company held (shares)
Outside Director (Audit and Supervisory Committee Member)	Nobuyasu Kubo	May 21, 1952	Apr. 1975	Joined the Ministry of Home Affairs	(Note 4)	-
			Dec. 1993	Deputy Governor, Hiroshima Prefecture		
			Jul. 1999	Attached to the Minister's Secretariat, the Ministry of Home Affairs		
			Jan. 2001	Director, Administration Improvement Division, Local Administration Bureau, the Ministry of Internal Affairs and Communications		
			Jul. 2007	Director-General, Local Public Finance Bureau, the Ministry of Internal Affairs and Communications		
			Jul. 2010	Commissioner of the Fire and Disaster Management Agency, the Ministry of Internal Affairs and Communications		
			Apr. 2014	Director, Local Authorities Satellite Communications Organization (current position)		
			Jun. 2014	Outside Director, the Company		
Outside Director (Audit and Supervisory Committee Member)	Toshiaki Hamada	Apr. 23, 1955	Apr. 1979	Joined the Ministry of Finance	(Note 4)	-
			Jul. 1996	Director General, JETRO Copenhagen, Japan External Trade Organization		
			Jul. 2000	Director for Fiscal Investment and Loan Appropriation, Financial Bureau, the Ministry of Finance		
			Jul. 2002	Director, Paper Industry, Consumer and Recreational Goods, Manufacturing Industries Bureau, the Ministry of Economy, Trade and Industry		
			Jul. 2007	Director General, Osaka Customs, the Ministry of Finance		
			Jul. 2010	Assistant Commissioner of Fire and Disaster Management, the Ministry of Internal Affairs and Communications		
			Aug. 2012	Deputy Director General for Policy Evaluation, Minister's Secretariat, the Ministry of Finance		
			Jul. 2014	President of National Tax College, National Tax Agency, the Ministry of Finance		
			Jul. 2015	Retired from the Ministry of Finance		
			Jun. 2017	Outside Director, the Company		
Outside Director (Audit and Supervisory Committee Member)	Tomonori Fujiike	Sep. 18, 1967	Oct. 1997	Passed the bar examination	(Note 4)	-
			Apr. 2000	Registered as an Attorney-at-law (Dai-Ichi Tokyo Bar Association)		
			Oct. 2005	Joined Yutaka Hori Law Office (currently Hori & Partners)		
			Feb. 2006	Joined Ashurst London		
			May 2012	Returned to Yutaka Hori Law Office (currently Hori & Partners) (current position)		
			Jun. 2012	Outside Audit & Supervisory Board Member, Edia Co., Ltd.		
			May 2017	Outside Audit & Supervisory Board Member, the Company		
Jun. 2019	Outside Director serving as an Audit and Supervisory Committee Member, Edia Co., Ltd. (current position)					
Total						2,203,500

Note 1: Mr. Nobuyasu Kubo, Mr. Toshiaki Hamada, and Mr. Tomonori Fujiike are Outside Directors.

Note 2: The Company has submitted a Notice of Independent Director to Tokyo Stock Exchange, Inc., stating that Mr. Nobuyasu Kubo, Mr. Toshiaki Hamada, and Mr. Tomonori Fujiike are independent Directors.

Note 3: From June 24, 2021 to the time of the conclusion of the Annual General Meeting of Shareholders related to the last fiscal year that ends within one year of the election.

Note 4: From June 24, 2021 to the time of the conclusion of the Annual General Meeting of Shareholders related to the last fiscal year that ends within two years of the election.

Note 5: The Company has introduced an Executive Officer system to respond to changes in the business environment promptly and appropriately and to accelerate and strengthen the function of the execution of operations.

(Number of Outside Directors)

The Company has three Outside Directors, who account for over one-third of the total number of Directors.

(Personnel relationship, capital relationship, transaction relationship, or other interest between Outside Directors and the Company)

Outside Director Mr. Tomonori Fujiike is also serving as a partner lawyer of Hori Sogo Law Office. There was a transaction relationship of service provision, etc. between the Group and Hori Sogo Law Office until the end of June 2019 based on a legal adviser contract. However, the transaction amount was ¥10 million or less with no monetary importance, and the Company received service provision, etc. based on the legal adviser contract from another lawyer of the law office. In addition, the legal adviser contract with the law office ended in July 2019.

Outside Director Mr. Nobuyasu Kubo is also serving as an Outside Director of Yasuda Logistics Corporation. There is a transaction relationship between the Group and Yasuda Logistics Corporation but the transaction amount is ¥10 million or less with no monetary importance.

Other than the above, there is no special interest between the Company and its Outside Directors.

(Policy on the functions and roles played by Outside Directors, standards and policies on independence, and the status of election)

The Company elects Outside Directors having knowledge of legal affairs, compliance, investment and fund allocation, risk management, corporation and organization management, etc. in addition to excellent personality and insight. The Company expects Outside Directors to strengthen the Board of Directors' decision-making function and audit and supervisory function from an independent, objective, and neutral standpoint based on their accumulated experience and insight.

The Company's Outside Officers and Outside Officer candidates satisfy the following independence criteria specified by the Company.

[Independence criteria for the Company's Outside Officers]

- No relative of the Outside Officer within the second degree of kinship is or was an Executive Director of the Group.
- If there is a transaction relationship between the Group and the company to which the Outside Officer currently belongs as an Executive or employee (excluding legal, accounting, or tax professional services), the transaction amount must be 1% or less of the Company's consolidated sales.
- If the Outside Officer, as a legal, accounting, or tax professional or a consultant, directly receives remuneration (excluding remuneration received as an Officer of the Company and remuneration paid to the institution or office to which the Outside Officer belongs) from the Group, the amount of annual remuneration in the past three fiscal years must be ¥5 million or less.
- If the institution or office to which the Outside Officer belongs provides legal, accounting, or tax professional services to the Group, the amount of annual remuneration in the past three fiscal years must be ¥10 million or less.
- The Outside Officer must not be an Executive of an organization that received a donation, etc. of over ¥10 million per year from the Group in the past three fiscal years.

(Mutual coordination among supervision or audit by Outside Directors, internal audit, audit by the Audit and Supervisory Committee, and accounting audit, and the relationship with the internal control department)

Audit and Supervisory Committee Members perform audit operations in close cooperation with financial auditors, such as receiving an explanation on the accounting audit plan from financial auditors, discussing the plan, regularly receiving an explanation on audits, and exchanging opinions.

The Company has established a system, in which the Audit Department, which is the Company's internal audit department, conducts audits from a standpoint that is completely independent from other administration and operation departments as an organization under the direct control of the President, and directly reports the status of audits and improvement measures to the President, Audit and Supervisory Committee Members, and the Audit and Supervisory Committee. The head of the Audit Department attends the Audit and Supervisory Committee meeting, which is held basically every month, and closely exchanges information by means such as reporting the status of internal audits and audit results.

The Company's internal control departments, namely, the Audit Department, the Finance and Accounting Department, the Corporate Planning Division, the Legal and Compliance Control Division, the General Affairs Department, etc. have established and operate the internal control system in cooperation with the concerned departments. These departments are responsible for the timely and appropriate disclosure of all information including financial reports, the effectiveness and efficiency of the execution of operations, risk management, matters related to compliance, internal audit, etc. The head of the Audit Department regularly reports the status of internal control to the Board of Directors, the Audit and Supervisory Committee, etc., and exchanges opinions.

### (3) Status of audit

(Status of audit by the Audit and Supervisory Committee)

The Company's Audit and Supervisory Committee is composed of four members (one full-time member and three Outside Directors serving as Audit and Supervisory Committee Members).

The committee held 13 meetings in the current fiscal year. The attendance status of each member is shown below.

Title	Name	Held/Attended
Director (Full-time Audit and Supervisory Committee Member)	Takuo Umekita	13/13
Outside Director (Audit and Supervisory Committee Member)	Nobuyasu Kubo	13/13
Outside Director (Audit and Supervisory Committee Member)	Toshiaki Hamada	13/13
Outside Director (Audit and Supervisory Committee Member)	Tomonori Fujike	13/13

Major agenda items of the Audit and Supervisory Committee include the development of audit policies and audit plans; the status of the execution of operations by Directors, Executive Officers, etc.; the status of the development and operation of the internal control system; and the evaluation of financial auditors. In addition, the committee and the President exchange opinions on the current status of business, future management strategies, etc., as appropriate.

The full-time Audit and Supervisory Committee member monitors the overall status of the execution of operations by attending important meetings such as the meetings of the Management Council, the Compliance Committee; listening to the opinions of Directors, employees, etc. about the execution of the duties; reading important documents, forms, etc.; and performing audit activities including regular meetings with the Audit Department.

Outside Directors serving as Audit and Supervisory Committee Members attend important meetings such as the meetings of the Audit and Supervisory Committee and the Board of Directors, and express opinions from an independent, objective standpoint based on their abundant experience and professional perspectives.

### (Status of internal audit)

The Audit Department (comprised of four members) under the direct control of the President audits business activities of the departments of the Company and associated companies, as well as the status of the operation of systems, in light of the business purpose based on the Internal Audit Regulations. The department verifies and assesses compliance with the management policies, regulations, and other business systems and standards, as well as the adequacy and efficiency of business activities and their management and conducts internal audits for the purpose of improving business operations and the management efficiency through guidance, advice, and recommendation. The department also checks the status of the establishment and operation of the internal control system.

### (Mutual coordination among the internal audit, audit by the Audit and Supervisory Committee, and accounting audit, and the relationship between audit and the internal control department)

Mutual coordination among the internal audit, audit by the Audit and Supervisory Committee, and accounting audit, and the relationship between these audits and the internal control department are described in "I-4. Status of the reporting company, 4. Status of corporate governance, etc., (2) Officers (Mutual coordination among supervision or audit by Outside Directors, internal audit, audit by the Audit and Supervisory Committee, and accounting audit, and the relationship with the internal control department)."

(Status of accounting audit)

1) Name of the auditing firm

Deloitte Touche Tohmatsu LLC

2) Continuous audit period

14 years

3) Name of the certified public accountants who performed the duties

Designated limited liability partner, Engagement partner:

Takuya Nagashima

Koji Kusano

Note: The number of continuous audit years is omitted because the period is shorter than seven years for all.

4) Assistants for audit operations, etc.

Certified public accountants: 7 persons

Other: 8 persons

Note: "Other" includes persons who have passed the certified public accountant examination and persons subject to system audit.

5) Policies and reasons for choosing the auditing firm

The Company's Audit and Supervisory Committee confirms, based on the Practical Guidelines for Company Auditors, etc. on the Evaluation of Financial Auditors and the Development of Selection Criteria published by the Japan Audit & Supervisory Board Members Association, the status of quality management by financial auditors, independence and expertise, properly developed audit systems, and the reasonableness and suitability of the specific audit plan and audit fees. The committee comprehensively assesses financial auditors based on their audit performance in the past, etc. and makes a judgment on the selection.

If financial auditors are recognized as falling under any item of Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee will dismiss them with the consent of all members of the committee. If there is any problem in the execution of the duties of financial auditors or if it is judged as necessary, the Audit and Supervisory Committee will propose the dismissal or refusal of reelection of financial auditors to the General Meeting of Shareholders.

6) Assessment of the auditing firm by the Audit and Supervisory Committee

As a result of assessing financial auditors based on the Company's selection policy items, including the quality management system, independence, and communication with the management, Audit and Supervisory Committee Members, and the finance and accounting department, the Company's Audit and Supervisory Committee made a comprehensive judgment that the accounting audit was properly conducted.

(Audit fees, etc.)

1) Remuneration for certified public accountants, etc. involved in audit

Category	Previous consolidated FY		Current consolidated FY	
	Remuneration based on audit and attestation services (Millions of yen)	Remuneration based on non-audit operations (Millions of yen)	Remuneration based on audit and attestation services (Millions of yen)	Remuneration based on non-audit operations (Millions of yen)
Reporting company	32	-	32	-
Consolidated subsidiary	-	-	-	-
Total	32	-	32	-

2) Remuneration for organizations that belong to the same network as the certified public accountants, etc. involved in the audit (excluding 1))

Previous consolidated fiscal year

Not applicable.

Current consolidated fiscal year

Not applicable.

3) Remuneration based on other important audit and attestation services

Previous consolidated fiscal year

There are no notable matters.

Current consolidated fiscal year

There are no notable matters.

4) Policy for deciding audit fees

The Company appropriately decides the amount of audit fees in sufficient consideration of the audit plan and audit details of the certified public accountant, etc., time required for the audit, and so forth.

5) Reasons why the Audit and Supervisory Committee agreed on the remuneration for financial auditors, etc.

The Company's Audit and Supervisory Committee confirmed the audit time by audit item, the transition of audit fees, and the audit plan and results in past years and examined the adequacy of the audit time and remuneration estimates for the current fiscal year based on the Practical Guidelines on the Collaboration with Financial Auditors published by the Japan Audit & Supervisory Board Members Association. As a result, the committee gave the consent specified in Article 399, Paragraphs 1 and 3 of the Companies Act regarding the remuneration, etc. for financial auditors.

(4) Remuneration for Officers, etc.

1) Matters regarding the policy on the decision of the amount of remuneration, etc. for Officers or the method to calculate the amount

The Company has a policy of deciding remuneration, etc. of individual Directors (hereinafter, the "Decision Policy") as follows:

[Remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members)]

Remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) is composed of fixed remuneration and performance-linked stock-based remuneration designed to increase the willingness to contribute to the enhancement of medium- to long-term business performance and corporate value.

With regard to the amount of fixed remuneration for individual Directors (excluding Directors serving as Audit and Supervisory Committee Members), the Director in charge of the HR department prepares an original proposal within the total amount of remuneration approved at the General Meeting of Shareholders in consideration of the remuneration levels of listed companies in similar industries, the Company's performance, the status of return to shareholders, individual Directors' role and contribution to the Company, etc. In the fiscal year ended March 31, 2021, the Nomination and Compensation Council, which is mainly composed of Independent Outside Directors and is a non-compulsory mechanism by which the President asks for evaluation and advice, objectively assessed the original proposal and the President decided the remuneration amount with the consent of Independent Outside Directors. After May 27, 2021, the original proposal will be submitted to the Nomination and Compensation Committee, which is the Board of Directors' non-compulsory advisory body composed only of Independent Outside Directors, for consultation and the President will decide the remuneration amount after receiving a report and advice from the committee.

With regard to the performance-linked stock-based remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members and limited to Executive Directors), the Company decides the total amount of the resource to be allotted (the total number of points granted for the fiscal year) according to the degree of goal achievement based on consolidated ordinary income as an indicator, using the Board Benefit Trust (BBT) scheme, within the total amount of performance-linked stock-based remuneration approved at the General Meeting of Shareholders. The Company will grant no points if consolidated ordinary income decreases year-on-year. Performance-linked stock-based remuneration for individual Directors (excluding Directors serving as Audit and Supervisory Committee Members and limited to Executive Directors) is paid from the total amount of the resource to be allotted based on consolidated ordinary income as an indicator. The resource allocation rate is decided based on each Director's duties and scope of responsibility. The original proposal of the allocation rate is objectively verified by the Nomination and Compensation Council, which is mainly composed of Independent Outside Directors and is a non-compulsory mechanism by which the President asks for evaluation and advice, and the Board of Directors decides the allocation rate with the consent of Independent Outside Directors. After May 27, 2021, the original proposal will be submitted to the Nomination and Compensation Committee, which is the Board of Directors' non-compulsory advisory body composed only of Independent Outside Directors, for consultation and the Board of Directors will decide the allocation rate after receiving a report and advice from the committee. The proportion of performance-linked stock-based remuneration in the total remuneration amount when requirements for the payment of performance-linked stock-based remuneration are satisfied is, in principle, around 0% to 40%. Fixed remuneration is determined as an annual amount and 1/12 of the amount is paid every month from July. On the other hand, Board Benefit Trust (BBT) shares, etc. constituting performance-linked stock-based remuneration are delivered when Directors retire, in principle.

[Remuneration for Directors serving as Audit and Supervisory Committee Members]

Remuneration for Directors serving as Audit and Supervisory Committee Members is composed only of fixed remuneration, considering their standpoint independent from Directors who execute operations. The amount of remuneration for individual Directors serving as Audit and Supervisory Committee Members is decided within the amount of remuneration approved at the General Meeting of Shareholders through discussion among Audit and Supervisory Committee Members.

(Nomination and Compensation Committee)

The Company has established the Nomination and Compensation Committee as the Board of Directors' non-compulsory advisory body for the purpose of improving corporate governance by increasing the fairness, transparency, and objectivity of the procedures related to the nomination, remuneration, etc. of Directors and by ensuring the Company's independence. The committee is composed only of Outside Directors who satisfy the independence criteria set forth by the Company. The committee deliberates matters regarding the nomination, remuneration, etc. of Directors and matters regarding the necessity and appropriateness of related party transactions in response to a consultation by the Board of Directors and provides reports and advice to the Board of Directors.

(Nomination and Compensation Council)

The above Nomination and Compensation Committee was established on May 27, 2021. Before the date, the Nomination and Compensation Council, which was mainly composed of Independent Outside Directors and was a non-compulsory mechanism by which the President asked for evaluation and advice, objectively evaluated original proposals on matters regarding Directors' nomination, remuneration, etc.

2) Matters regarding the General Meeting of Shareholders' resolution on Directors' remuneration, etc.

The amount of fixed remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) was resolved as ¥200 million/year (including fixed remuneration for Outside Directors within ¥30 million/year) at the 24th Annual General Meeting of Shareholders held on June 25, 2019. The number of Directors (excluding Directors serving as Audit and Supervisory Committee Members) at the end of the Annual General Meeting of Shareholders was four.

Besides the fixed remuneration, the 24th Annual General Meeting of Shareholders held on June 25, 2019 decided to introduce a performance-linked stock-based remuneration system for Directors (excluding Directors serving as Audit and Supervisory Committee Members and limited to Executive Directors) and resolved to pay up to ¥200 million in three fiscal years. The number of Directors (excluding Directors serving as Audit and Supervisory Committee Members and limited to Executive Directors) at the end of the Annual General Meeting of Shareholders was three. The 26th Annual General Meeting of Shareholders held on June 24, 2021 resolved the upper limit of the number of points (number of shares) granted every three fiscal years as 126,555 points (126,555 shares), in addition to the above upper limit (within ¥200 million in three fiscal years). The number of Directors (excluding Directors serving as Audit and Supervisory Committee Members and limited to Executive Directors) at the end of the Annual General Meeting of Shareholders was three. Points granted to Directors are converted into the shares of the Company, regarding one point as one common share of the Company. If the Company's shares are split, allotted without contribution, or consolidated, the upper limit of the number of points, the number of points already granted, or the conversion ratio will be reasonably adjusted according to the ratio, etc.

The amount of fixed remuneration for Directors serving as Audit and Supervisory Committee Members was resolved as within ¥50 million/year at the 24th Annual General Meeting of Shareholders held on June 25, 2019. The number of Directors serving as Audit and Supervisory Committee Members at the end of the Annual General Meeting of Shareholders was four.

3) Reasons why the Board of Directors judged that the remuneration, etc. of individual Directors in the current fiscal year was in line with the Decision Policy

When deciding the remuneration, etc. of individual Directors, the Nomination and Compensation Council, which is mainly composed of Independent Outside Directors and is a non-compulsory mechanism by which the President asks for evaluation and advice, objectively evaluates the consistency with the Decision Policy of the original proposal prepared by the Director in charge of the HR department in consideration of elements listed in the above Decision Policy. For this reason, the Board of Directors judged that the proposal was in line with the Decision Policy, basically respecting the judgment of the council. After May 27, 2021, the original proposal will be submitted to the Nomination and Compensation Committee, which is the Board of Directors' non-compulsory advisory body comprised of only Independent Outside Directors, for consultation and the President will decide the remuneration, etc. of individual Directors after receiving a report and advice from the committee.

4) Matters regarding delegation related to the decision on the remuneration, etc. of individual Directors

As described in 1) above, the Company's Board of Directors has delegated the authority of deciding the amount of fixed remuneration for individual Directors (excluding Directors serving as Audit and Supervisory Committee Members) to Mr. Norio Shiraishi, the President of the Company.

The Company's Board of Directors has delegated the authority to the President because the Board of Directors considers the President to be the best person to evaluate each Director's operations and responsibilities while overseeing the overall performance of the Company.

To ensure the appropriate execution of the authority by the President, as described in 1) above, the Director in charge of the HR department prepares an original proposal of the amount of fixed remuneration and the Nomination and Compensation Council, which is mainly composed of Independent Outside Directors and is a non-compulsory mechanism by which the President asks for evaluation and advice, provides advice. After May 27, 2021, the original proposal will be submitted to the Nomination and Compensation Committee, which is the Board of Directors' non-compulsory advisory body comprised of only Independent Outside Directors, for consultation and the committee will provide reports and advice.

In the current fiscal year, the Director in charge of the HR department prepared an original proposal on the amount of fixed remuneration for Officers and the President exercised his authority to decide the amount of fixed remuneration for individual Directors (excluding Directors serving as Audit and Supervisory Committee Members) with the advice of the Nomination and Compensation Council.

5) Total amount of remuneration, etc. by Officer category, total amount of remuneration, etc. by type of remuneration, and the number of eligible Directors

Officer category	Number of eligible Officers (persons)	Total amount of remuneration, etc. (Millions of yen)	Remuneration type		
			Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration, etc.
Directors not serving as Audit and Supervisory Committee Members (excluding Outside Directors)	3	136	96	39	-
Directors serving as Audit and Supervisory Committee Members (excluding Outside Directors)	1	15	15	-	-
Outside Officers	3	23	23	-	-

Note 1: The Company has introduced a performance-linked stock-based remuneration system for Directors (excluding Directors serving as Audit and Supervisory Committee Members and limited to Executive Directors). The amount of performance-linked remuneration above is the amount of "Provision for share-based remuneration for Directors (and other Officers)" recorded for the current fiscal year.

Note 2: As of March 31, 2021, the Company has four Directors not serving as Audit and Supervisory Committee Members and four Directors serving as Audit and Supervisory Committee Members (of whom, three are Outside Directors). One of the Directors is an unpaid Director not serving as an Audit and Supervisory Committee Member.

Note 3: No Outside Officers received Officer remuneration from the parent company of the Company or a subsidiary, etc. of the parent company.

6) Matters regarding performance-linked remuneration, etc. in the current fiscal year

As described in 1) above, the Company has introduced a performance-linked stock-based remuneration system.

In this system, the Company uses consolidated ordinary income as a performance achievement indicator because the Company considers that the value of profit or loss is clear when considering contribution to the performance in a single fiscal year and that using ordinary income is reasonable. In the current consolidated fiscal year, consolidated ordinary income, which is the target indicator of performance-linked stock-based remuneration, was ¥9,858 million, exceeding consolidated ordinary income of ¥8,462 million in the previous year.

7) Total consolidated remuneration, etc. for individual Officers

This item is not stated because there is no one whose consolidated remuneration, etc. totals ¥100 million or more.

(5) Status of share holding

1) Standards and policy on the category of investment shares

The Company specifies the categories of investment shares held for the purpose of pure investment and investment shares held for purposes other than pure investment as follows:

Investment shares held for purposes of pure investment	Shares held solely for the purpose of gaining profit from fluctuations in the value of shares or dividends for shares.
Investment shares held for purposes other than pure investment	Shares held for the purpose of enhancing the medium- to long-term corporate value, such as complementing and improving services, maintaining and strengthening the customer base, and expanding the business through business alliance.

2) Investment shares held for purposes other than pure investment

i) Method to verify the share-holding policy and the rationality of holding, and the content of verification of the appropriateness of holding individual stock names by the Board of Directors, etc.

The Company holds investment shares for purposes other than pure investment (hereinafter, "Strategic Shares") to complement its services more efficiently than building a business on its own by collaborating with companies having business assets that the Company does not and to enhance the medium- to long-term corporate value such as maintaining and strengthening the relationship of trust with customers and business partners and expanding business through business alliance.

Of the Strategic Shares, listed shares are verified every year about matters such as whether the purpose of holding each stock name is appropriate and whether the benefits and risk of holding the shares are worth the cost of capital, and the Board of Directors judges the appropriateness of continuously holding the shares. In the current fiscal year, the Company's Board of Directors meeting held in March 2021 comprehensively verified the results of collaboration in sales activities, outlook for the future, etc. in addition to industry trends, performance trends, and financial position, and judged that the continuous holding is reasonable.



ii) Number of stock names and the amount reported in the balance sheet

	Number of stock names	Total amount reported in the balance sheet (Millions of yen)
Unlisted shares	9	345
Shares other than unlisted shares	3	1,854

(Stock names of which number of shares increased in the current fiscal year)

	Number of stock names	Total acquisition value resulted from the increase in the number of shares (Millions of yen)	Reason for the increase in the number of shares
Unlisted shares	1	4	Underwriting of capital increase through third-party allotment
Shares other than unlisted shares	—	—	—

(Stock names of which the number of shares decreased in the current fiscal year)

Not applicable.

iii) Number of specified equity securities held and deemed holdings of equity securities by stock name, and information on the amount reported in the balance sheet, etc.

Specified equity securities held

Stock name	Current FY	Previous FY	Purpose of holding, quantitative effect of holding, and reason for the increased number of shares	Holding of Company's shares
	Number of shares Amount reported in the balance sheet (Millions of yen)	Number of shares Amount reported in the balance sheet (Millions of yen)		
Data Horizon Corporation	250,000	250,000	(Purpose of holding shares) The Company intends to improve/expand its BPO service menu and expects the successful results of collaboration in sales activities through business alliance in the field close to the Company's Healthcare business. (Quantitative effect of holding) The Company verifies annual results of collaboration in sales activities, such as the status of joint proposal, the status of customer introduction, and the effectiveness of alliance in the industry, as well as outlook for the future, and judges the rationality of holding.	No
	1,056	434		
SUNNEXTA GROUP Inc. (Note)	778,000	778,000	(Purpose of holding shares) The Company intends to improve/expand its BPO service menu and expects the successful results of collaboration in sales activities through business alliance in the field close to the Company's Employee Benefit Service business. (Quantitative effect of holding) The Company verifies annual results of collaboration in sales activities, such as the status of joint proposal, the status of customer introduction, and the effectiveness of alliance in the industry, as well as outlook for the future, and judges the rationality of holding.	Yes
	793	686		
Relo Group, Inc.	2,000	2,000	(Purpose of holding shares) Collecting information on industry trends (Quantitative effect of holding) The Company holds the shares to collect industry information. The Company verifies that the risk and cost of holding is less important and judges the rationality of holding.	Yes
	4	4		

Note: The company has changed its trade name from Japan Corporate Housing Service Inc. to SUNNEXTA GROUP Inc.

as of July 1, 2020.

Deemed holdings of equity securities:

Not applicable.

3) Investment shares held for the purpose of pure investment

Not applicable.

4) Investment shares of which the purpose of holding was changed from pure investment to purposes other than pure investment during the current fiscal year

Not applicable.

5) Investment shares of which the purpose of holding was changed from purposes other than pure investment to pure investment during the current fiscal year

Not applicable.

## I-5. Status of accounting

### I-5-1. Method to prepare consolidated financial statements and financial statements

(1) The Company's consolidated financial statements are prepared based on the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Law number: Ministry of Finance Order No. 28 of 1976).

(2) The Company's financial statements are prepared based on the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Law number: Ministry of Finance Order No. 59 of 1963; hereinafter, the "Regulation on Financial Statements, etc.").

The Company is a special company submitting financial statements and prepares its financial statements based on the provisions of Article 127 of the Regulation on Financial Statements, etc.

### I-5-2. Audit attestation

The Company's consolidated financial statements for the consolidated fiscal year (April 1, 2020 to March 31, 2021) and financial statements for the fiscal year (April 1, 2020 to March 31, 2021) have been audited by Deloitte Touche Tohmatsu LLC pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

### I-5-3. Special efforts for ensuring the appropriateness of consolidated financial statements

The Company is making efforts to ensure the appropriateness of consolidated financial statements, etc. Specifically, the Company joined the Financial Accounting Standards Foundation and obtains various information to develop a system that enables the Company to appropriately comprehend the content of the accounting standards, etc. and participates in training sessions and seminars held by organizations, etc. having professional information to ensure the appropriateness of consolidated financial statements, etc.

# 1. Consolidated financial statements., etc.

## (1) Consolidated financial statements

### 1) Consolidated balance sheet

(Millions of yen)

	Previous consolidated FY (March 31, 2020)	Current consolidated FY (March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	8,462	13,064
Notes and accounts receivable - trade	6,187	6,837
Inventories	*1 1,110	*1 1,325
Deposits paid	4,500	4,500
Prepaid expenses	502	678
Accounts receivable - other	1,287	808
Other	1,439	1,494
Allowance for doubtful accounts	△21	△12
<b>Total current assets</b>	<b>23,469</b>	<b>28,696</b>
Non-current assets		
Property, plant, and equipment		
Buildings and structures	*3 1,101	*3 1,102
Accumulated depreciation	△624	△672
Buildings and structures (net)	477	429
Land	602	602
Leased assets	793	749
Accumulated depreciation	△546	△567
Leased assets (net)	246	181
Other	*3 625	*3 621
Accumulated depreciation	△500	△525
Other (net)	125	95
<b>Total property, plant, and equipment</b>	<b>1,451</b>	<b>1,310</b>
Intangible fixed assets		
Goodwill	12	4
Software	1,721	2,376
Leased assets	25	14
Other	2	2
<b>Total intangible fixed assets</b>	<b>1,762</b>	<b>2,397</b>
Investments and other assets		
Investment securities	*2 1,959	*2 2,725
Deferred tax assets	343	149
Other	947	903
Allowance for doubtful accounts	△8	△11
<b>Total investments and other assets</b>	<b>3,242</b>	<b>3,767</b>
<b>Total non-current assets</b>	<b>6,456</b>	<b>7,475</b>
<b>Total assets</b>	<b>29,926</b>	<b>36,171</b>

(Millions of yen)

	Previous consolidated FY (March 31, 2020)	Current consolidated FY (March 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,265	3,284
Short-term borrowings	160	174
Lease obligations	121	105
Income taxes payable	1,543	2,030
Accounts payable - other	3,090	2,684
Advances received	3,689	4,578
Deposits received	1,062	1,495
Other	371	830
Total current liabilities	12,304	15,184
Non-current liabilities		
Lease obligations	175	108
Provision for point card certificates	582	588
Provision for employee stock ownership plan	148	212
Provision for share-based remuneration for Directors (and other Officers)	87	127
Other	59	84
Total non-current liabilities	1,054	1,121
Total liabilities	13,358	16,306
Net assets		
Shareholders' equity		
Share capital	1,527	1,527
Capital surplus	1,452	1,452
Retained earnings	14,316	17,095
Treasury shares	△1,322	△1,322
Total shareholders' equity	15,974	18,753
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	573	1,093
Foreign currency translation adjustment	18	18
Total accumulated other comprehensive income	592	1,112
Non-controlling interests	1	-
Total net assets	16,567	19,865
Total liabilities and net assets	29,926	36,171

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

[Consolidated profit and loss statement]

(Millions of yen)

	Previous consolidated FY (April 1, 2019 to March 31, 2020)	Current consolidated FY (April 1, 2020 to March 31, 2021)
Sales	37,271	37,841
Cost of sales	22,469	21,418
Gross profit	14,802	16,422
Selling, general and administrative expenses	*1 6,407	*1 6,648
Operating income	8,394	9,774
Non-operating income		
Interest income	28	28
Dividend income	22	27
Share of profit of entities accounted for using equity method	14	-
Subsidy income	15	42
Distributions of profit on partnerships	0	-
Other	17	13
Total non-operating income	98	111
Non-operating expenses		
Interest expenses	6	5
Commitment fee	11	11
Share of loss of entities accounted for using equity method	-	2
Foreign exchange losses	8	-
Distributions of loss on partnerships	-	7
Other	4	0
Total non-operating expenses	30	26
Ordinary income	8,462	9,858
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	0
Total extraordinary income	-	0
Extraordinary losses		
Loss on retirement of non-current assets	*2 1	-
Loss on valuation of investment securities	215	-
Loss on valuation of shares of subsidiaries and associates	-	7
Impairment loss	*3 11	-
Loss on change in equity	4	-
Total extraordinary losses	233	7
Net income before income taxes	8,228	9,852
Income taxes - current	2,663	3,122
Income taxes - deferred	△66	△36
Total income taxes	2,597	3,086
Net income	5,631	6,765
Loss attributable to non-controlling interests(△)	△10	△1
Net income attributable to owners of parent	5,641	6,766

[Consolidated statement of comprehensive income]

(Millions of yen)

	Previous consolidated FY (April 1, 2019 to March 31, 2020)	Current consolidated FY (April 1, 2020 to March 31, 2021)
Net income	5,631	6,765
Other comprehensive income		
Valuation difference on available-for-sale securities	△9	520
Foreign currency translation adjustment	△1	0
Total other comprehensive income	* △10	* 520
Comprehensive income	5,620	7,285
(Breakdown)		
Comprehensive income attributable to owners of parent	5,630	7,286
Comprehensive income attributable to non-controlling interests	△10	△1

3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance, beginning of year	1,527	1,452	16,610	△322	19,268	582	20	602	11	19,882
Changes during the period										
Dividends of surplus			△4,045		△4,045					△4,045
Net income attributable to owners of parent			5,641		5,641					5,641
Acquisition of treasury shares				△4,914	△4,914					△4,914
Disposal of treasury shares		42		215	258					258
Cancellation of treasury shares		△42	△3,876	3,918	-					-
Acquisition of treasury shares by Board Benefit Trust				△258	△258					△258
Disposal of treasury shares by Board Benefit Trust				38	38					38
Change in scope of equity method			△13		△13					△13
Net changes in items other than shareholders' equity						△9	△1	△10	△10	△20
Total changes during the period	-	-	△2,294	△999	△3,294	△9	△1	△10	△10	△3,314
Balance, end of year	1,527	1,452	14,316	△1,322	15,974	573	18	592	1	16,567

Current consolidated fiscal year (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance, beginning of year	1,527	1,452	14,316	△1,322	15,974	573	18	592	1	16,567
Changes during the period										
Dividends of surplus			△3,987		△3,987					△3,987
Net income attributable to owners of parent			6,766		6,766					6,766
Acquisition of treasury shares				△0	△0					△0
Net changes in items other than shareholders' equity						520	0	520	△1	519
Total changes during the period	-	-	2,778	△0	2,778	520	0	520	△1	3,298
Balance, end of year	1,527	1,452	17,095	△1,322	18,753	1,093	18	1,112	-	19,865



## 4) Consolidated cash flow statement

(Millions of yen)

	Previous consolidated FY (April 1, 2019 to March 31, 2020)	Current consolidated FY (April 1, 2020 to March 31, 2021)
<b>Cash flow from operating activities</b>		
Net income before income taxes	8,228	9,852
Depreciation	819	778
Amortization of goodwill	8	8
Increase (decrease) in provision for employee stock ownership plan (△ indicates a decrease.)	46	64
Increase (decrease) in provision for share-based remuneration for Directors (and other Officers) (△ indicates a decrease.)	7	39
Increase (decrease) in provision for point card certificates(△ indicates a decrease.)	26	5
Loss on retirement of non-current assets	1	-
Impairment loss	11	-
Loss (gain) on valuation of investment securities (△ indicates a gain.)	215	-
Loss on valuation of shares of subsidiaries and associates	-	7
Loss (gain) on sales of shares of subsidiaries and associates( △ indicates a gain.)	-	△0
Share of loss (profit) of entities accounted for using equity method( △ indicates a gain.)	△14	2
Loss (gain) on change in equity (△ indicates a gain.)	4	-
Subsidy income	△15	△42
Interest and dividend income	△51	△55
Interest expenses	6	5
Distributions of profit (loss) on partnerships (△ indicates a gain.)	△0	7
Decrease (increase) in trade receivables( △ indicates an increase.)	△524	△637
Decrease (increase) in inventories(△ indicates an increase.)	0	△212
Decrease (increase) in prepaid expenses( △ indicates an increase.)	97	△175
Decrease (increase) in accounts receivable - other(△ indicates an increase.)	737	482
Increase (decrease) in trade payables ( △ indicates a decrease.)	△420	1,013
Increase (decrease) in accounts payable - other(△ indicates a decrease.)	△626	△594
Increase (decrease) in advances received ( △ indicates a decrease.)	△417	873
Increase (decrease) in deposits received( △ indicates a decrease.)	△83	439
Other	△20	554
Subtotal	8,038	12,417
Interest and dividends received	78	55
Interest paid	△6	△5
Subsidies received	15	42
Income taxes paid	△2,650	△2,647
<b>Cash flow from operating activities</b>	<b>5,476</b>	<b>9,862</b>

(Millions of yen)

	Previous consolidated FY (April 1, 2019 to March 31, 2020)	Current consolidated FY (April 1, 2020 to March 31, 2021)
<b>Cash flow from investing activities</b>		
Purchase of property, plant, and equipment	△39	△21
Proceeds from sales of property, plant, and equipment	0	-
Purchase of intangible assets	△696	△1,098
Payments of leasehold and guarantee deposits	△164	△24
Proceeds from refund of leasehold and guarantee deposits	35	13
Other	116	△44
Cash flow from investing activities	△748	△1,175
<b>Cash flow from financing activities</b>		
Net increase (decrease) in short-term borrowings (△ indicates a decrease.)	-	5
Repayments of finance lease obligations	△125	△129
Dividends paid	△4,044	△3,986
Purchase of treasury shares	*2 △5,173	△0
Proceeds from disposal of treasury shares	*2 264	-
Cash flow from financing activities	△9,077	△4,110
Effect of exchange rate change on cash and cash equivalents	△15	14
Net increase (decrease) in cash and cash equivalents (△ indicates a decrease.)	△4,365	4,591
Beginning balance of cash and cash equivalents	17,328	12,962
Cash and cash equivalents, end of year	*1 12,962	*1 17,554

[Matters to be set down in notes]

(Matters regarding the going concern assumption)

Not applicable.

(Material matters that serve as the basis for preparing consolidated financial statements)

1. Matters regarding the scope of consolidation

(1) Number of consolidated subsidiaries

11 companies

Names of consolidated subsidiaries

Benefit One Shanghai Inc.

BENEFIT ONE USA, INC.

BENEFIT ONE INTERNATIONAL PTE. LTD.

BENEFIT ONE(THAILAND) COMPANY LIMITED

PT. BENEFIT ONE INDONESIA

REWARDZ PRIVATE LIMITED

REWARDZ BENEFITS SDN. BHD., and

four other companies

(2) Name of non-consolidated subsidiary

Roumu Kenkyusho Co., Ltd.

Reason for excluding the subsidiary from the scope of consolidation

The non-consolidated subsidiary is excluded from the scope of consolidation because it is a small-sized company and its total assets, sales, net income/loss (the amount corresponding to equity), and retained earnings (the amount corresponding to equity), etc. do not have a significant impact on the Company's consolidated financial statements.

2. Matters regarding the application of the equity method

(1) Number of affiliated companies to which the equity method was applied

One company

Name of the company to which the equity method was applied

Trust Co., Ltd.

The Company newly acquired the shares of Trust Co., Ltd. and included the company in the scope of the application of the equity method from the current consolidated fiscal year.

(2) Names, etc. of non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

Roumu Kenkyusho Co., Ltd., and

one other company

Reason for not applying the equity method

The companies to which the equity method is not applied are excluded from the scope of the application of the equity method because they have only a minor impact on the Company's consolidated financial statements if they are excluded from the scope of the equity method in terms of net income/loss (the amount corresponding to equity), retained earnings (the amount corresponding to equity), etc. and because they are less important as a whole.

### 3. Matters regarding the consolidated subsidiaries' fiscal years, etc.

Of the consolidated subsidiaries, nine consolidated subsidiaries outside Japan close their accounts on December 31.

In the preparation of the consolidated financial statements, the Company uses financial statements based on the provisional settlement of accounts implemented as of the consolidated closing date. The last day of the fiscal year of other consolidated subsidiaries is the same as the consolidated closing date.

### 4. Matters regarding accounting policies

#### (1) Valuation criteria and valuation method for material assets

##### 1) Securities

###### i) Other securities

Securities having a fair value

The Company uses the fair value method based on the market price, etc. on the last day of the accounting period. (Valuation differences are included in net assets and the cost of securities sold is calculated by the moving average method.)

Securities having no fair value

The Company uses the cost method by the moving average method.

##### 2) Inventories

The valuation criteria are based on the cost method. (Balance sheet amounts are calculated by the book value devaluation method due to a decline in profitability.)

###### i) Merchandise

Moving average method

###### ii) Work in process

Specific identification method

###### iii) Supplies

Last purchase price method

#### (2) Depreciation/amortization method for material depreciable/amortizable assets

##### 1) Property, plant, and equipment (excluding leased assets)

The Company mainly uses the declining balance method. However, the Company uses the straight-line method for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

##### 2) Intangible fixed assets (excluding leased assets)

Software

The Company uses the straight-line method based on the usable period in the Company (within five years).

##### 3) Leased assets

Leased assets related to non-ownership-transfer finance lease transactions

The Company uses the straight-line method regarding the lease period as the useful life and assuming the residual value as zero.

#### (3) Recording criteria for important allowances

##### 1) Allowance for doubtful accounts

To prepare for losses due to bad debts, the Company reports the expected non-collectable amount using the loan loss ratio for general claims and individually examining the collectability of claims with a possibility of default and bankruptcy or reorganization claims.

##### 2) Provision for point card certificates

To prepare for future expenses incurred by the use of "Benepo," the Company reported, at the end of the current consolidated fiscal year, the estimated amount corresponding to the points that are expected to be used in the future.

##### 3) Provision for employee stock ownership plan

To prepare for the provision of the Company's shares to employees, etc. based on the Stock Benefit Regulations, the Company recorded the provision based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

##### 4) Provision for share-based remuneration for Directors (and other Officers)

To prepare for the provision of the Company's shares to Directors based on the Officer Stock Benefit Regulations, etc., the Company recorded the provision based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

(4) Matters regarding the amortization of goodwill

The Company amortizes goodwill by estimating its effective period (three years) and using the straight-line method.

(5) Scope of funds reported in the consolidated cash flow statement

Cash on hand, deposits that can be withdrawn at any time and deposits paid, and highly liquid, easily cashable, short-term investment of which the maturity date will come within three months from the date of acquisition and which has only a slight risk of change in value.

(6) Other material matters for preparing consolidated financial statements

Accounts processing of consumption tax, etc.

Consumption tax and local consumption tax are processed by the tax-excluded method.

(Material accounting estimates)

Impairment loss on non-current assets

1) Major account titles under non-current assets and the amount recorded in the consolidated financial statements for the current consolidated fiscal year

Account title	Amount (Millions of yen)
Buildings and structures	429
Land	602
Software	2,376

2) Other information that contributes to the understanding of accounting estimates by the users of the consolidated financial statements

With regard to non-current assets or asset groups with a sign of impairment, the Group decreases the book value to the recoverable value and records the decrease as an impairment loss if the total future cash flow before discount obtained from these assets or asset groups falls below the book value. When grasping a sign of impairment and recognizing and measuring impairment losses, the Group makes reasonable judgments based on information, etc. available on the account closing date. However, if conditions and assumptions on which the judgments are based have changed due to changes in business plans and the market environment, impairment loss may arise in or after the following consolidated fiscal year.

Of software recorded in the consolidated balance sheet, ¥1,151 million belongs to "Software in progress." During the current consolidated fiscal year, the Group decided to accelerate and reduce the period of system development for which multiple years were initially assumed. "Software in progress" mainly consists of systems that are under development and to be used for service provision in the Employee Benefit Service business, the Healthcare business, etc. and the "Bene One Platform" (hereinafter, the "New System") that allows the management and utilization of member companies' HR and health data, both included in assets as software used by the Company. Software used by the Company needs to be processed as an expense if revenue earning and cost reduction effects in the future are not recognized as certain or if the certainty is unclear. However, the Group expects that the number of member companies will increase in the future by increasing the added value of service provision using the New System, and judges that, as a result of quantitatively measuring the cost reduction effect of the New System and monitoring the most recent development status, the recorded "Software in progress" is recognized as having certain revenue earning and cost reduction effects in the future.

(Changes in the accounting policies)

Not applicable.

(Unapplied accounting standards, etc.)

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)

(1) Outline

This is a comprehensive accounting standard related to revenue recognition. Revenue is recognized in the following five steps.

Step 1: Identify the contract with the customer.

Step 2: Identify performance obligations in the contract.

Step 3: Calculate the transaction price.

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

Step 5: Recognize revenue when the performance obligations have been fulfilled or as the performance obligations are being fulfilled.

(2) Planned date of application

The Company plans to apply the standard from the beginning of FY03/22.

(3) Impact of the application of the accounting standard, etc.

With regard to the application of the “Accounting Standard for Revenue Recognition” (hereinafter, the “Revenue Recognition Accounting Standard”), etc., the Company will add or subtract cumulative effects, which would have been made if the new accounting policy was retroactively applied to the period before the beginning of FY03/22, to or from retained earnings at the beginning of FY03/22, and apply the new accounting policy from the beginning balance in accordance with the transitional handling specified in Paragraph 84 of the Revenue Recognition Accounting Standard. The impact on the retained earnings at the beginning of the period is minor.

As the main impact of applying the Revenue Recognition Accounting Standard, the Company judged its role in the provision of services to customers in a part of transactions in the Healthcare business as the role of an agent. Previously, the total of amount of consideration received from customers was recognized as sales. After the application of the standard, however, sales will be recognized as the net amount obtained by deducting the amount paid to outsourcees from consideration received from customers and, as a result, sales are expected to be smaller than those before the application.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Implementation Guidance on the Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Outline

The Accounting Standard for Fair Value Measurement and the Implementation Guidance on the Accounting Standard for Fair Value Measurement (hereinafter, the “Accounting Standard for Fair Value Measurement, etc.”) were developed to increase the comparability with the provisions of international accounting standards, and guidance, etc. on the method to calculate the fair value were set forth. The Accounting Standard for Fair Value Measurement, etc. is applied to the fair value of as follows:

- Financial instruments stated in the “Accounting Standard for Financial Instruments”
  - Inventory assets held for the purpose of trading stated in the Accounting Standard for Measurement of Inventories
- In addition, the Implementation Guidance on Disclosures about the Fair Value of Financial Instruments has been revised with matters to be set down in notes including the breakdown by the fair value level of financial instruments.

(2) Planned date of application

The standards will be applied from the beginning of FY03/22.

(3) Impact of the application of the accounting standard, etc.

The Company is currently assessing the impact of the application of the Accounting Standard for Fair Value Measurement, etc. on consolidated financial statements.

(Change of the presentation method)

(Consolidated cash flow statement)

“Purchase of investment securities” in “Cash flow from investing activities” that was independently recorded in the previous consolidated fiscal year is included in “Other” from the current consolidated fiscal year because it became less important. To reflect this change of the presentation method, we have rearranged the consolidated financial statements for the previous consolidated fiscal year.

As a result, “Purchase of investment securities” (¥△2 million) and “Other” (¥119 million) indicated in “Cash flow from investing activities” in the consolidated cash flow statement for the previous consolidated fiscal year are included in “Other” (¥116 million).

(Application of the Accounting Standard for Disclosure of Accounting Estimates)

The Company began to apply the Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements as of the end of the current consolidated fiscal year with notes on material accounting estimates in the statements.

In accordance with the transitional handling stated in Paragraph 11 of the accounting standard, however, statements related to the previous consolidated fiscal year are not included in the notes.

(Changes to accounting estimates)

Not applicable.

(Additional Information)

1. Japanese version of Employee Stock Ownership Plan (J-ESOP)

Based on the resolution at the Board of Directors meeting held on July 28, 2016, the Company introduced an incentive plan, the Japanese version of the Employee Stock Ownership Plan (J-ESOP) (hereinafter, the “J-ESOP scheme”), on September 2, 2016 for the purpose of enhancing employees’ motivation and morale for higher stock price and performance. In this scheme, treasury shares are allocated to employees of the Company and Officers and employees of the Company’s subsidiaries (hereinafter, “Employees, etc.”).

(1) Outline of transactions

The Company established the Stock Benefit Regulations when it introduced the J-ESOP scheme. Based on the Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire in advance shares to be allocated in the future, and trust banks acquired the Company’s shares using the entrusted money.

In the J-ESOP scheme, the Company grants points to Employees, etc. and allocates shares to Employees, etc. according to their points based on the Stock Benefit Regulations.

Applying the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trust (Practical Issue Task Force (PITF) No. 30, March 26, 2015) published by the Accounting Standards Board of Japan (ASBJ), the Company uses the gross price method in which trust assets and liabilities are recorded as the enterprise’s assets and liabilities on the balance sheet as accounts processing related to the J-ESOP scheme.

To prepare for the provision of the Company’s shares to employees, etc. based on the Stock Benefit Regulations, the Company recorded “Provision for employee stock ownership plan” based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

(2) Treasury shares remaining in trust

The Company recorded its treasury shares remaining in trust as treasury shares under net assets, using the book value in trust (excluding the amount of incidental costs). The book value and the number of these treasury shares were ¥263 million and 212,497 shares at the end of the previous consolidated fiscal year and ¥263 million and 212,497 shares at the end of the current consolidated fiscal year.

(3) Book value of the borrowings recorded by applying the gross price method

Not applicable.

## 2. Board Benefit Trust (BBT)

Based on the resolution at the General Meeting of Shareholders held on June 29, 2016, the Company introduced the Board Benefit Trust (BBT) (hereinafter, the “BBT scheme”) on September 2, 2016 as a performance-linked stock-based remuneration system for Directors (limited to Executive Directors; the same applies hereinafter).

At the General Meeting of Shareholders held on June 25, 2019, the Company resolved to abolish the previous remuneration slot in the previous BBT scheme for Directors in a Company with a Board of Company Auditors, primarily for the transition to a Company with an Audit and Supervisory Committee, and also resolved to set a new remuneration slot for performance-linked stock-based remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members and limited to Executive Directors; the same applies hereinafter).

At the General Meeting of Shareholders held on June 24, 2021, the Company resolved to set a new remuneration slot again for performance-linked stock-based remuneration for Directors in response to the enforcement of the Act Partially Amending the Companies Act (Act No. 70 of 2019) on March 1, 2021.

### (1) Outline of transactions

The Company established the Officer Stock Benefit Regulations when it introduced the BBT scheme. Based on the Officer Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire in advance shares to be allocated in the future, and trust banks acquired the Company’s shares using the entrusted money.

In the BBT scheme, the Company grants points to Directors and allocates shares to Directors according to their points based on the Officer Stock Benefit Regulations.

In reference to the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trust (PITF No. 30, March 26, 2015) published by the Accounting Standards Board of Japan, the Company applies the practical solution to Directors and uses the gross price method in which trust assets and liabilities are recorded as the enterprise’s assets and liabilities on the balance sheet as accounts processing related to the BBT scheme.

To prepare for the provision of the Company’s shares to Directors based on the Officer Stock Benefit Regulations, the Company recorded “Provision for share-based remuneration for Directors (and other Officers)” based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

### (2) Treasury shares remaining in trust

The Company recorded its treasury shares remaining in trust as treasury shares under net assets, using the book value in trust (excluding the amount of incidental costs). The book value and the number of these treasury shares were ¥180 million and 154,420 shares at the end of the previous consolidated fiscal year and ¥180 million and 154,420 shares at the end of the current consolidated fiscal year.

### (3) Book value of the borrowings recorded by applying the gross price method

Not applicable.

## 3. Impact of COVID-19

The Group made accounting estimates, including impairment accounting for non-current assets, based on information available when the consolidated financial statements were prepared. In making accounting estimates for the current consolidated fiscal year, COVID-19 had a certain impact, such as decreased service use, on some businesses. The estimates are based on the assumption that a certain impact will continue in the next consolidated fiscal year but will gradually disappear in the second half.



(Matters related to the consolidated balance sheet)

\*1: Inventory breakdown is as follows:

	Previous consolidated FY (March 31, 2020)	Current consolidated FY (March 31, 2021)
Merchandise	¥941 million	¥1,211 million
Work in process	¥126 million	¥81 million
Supplies	¥43 million	¥32 million
Total	¥1,110 million	¥1,325 million

\*2: Investment in the non-consolidated subsidiary and affiliated companies is as follows:

	Previous consolidated FY (March 31, 2020)	Current consolidated FY (March 31, 2021)
Investment securities (shares)	¥12 million	¥22 million

\*3: Amount of reduction entry

The amount and breakdown of reduction entry of non-current assets deducted as a result of accepting national subsidies, etc. are as follows:

	Previous consolidated FY (March 31, 2020)	Current consolidated FY (March 31, 2021)
Amount of reduction entry	¥56 million	¥56 million
(of which, buildings and structures)	¥0 million	¥0 million
(of which, tools, furniture and fixtures)	¥55 million	¥55 million

(Matters related to the consolidated profit and loss statement)

\*1: Major expense items and amounts of major selling, general, and administrative expenses are as follows:

	Previous consolidated FY (April 1, 2019 to March 31, 2020)	Current consolidated FY (April 1, 2020 to March 31, 2021)
Salaries and bonuses	¥2,148 million	¥2,377 million
Packing and transportation costs	¥488 million	¥452 million
Outsourcing expenses	¥557 million	¥447 million
Legal welfare expenses	¥329 million	¥351 million
Welfare expenses	¥216 million	¥213 million
Depreciation	¥163 million	¥188 million
Rent expenses on land and buildings	¥148 million	¥157 million
Provision for employee stock ownership plan	¥43 million	¥61 million
Provision for share-based remuneration for Directors (and other Officers)	¥41 million	¥39 million
Provision of allowance for doubtful accounts	¥△2 million	¥△5 million

\*2: The breakdown of loss on retirement of non-current assets is as follows:

	Previous consolidated FY (April 1, 2019 to March 31, 2020)	Current consolidated FY (April 1, 2020 to March 31, 2021)
Other	¥1 million	-

\*3: Impairment loss

Previous consolidated fiscal year (April 1, 2019 to March 31, 2020)

Disclosure is omitted due to minor importance.

Current consolidated fiscal year (April 1, 2020 to March 31, 2021)

Not applicable.

(Matters related to the consolidated statement of comprehensive income)

\* Amount of reclassification adjustment and tax effect amount relating to other comprehensive income

	Previous consolidated FY (April 1, 2019 to March 31, 2020)	Current consolidated FY (April 1, 2020 to March 31, 2021)
Valuation difference on available-for-sale securities		
Amount generated in the period	¥△13 million	¥750 million
Amount of reclassification adjustment	-	-
Before tax effect adjustment	¥△13 million	¥750 million
Tax effect amount	¥4 million	¥△229 million
Valuation difference on available-for-sale securities	¥△9 million	¥520 million
Foreign currency translation adjustment		
Amount generated in the period	¥△1 million	¥0 million
Amount of reclassification adjustment	-	-
Before tax effect adjustment	¥△1 million	¥0 million
Tax effect amount	-	-
Foreign currency translation adjustment	¥△1 million	¥0 million
Total other comprehensive income	¥△10 million	¥520 million

(Matters related to the consolidated statements of changes in net assets)

Previous consolidated fiscal year (April 1, 2019 to March 31, 2020)

1. Matters regarding issued shares

Class of shares	Beginning of consolidated FY	Increase	Decrease	End of current consolidated FY
Common shares (shares)	162,400,000	-	2,430,000	159,970,000

(Outline of the cause of the changes)

Decrease due to the cancellation of treasury shares: 2,430,000 shares

2. Matters regarding treasury shares

Class of shares	Beginning of consolidated FY	Increase	Decrease	End of current consolidated FY
Common shares (shares)	887,658	2,545,000	2,597,551	835,107

Note 1: Treasury shares (common shares) at the beginning of the current consolidated fiscal year include 169,048 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and 135,420 shares of the Company held by trust banks based on the Board Benefit Trust (BBT).

Note 2: Treasury shares (common shares) at the end of the current consolidated fiscal year include 212,497 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and 154,420 shares of the Company held by trust banks based on the Board Benefit Trust (BBT).

Note 3: Of the increase in the number of treasury shares (common shares), an increase of 1,800,000 shares is attributable to the acquisition of treasury shares based on the resolution at the Board of Directors meeting held on July 29, 2019, an increase of 630,000 share is attributable to the acquisition of treasury shares based on the resolution at the Board of Directors meeting held on October 31, 2019, and an increase of 115,000 share is attributable to the acquisition for the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT).

Note 4: Of the decrease in the number of treasury shares (common shares), a decrease of 1,800,000 shares is attributable to the cancellation of treasury shares based on the resolution at the Board of Directors meeting held on July 29, 2019, a decrease of 630,000 shares is attributable to the cancellation of treasury shares based on the resolution at the Board of Directors meeting held on October 31, 2019, a decrease of 115,000 shares is attributable to the disposal of treasury shares through third-party allotment to the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT), and a decrease of 52,551 shares is attributable to the provision of the Company's shares held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT).

3. Matters regarding share options, etc.

Not applicable.

4. Matters regarding dividends

(1) Dividend payment amount

Resolution	Class of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Reference date	Effective date
May 8, 2019 Board of Directors	Common shares	4,045	25.0	March 31, 2019	June 11, 2019

Note 1: One common share was split into two shares, effective on March 1, 2019. Dividend per share before the share split is comparable to ¥50.00.

Note 2: The total amount of dividend includes a total dividend of ¥7 million to 304,468 shares of the Company held by trust banks as of the reference date based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT).

(2) Dividend with a reference date belonging to the current consolidated fiscal year and with an effective date belonging to the following consolidated fiscal year

Resolution	Class of shares	Dividend's financial source	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Reference date	Effective date
May 13, 2020 Board of Directors	Common shares	Retained earnings	3,987	25.0	March 31, 2020	June 11, 2020

Note: The total amount of dividend includes a total dividend of ¥9 million to 366,917 shares of the Company held by trust banks as of the reference date based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT).

Current consolidated fiscal year (April 1, 2020 to March 31, 2021)

1. Matters regarding issued shares

Class of shares	Beginning of current consolidated FY	Increase	Decrease	End of current consolidated FY
Common shares (shares)	159,970,000	-	-	159,970,000

2. Matters regarding treasury shares

Class of shares	Beginning of current consolidated FY	Increase	Decrease	End of current consolidated FY
Common shares (shares)	835,107	53	-	835,160

Note 1: Treasury shares (common shares) at the beginning of the current consolidated fiscal year include 212,497 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and 154,420 shares of the Company held by trust banks based on the Board Benefit Trust (BBT).

Note 2: Treasury shares (common shares) at the end of the current consolidated fiscal year include 212,497 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and 154,420 shares of the Company held by trust banks based on the Board Benefit Trust (BBT).

Note 3: The increase of 53 treasury shares (common shares) is attributable to the purchase of shares less than one unit.

3. Matters regarding share options, etc.  
Not applicable.

4. Matters regarding dividends

(1) Dividend payment amount

Resolution	Class of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Reference date	Effective date
May 13, 2020 Board of Directors	Common shares	3,987	25.0	March 31, 2020	June 11, 2020

Note: The total amount of dividend includes a total dividend of ¥9 million to 366,917 shares of the Company held by trust banks as of the reference date based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT).

(2) Dividend with a reference date belonging to the current consolidated fiscal year and with an effective date belonging to the following consolidated fiscal year

Resolution	Class of shares	Dividend's financial	Total amount of dividend	Dividend per share (Yen)	Reference date	Effective date
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		source	(Millions of yen)			
May 12, 2021 Board of Directors	Common shares	Retained earnings	4,785	30.0	March 31, 2021	June 10, 2021

Note: The total amount of dividend includes a total dividend of ¥11 million to 366,917 shares of the Company held by trust banks as of the reference date based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT).

(Matters related to the consolidated cash flow statement)

\*1: The relationship between the balance of cash and cash equivalent at the end of the year and the amount set down in account titles in the consolidated balance sheet is as follows:

	Previous consolidated FY (April 1, 2019 to March 31, 2020)	Current consolidated FY (April 1, 2020 to March 31, 2021)
Cash and deposits	¥8,462 million	¥13,064 million
Cash equivalents included in deposits paid (Note)	¥4,500 million	¥4,500 million
Account dedicated to insurance agencies	-	¥△10 million
Cash and cash equivalents	¥12,962 million	¥17,554 million

Note: Deposits paid for CMS (cash management system) provided by the parent company (Pasona Group Inc.) to its group companies

\*2: Income of ¥258 million from the sale of treasury shares for additional contribution to the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT), as well as expenditure of ¥258 million for the acquisition of the Company's shares in trust, are included.

### 3. Content of material non-cash transactions

The amount of assets and liabilities related to finance lease transactions are as follows:

	Previous consolidated FY (April 1, 2019 to March 31, 2020)	Current consolidated FY (April 1, 2020 to March 31, 2021)
Amount of assets and liabilities related to finance lease transactions	¥81 million	¥42 million

(Matters related to lease transactions)

1. Finance lease transactions

(Lessee side)

(1) Ownership-transfer finance lease transactions

Not applicable.

(2) Non-ownership-transfer finance lease transactions

1) Content of leased assets

Property, plant, and equipment

Mainly, tools, furniture, and fixtures.

Intangible fixed assets

Mainly, software.

2) Method of depreciation of leased assets

The method is described in "Material matters that serve as the basis for preparing consolidated financial statements, 4. Matters regarding accounting policies, (2) Depreciation/amortization method for material depreciable/amortizable assets."

2. Operating lease transactions

(Lessee side)

Future lease payments in non-cancelable operating lease transactions

(Millions of yen)

	Previous consolidated FY (March 31, 2020)	Current consolidated FY (March 31, 2021)
Within one year	176	173
Over one year	289	107
Total	466	281

(Matters related to financial instruments)

1. Matters regarding the status of financial instruments

(1) Policy on financial instruments

The Group has a policy of limiting its investment of funds to deposits or very low-risk bonds, etc. and procuring funds through bank loans. The Group does not conduct derivatives trading.

(2) Content and risk of financial instruments

“Notes and accounts receivable – trade,” which are trade receivables, are exposed to customers’ credit risk.

“Investment securities” are the shares, etc. of enterprises having a business relationship with the Group and are exposed to market price fluctuation risk.

Most of “Notes and accounts payable – trade” and “Accounts payable – other,” which are trade payables, have a payment date within one month.

Borrowings and lease obligations related to finance lease transactions are aimed primarily at procuring funds required for working capital and capital investment.

(3) Risk management system related to financial instruments

1) Management of credit risk (risk, etc. related to a default in the performance of contracts by business partners)

In the Group, each business division confirms the status of major customers’ trade receivables in accordance with the Credit Management Regulations, comprehends the date and amount by business partner, and tries to gauge as early as possible and reduce debt collection concern resulted from the deterioration of the financial status, etc.

2) Management of market risk (fluctuation risk of foreign currency, interest rates, etc.)

The Group regularly checks the fair value and the financial position of the issuers (business partners) of investment securities and continuously reviews the status of holding in consideration of market conditions and relationship with the business partners.

3) Management of liquidity risk related to fund procurement (risk of not being able to repay on the payment date)

In the Group, the department in charge develops a financing plan in a timely manner and manages liquidity risk by maintaining the liquidity on hand based on reports from each department and group companies.

(4) Supplementary explanation on matters regarding the fair value, etc. of financial instruments

The fair value of financial instruments includes not only the value based on market prices, but also the reasonably calculated value if financial instruments have no market price. In the calculation of such value, variable factors are incorporated, and the value may change by adopting different preconditions, etc.

2. Matters regarding the fair value, etc. of financial instruments

The amount recorded in the consolidated balance sheet, the fair value, and their differences are presented below.

Items of which fair value is recognized as being extremely difficult to gauge are not included. (See Note 2)

Previous consolidated fiscal year (March 31, 2020)

	Amount recorded in the consolidated balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	8,462	8,462	-
(2) Notes and accounts receivable - trade	6,187		
Allowance for doubtful accounts (*1)	△17		
	6,170	6,170	-
(3) Deposits paid	4,500	4,500	-
(4) Accounts receivable - other	1,287		
Allowance for doubtful accounts (*2)	△3		
	1,283	1,283	-
(5) Investment securities	1,606	1,606	-
Total assets	22,024	22,024	-
(1) Notes and accounts payable - trade	2,265	2,265	-
(2) Short-term borrowings	160	160	-
(3) Accounts payable - other	3,090	3,090	-
(4) Income taxes payable	1,543	1,543	-
(5) Deposits received	1,062	1,062	-
(6) Lease obligations	296	295	△1
Total liabilities	8,419	8,417	△1

\*1: General allowance for doubtful accounts and individual allowance for doubtful accounts corresponding to “Notes and accounts receivable – trade” are deducted.

\*2: General allowance for doubtful accounts and individual allowance for doubtful accounts corresponding to “Accounts receivable – other” are deducted.

Current consolidated FY (March 31, 2021)

	Amount recorded in the consolidated balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	13,064	13,064	-
(2) Notes and accounts receivable - trade	6,837		
Allowance for doubtful accounts (*1)	△10		
	6,826	6,826	-
(3) Deposits paid	4,500	4,500	-
(4) Accounts receivable - other	808		
Allowance for doubtful accounts (*2)	△1		
	807	807	-
(5) Investment securities	2,356	2,356	-
<b>Total assets</b>	<b>27,555</b>	<b>27,555</b>	<b>-</b>
(1) Notes and accounts payable - trade	3,284	3,284	-
(2) Short-term borrowings	174	174	-
(3) Accounts payable - other	2,684	2,684	-
(4) Income taxes payable	2,030	2,030	-
(5) Deposits received	1,495	1,495	-
(6) Lease obligations	214	213	△0
<b>Total liabilities</b>	<b>9,884</b>	<b>9,883</b>	<b>△0</b>

\*1: General allowance for doubtful accounts and individual allowance for doubtful accounts corresponding to “Notes and accounts receivable - trade” are deducted.

\*2: General allowance for doubtful accounts and individual allowance for doubtful accounts corresponding to “Accounts receivable - other” are deducted.

Note 1: Method to calculate the fair value of financial instruments and matters regarding securities and derivatives trading

Assets

(1) Cash and deposits, (2) Notes and accounts receivable - trade, (3) Deposits paid, and (4) Accounts receivable - other

The book value is used because these are settled in a short term and their fair value approximates to their book value.

(5) Investment securities

For shares, prices at the exchange are used as their fair value. For matters regarding securities by the purpose of holding, see “Matters related to securities” under [Matters to be set down in notes].

Liabilities

(1) Notes and accounts payable - trade, (2) Short-term borrowings, (3) Accounts payable - other, (4) Income taxes payable, and (5) Deposits received

The book value is used because these are settled in a short term and their fair value approximates to their book value.

(6) Lease obligations

Lease obligations are calculated based on the current value obtained by discounting the total amount of principal and interest by the interest rate with consideration given to the remaining period and credit risk. The amount is the total of lease obligations included in current liabilities and lease obligations included in non-current liabilities reported in the consolidated balance sheet.

Note 2: Amount in the consolidated balance sheet of financial instruments of which fair value is recognized as being extremely difficult to gauge

	(Millions of yen)	
Category	March 31, 2020	March 31, 2021
Unlisted shares	353	368

These are not included in “(5) Investment securities” because they have no market prices and gauging their fair value is extremely difficult.

The Company recognized impairment loss of ¥215 million in the previous consolidated fiscal year and ¥7 million in the current consolidated fiscal year on unlisted shares.

Note 3: Amount of monetary claims and securities with a maturity to be redeemed after the consolidated closing date  
Previous consolidated fiscal year (March 31, 2020)

	Within 1 year (Millions of yen)	Over one year and within five years (Millions of yen)	Over five years and within 10 years (Millions of yen)	Over 10 years (Millions of yen)
Cash and deposits	8,462	-	-	-
Notes and accounts receivable - trade	6,170	-	-	-
Deposits paid	4,500	-	-	-
Accounts receivable - other	1,283	-	-	-
Investment securities Other securities having maturities (corporate bonds)	-	313	-	154
Total	20,417	313	-	154

Current consolidated FY (March 31, 2021)

	Within 1 year (Millions of yen)	Over one year and within five years (Millions of yen)	Over five years and within 10 years (Millions of yen)	Over 10 years (Millions of yen)
Cash and deposits	13,064	-	-	-
Notes and accounts receivable - trade	6,826	-	-	-
Deposits paid	4,500	-	-	-
Accounts receivable - other	807	-	-	-
Investment securities Other securities having maturities (corporate bonds)	97	221	-	157
Total	25,296	221	-	157

Note 4: Amount of interest-bearing liabilities to be repaid after the consolidated closing date  
Previous consolidated fiscal year (March 31, 2020)

	Within 1 year (Millions of yen)	Over 1 year and within 2 years (Millions of yen)	Over 2 years and within 3 years (Millions of yen)	Over 3 years and within 4 years (Millions of yen)	Over 4 years and within 5 years (Millions of yen)	Over 5 years (Millions of yen)
Short-term borrowings	160	-	-	-	-	-
Lease obligations	121	95	43	28	7	1
Total	281	95	43	28	7	1

Current consolidated FY (March 31, 2021)

	Within 1 year (Millions of yen)	Over 1 year and within 2 years (Millions of yen)	Over 2 years and within 3 years (Millions of yen)	Over 3 years and within 4 years (Millions of yen)	Over 4 years and within 5 years (Millions of yen)	Over 5 years (Millions of yen)
Short-term borrowings	174	-	-	-	-	-
Lease obligations	105	53	36	15	3	0
Total	280	53	36	15	3	0



(Matters related to securities)

1. Other securities

Previous consolidated fiscal year (March 31, 2020)

Category	Type	Amount recorded in the consolidated balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities of which the amount reported in the consolidated balance sheet exceeds the acquisition cost	Stock	1,124	292	832
	Bond	319	290	28
	Subtotal	1,444	582	861
Securities of which the amount reported in the consolidated balance sheet does not exceed the acquisition cost	Bond	162	197	△35
	Subtotal	162	197	△35
Total		1,606	780	826

Note: Unlisted shares (amount recorded in the consolidated balance sheet: ¥353 million) are not included in "Other securities" in the above table because they have no market prices and gauging their fair value is extremely difficult.

The Company recognized an impairment loss of ¥215 million on unlisted shares.

Current consolidated FY (March 31, 2021)

Category	Type	Amount recorded in the consolidated balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities of which the amount reported in the consolidated balance sheet exceeds the acquisition cost	Stock	1,854	292	1,562
	Bond	229	193	36
	Subtotal	2,084	485	1,599
Securities of which the amount reported in the consolidated balance sheet does not exceed the acquisition cost	Bond	272	294	△22
	Subtotal	272	294	△22
Total		2,356	780	1,576

Note: Unlisted shares (amount recorded in the consolidated balance sheet: ¥368 million) are not included in "Other securities" in the above table because they have no market prices and gauging their fair value is extremely difficult.

The Company recognized an impairment loss of ¥7 million on unlisted shares.

(Matters related to derivative trading)

Previous consolidated FY (March 31, 2020)

Not applicable because the Group does not conduct derivative trading at all.

Current consolidated fiscal year (March 31, 2021)

Not applicable because the Group does not conduct derivative trading at all.

(Matters related to retirement benefits)

Previous consolidated fiscal year (April 1, 2019 to March 31, 2020)

Not applicable.

Current consolidated fiscal year (April 1, 2020 to March 31, 2021)

Not applicable.

(Matters related to stock option, etc.)

Not applicable

(Matters related to tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Deferred tax assets)

	Previous consolidated FY (March 31, 2020)	Current consolidated FY (March 31, 2021)
Accrued enterprise tax	¥77 million	¥115 million
Accrued business office tax	¥4 million	¥4 million
Allowance for doubtful accounts	¥9 million	¥7 million
Provision for point card certificates	¥178 million	¥180 million
Provision for employee stock ownership plan	¥45 million	¥64 million
Provision for share-based remuneration for Directors (and other Officers)	¥26 million	¥39 million
Software development expenses	¥101 million	¥62 million
Loss on valuation of investment securities	¥98 million	¥101 million
Asset retirement obligations	¥6 million	¥6 million
Losses carried forward (Note 2)	¥318 million	¥350 million
Other	¥53 million	¥50 million
Subtotal of deferred tax assets		
Valuation allowance for losses carried forward for tax purposes (Note 2)	¥920 million ¥△318 million	¥984 million ¥△350 million
Valuation allowance for the total of deductible temporary difference, etc.	¥△37 million	¥△33 million
Subtotal of valuation allowance (Note 1)	¥△356 million	¥△384 million
Total deferred tax assets	¥564 million	¥599 million

(Deferred tax liabilities)

	Previous consolidated FY (March 31, 2020)	Current consolidated FY (March 31, 2021)
Cost of removal corresponding to asset retirement obligations	¥△4 million	¥△3 million
Valuation difference on available-for-sale securities	¥△216 million	¥△446 million
Other	¥△0 million	-
Total deferred tax liabilities	¥△221 million	¥△449 million
Balance: Net deferred tax assets	¥343 million	¥149 million

Note 1: Valuation allowance increased by ¥28 million mainly because the valuation allowance for losses carried forward for tax purposes was additionally recognized in the consolidated subsidiaries.

Note 2: Amount of losses carried forward for tax purposes and their deferred tax assets by time limit for carryover

(Previous consolidated fiscal year)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over four years and within 5 years	Over 5 years	Total
Losses carried forward for tax purposes (a)	22	22	18	17	21	215	¥318 million
Valuation allowance	△22	△22	△18	△17	△21	△215	¥△318 million
Deferred tax assets	-	-	-	-	-	-	-

(a) Losses carried forward for tax purposes represent the amount obtained by multiplying the normal effective statutory tax rate.

(Current consolidated FY)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over four years and within 5 years	Over 5 years	Total
Losses carried forward for tax purposes (a)	22	20	19	22	10	255	¥350 million
Valuation allowance	△22	△20	△19	△22	△10	△255	¥△350 million
Deferred tax assets	-	-	-	-	-	-	-

(a) Losses carried forward for tax purposes represent the amount obtained by multiplying the normal effective statutory tax rate.

2. Breakdown by major cause when there is a significant difference between the normal effective statutory tax rate and the burden ratio of corporation tax, etc. after the application of tax effect accounting

Notes are omitted because the difference between the normal effective statutory tax rate and the burden ratio of corporation tax, etc. after application of tax effect accounting is 5/100 or less of the normal effective statutory tax rate.

(Matters related to business combination, etc.)

Not applicable.

(Matters related to asset retirement obligations)

Statement is omitted due to minor importance.

(Matters related to rental real estate properties)

Not applicable.

(Segment information, etc.)

[Segment information]

Outline of the reported segment:

The Group is engaged in the membership service business, mainly the outsourced employee benefit service business in Japan. As a result of consolidating business segments, the segment to be reported is only the membership service business, and thus segment information is omitted.

[Related information]

1. Information by product and service

Statement is omitted because sales from the membership service business exceed 90% of the sales reported in the consolidated profit and loss statement.

2. Information by area

(1) Sales

Statement is omitted because sales to external customers in Japan exceed 90% of the sales reported in the consolidated profit and loss statement.

(2) Property, plant, and equipment

Statement is omitted because the amount of property, plant, and equipment located in Japan exceeds 90% of the amount of property, plant, and equipment in the consolidated balance sheet.

3. Information by major customer

There is no statement because no customer accounts for 10% or more in sales to customers reported in the consolidated profit and loss statement.

[Information on impairment loss on non-current assets by reported segment]

Previous consolidated fiscal year (April 1, 2019 to March 31, 2020)

This information is omitted because the segment to be reported is only the membership service business.

Current consolidated fiscal year (April 1, 2020 to March 31, 2021)

Not applicable.

[Information on the amortization amount of goodwill and the unamortized balance by reported segment]

This information is omitted because the segment to be reported is only the membership service business.

[Information on gain from negative goodwill by reported segment]

Not applicable.

[Information on related parties]

1. Transactions with related parties

(1) Transactions between the company submitting the consolidated financial statements and related parties

1) Non-consolidated subsidiary, affiliated companies, etc. of the company submitting the consolidated financial statements

Not applicable.

2) Parent company, major shareholders (limited to enterprises, etc.), etc. of the company submitting the consolidated financial statements

Previous consolidated fiscal year (April 1, 2019 to March 31, 2020)

Type	Name of the company, etc.	Location	Share capital or investments in capital (Millions of yen)	Contents of business or occupation	Ratio of holding (held) voting rights, etc. (%)	Relationship with the related party	Content of transaction	transaction amount (Millions of yen)	Account title	Balance, end of year (Millions of yen)
Parent company	Pasona Group Inc.	Chiyoda-ku, Tokyo	5,000	Development of group management strategies and support for business execution; business administration and the optimal allocation of management resources; the development of new businesses related to employment creation; etc.	(Held) Direct 50.92	Depositing funds Interlocking Officers	Depositing funds	—	Deposits paid	4,500
							Collecting funds	13		
							Receiving interest	9		

Note 1: The transaction amount excludes consumption tax, etc., and the balance at the end of the year includes consumption tax, etc.

Note 2: Conditions of transactions and the policy for deciding the conditions of transactions

All transaction conditions are almost the same as the conditions of other companies having no relationship with the Company or general transaction conditions considering market prices, or transaction conditions are decided through discussion. Conditions of transactions are appropriately decided, going through the approval procedure of the Board of Directors so as not to harm the interests of the Company, in accordance with the Related Party Transaction Management Regulations and company rules on official authority.

Note 3: "Depositing funds" is related to the CMS (cash management system) contract concluded between the Company and Pasona Group Inc., and the interest is reasonably decided in consideration of market interest rates.

Current consolidated FY (April 1, 2020 to March 31, 2021)

Type	Name of the company, etc.	Location	Share capital or investments in capita (Millions of yen)	Contents of business or occupation	Ratio of holding (held) voting rights, etc. (%)	Relationship with the related party	Content of transaction	transaction amount (Millions of yen)	Account title	Balance, end of year (Millions of yen)
Parent company	Pasona Group Inc.	Chiyoda-ku, Tokyo	5,000	Development of group management strategies and support for business execution; business administration and the optimal allocation of management resources; the development of new businesses related to employment creation; etc.	(Held) Direct 50.92	Depositing funds Interlocking Officers	Depositing funds	—	Deposits paid	4,500
							Collecting funds	9		
							Receiving interest	9		

Note 1: The transaction amount excludes consumption tax, etc., and the balance at the end of the year includes consumption tax, etc.

Note 2: Conditions of transactions and the policy for deciding the conditions of transactions

All transaction conditions are almost the same as the conditions of other companies having no relationship with the Company or general transaction conditions considering market prices, or transaction conditions are decided through discussion. Conditions of transactions are appropriately decided, going through the approval procedure of the Board of Directors so as not to harm the interests of the Company, in accordance with the Related Party Transaction Management Regulations and company rules on official authority.

Note 3: "Depositing funds" is related to the CMS (cash management system) contract concluded between the Company and Pasona Group Inc., and the interest is reasonably decided in consideration of market interest rates.

(2) Transactions between the consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

Not applicable.

2. Notes on parent company or any material affiliated company

(1) Information on parent company

Pasona Group Inc. (listed on the Tokyo Stock Exchange)

(2) Summary of the financial information of any material affiliated company

There is no statement because there is no material affiliated company in the current consolidated fiscal year.

(Per share information)

	Previous consolidated FY (April 1, 2019 to March 31, 2020)	Current consolidated FY (April 1, 2020 to March 31, 2021)
Net assets per share	¥104.10	¥124.84
Net income per share	¥35.24	¥42.52

Note 1: Diluted net income per share is not stated because there are no dilutive shares.

Note 2: Treasury shares remaining in the Japanese version of the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT) that are recorded as treasury shares in shareholders' equity are included in treasury shares deducted from the total number of issued shares as of the end of the year for the calculation of net assets per share, and in treasury shares deducted in the calculation of the average number of shares during the year for the calculation of net income per share.

The number of treasury shares deducted for the calculation of net assets per share as of the end of the year is 212,497 shares both in the previous consolidated fiscal year and in the current consolidated fiscal year regarding the Japanese version of the Employee Stock Ownership Plan (J-ESOP). As for the Board Benefit Trust (BBT), 154,420 shares were deducted both in the previous consolidated fiscal year and in the current consolidated fiscal year. The average number of treasury shares deducted during the year for the calculation of net income per share is 160,596 shares in the previous consolidated fiscal year and 212,497 shares in the current consolidated fiscal year regarding the Japanese version of the Employee Stock Ownership Plan (J-ESOP). As for the Board Benefit Trust (BBT), 123,065 shares were deducted in the previous consolidated fiscal year while 154,420 shares were deducted in the current consolidated fiscal year.

Note 3: The basis for the calculation of net income per share is as follows:

Item	Previous consolidated FY (April 1, 2019 to March 31, 2020)	Current consolidated FY (April 1, 2020 to March 31, 2021)
Net income per share		
Net income attributable to owners of parent (Millions of yen)	5,641	6,766
Amount not attributable to common shareholders (Millions of yen)	-	-
Net income attributable to owners of parent related to common shares (Millions of yen)	5,641	6,766
Average number of common shares during the period	160,074,557	159,134,851

(Material post-balance sheet events)

Not applicable.

5) Consolidated supplementary schedules

[Schedule of corporate bonds]

Not applicable.

[Schedule of borrowings, etc.]

Category	Balance, beginning of year (Millions of yen)	Balance, end of year (Millions of yen)	Average interest rate (%)	Due date
Short-term borrowings	160	174	1.38	-
Long-term borrowings to be repaid within 1 year	-	-	-	-
Lease obligations to be repaid within 1 year	121	105	0.91	-
Long-term borrowings (excluding borrowings to be repaid within 1 year)	-	-	-	-
Lease obligations (excluding lease obligations to be repaid within 1 year)	175	108	1.04	2022 to 2026
Other interest-bearing liabilities	-	-	-	-
Total	457	389	-	-

Note 1: "Average interest rate" represents the weighted average interest rate for the balance of borrowings, etc. at the end of the year.

Note 2: The amount of lease obligations (excluding lease obligations to be repaid within 1 year) to be repaid within five years of the consolidated closing date is as follows:

Category	Over 1 year and within 2 years (Millions of yen)	Over 2 years and within 3 years (Millions of yen)	Over 3 years and within 4 years (Millions of yen)	Over 4 years and within 5 years (Millions of yen)
Lease obligations	53	36	15	3

[Schedule of asset retirement obligations]

Statement is omitted pursuant to the provisions of Article 92-2 of the Regulation on Consolidated Financial Statements because the amount of asset retirement obligations at the beginning and the end of the current consolidated fiscal year is 1/100 or less than the total amount of liabilities and net assets at the beginning and the end of the current consolidated fiscal year.

(2) Other

Quarter information, etc. in the current consolidated fiscal year

(Cumulative period)	Q1	Q2	Q3	Current consolidated FY
Sales (¥ mil.)	8,248	17,190	27,074	37,841
Quarterly net profit before taxes (current quarter) (¥ mil.)	2,179	4,487	6,961	9,852
Quarterly net profit attributable to owners of parent (current quarter) (¥ mil.)	1,489	3,071	4,772	6,766
Quarterly net profit per share (current quarter) (¥)	9.36	19.30	29.99	42.52

(Accounting period)	Q1	Q2	Q3	Q4
Quarterly net profit per share (¥)	9.36	9.94	10.69	12.53

## 2. Financial statements, etc.

### (1) Financial statements

#### 1) Balance Sheet

(Millions of yen)

	Previous FY (March 31, 2020)	Current FY (March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	8,274	12,837
Accounts receivable - trade	*1 6,068	*1 6,623
Merchandise and finished goods	921	1,175
Work in process	126	81
Raw materials and supplies	43	32
Advance payments - trade	*1 16	*1 12
Prepaid expenses	492	670
Deposits paid	*1 4,500	*1 4,500
Accounts receivable - other	*1 1,326	*1 884
Short-term loans receivable	*1 195	*1 434
Other	*1 1,409	*1 1,458
Allowance for doubtful accounts	△128	△204
<b>Total current assets</b>	<b>23,246</b>	<b>28,505</b>
Non-current assets		
Property, plant, and equipment		
Buildings	*2 453	*2 409
Structures	21	18
Machinery and equipment	0	0
Vessels	60	38
Tools, furniture and fixtures	*2 60	*2 53
Land	602	602
Leased assets	243	177
<b>Total Property, plant, and equipment</b>	<b>1,442</b>	<b>1,300</b>
Intangible fixed assets		
Goodwill	12	4
Software	1,181	1,113
Software in progress	457	1,149
Leased assets	25	14
Other	2	2
<b>Total intangible fixed assets</b>	<b>1,679</b>	<b>2,283</b>
Investments and other assets		
Investment securities	1,947	2,702
Shares of subsidiaries and associates	132	85
Investments in capital	16	7
Distressed receivables	8	11
Long-term prepaid expenses	139	71
Deferred tax assets	878	725
Insurance funds	268	273
Guarantee deposits	483	499
Membership	19	34
Other	0	0
Allowance for doubtful accounts	△8	△11
<b>Total investments and other assets</b>	<b>3,886</b>	<b>4,399</b>
<b>Total non-current assets</b>	<b>7,008</b>	<b>7,983</b>
<b>Total assets</b>	<b>30,254</b>	<b>36,488</b>



(Millions of yen)

	Previous FY (March 31, 2020)	Current FY
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	*1 2,229	3,132
Lease obligations	118	102
Accounts payable - other	*1 3,051	*1 2,669
Accrued expenses	26	31
Income taxes payable	1,543	2,029
Advances received	3,511	4,382
Deposits received	1,060	1,495
Accrued consumption taxes	270	732
Provision for loss on guarantees	160	169
Other	39	44
<b>Total current liabilities</b>	<b>12,011</b>	<b>14,790</b>
Non-current liabilities		
Lease obligations	174	106
Provision for point card certificates	582	588
Provision for employee stock ownership plan	148	212
Provision for share-based remuneration for Directors (and other Officers)	87	127
Asset retirement obligations	22	22
Other	30	54
<b>Total non-current liabilities</b>	<b>1,046</b>	<b>1,111</b>
<b>Total liabilities</b>	<b>13,058</b>	<b>15,901</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,527	1,527
Capital surplus		
Legal capital surplus	1,467	1,467
Capital surplus合計	1,467	1,467
Retained earnings		
Other retained earnings		
General reserve	7,200	7,200
Retained earnings brought forward	7,750	10,620
<b>Total retained earnings</b>	<b>14,950</b>	<b>17,820</b>
Treasury shares	△1,322	△1,322
<b>Total shareholders' equity</b>	<b>16,623</b>	<b>19,492</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	573	1,093
<b>Total valuation and translation adjustments</b>	<b>573</b>	<b>1,093</b>
<b>Total net assets</b>	<b>17,196</b>	<b>20,586</b>
<b>Total liabilities and net assets</b>	<b>30,254</b>	<b>36,488</b>

## 2) Profit and Loss Statement

(Millions of yen)

	Previous FY (April 1, 2019 to March 31, 2020)	Current FY (April 1, 2020 to March 31, 2021)
Sales	*1 34,597	*1 36,456
Cost of sales	*1 20,109	*1 20,201
Gross profit	14,488	16,254
Selling, general and administrative expenses	*1,*2 5,919	*1,*2 6,267
Operating income	8,568	9,987
Non-operating income		
Interest income	*1 10	*1 14
Dividend income	49	27
Interest income on securities	19	18
Subsidy income	13	25
Other	*1 24	*1 8
Non-operating income合計	118	94
Non-operating expenses		
Interest expenses	2	1
Commitment fee	11	11
Provision of allowance for doubtful accounts	91	85
Other	3	18
Total non-operating expenses	107	117
Ordinary income	8,578	9,964
Extraordinary income		
Gain on extinguishment of tie-in shares	724	-
Total extraordinary income	724	-
Extraordinary losses		
Loss on retirement of non-current assets	1	-
Loss on valuation of investment securities	215	-
Loss on sales of shares of subsidiaries and associates	-	5
Loss on valuation of shares of subsidiaries and associates	283	60
Total extraordinary losses	501	66
Net income before taxes	8,801	9,898
Income taxes - current	2,640	3,117
Income taxes - deferred	△183	△76
Total income taxes	2,457	3,040
Net income	6,344	6,857

[Detailed statement of cost of sales]

Category	Note No.	Previous FY (April 1, 2019 to March 31, 2020)		Current FY (April 1, 2020 to March 31, 2021)	
		Amount (Millions of yen)	%	Amount (Millions of yen)	%
I. Cost of sales of membership services					
1. Labor cost		2,050	10.2	2,529	12.5
2. Expenses	*1	8,309	41.3	9,526	47.2
3. Cost of services purchased					
(1) Product inventory, beginning of year		472		652	
(2) Purchase of services, during year	*2	6,148		3,921	
Total		6,620		4,574	
(3) Product inventory, end of year		652		473	
Cost of services purchased		5,968	29.7	4,101	20.3
4. Cost of incentive goods purchased					
(1) Product inventory, beginning of year		360		268	
(2) Purchase of services, during year		3,229		4,049	
Total		3,590		4,318	
(3) Product inventory, end of year		268		701	
Cost of incentive goods purchased		3,321	16.5	3,616	17.9
Total cost of sales of membership services		19,650	97.7	19,773	97.9
II. Other cost of sales of services		459	2.3	428	2.1
Cost of sales		20,109	100.0	20,201	100.0

(Footnote)

Previous FY (April 1, 2019 to March 31, 2020)	Current FY (April 1, 2020 to March 31, 2021)
<p>*1 A major breakdown is as follows:</p> <p>Health checkup outsourcing cost ¥5,118 million</p> <p>Fee expenses ¥429 million</p> <p>Outsourcing expenses ¥407 million</p> <p>Depreciation ¥456 million</p> <p>Operational support fees ¥450 million</p> <p>Commission expenses ¥316 million</p> <p>Supplies expenses ¥262 million</p> <p>Communication expenses ¥231 million</p>	<p>*1 A major breakdown is as follows:</p> <p>Health checkup outsourcing cost ¥6,260 million</p> <p>Fee expenses ¥469 million</p> <p>Outsourcing expenses ¥468 million</p> <p>Depreciation ¥454 million</p> <p>Operational support fees ¥356 million</p> <p>Commission expenses ¥341 million</p> <p>Supplies expenses ¥335 million</p> <p>Communication expenses ¥245 million</p>
<p>*2 A major breakdown is as follows:</p> <p>Reimbursement for the use of accommodation/services ¥4,806 million</p> <p>Operation of directly managed facilities ¥310 million</p> <p>Purchase of Individual Benefit Service membership benefits ¥251 million</p> <p>Guidebook production ¥280 million</p>	<p>*2 A major breakdown is as follows:</p> <p>Reimbursement for the use of accommodation/services ¥2,938 million</p> <p>Operation of directly managed facilities ¥288 million</p> <p>Purchase of Individual Benefit Service membership benefits ¥182 million</p> <p>Guidebook production ¥168 million</p>

3) Statement of changes in net assets

Previous fiscal year (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity									Valuation and translation adjustments		Total net assets
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings					
					General reserve	Retained earnings brought forward						
Balance, beginning of year	1,527	1,467	-	1,467	7,200	9,327	16,527	△322	19,200	582	582	19,783
Changes during the period												
Dividends of surplus						△4,045	△4,045		△4,045			△4,045
Net income						6,344	6,344		6,344			6,344
Acquisition of treasury shares								△4,914	△4,914			△4,914
Disposal of treasury share			42	42				215	258			258
Cancellation of treasury shares			△42	△42		△3,876	△3,876	3,918	-			-
Acquisition of treasury shares by Board Benefit Trust								△258	△258			△258
Disposal of treasury shares by Board Benefit Trust								38	38			38
Changes (net) during the year in items other than Shareholders' equity										△9	△9	△9
Total changes during the period	-	-	-	-	-	△1,577	△1,577	△999	△2,577	△9	△9	△2,586
Balance, end of year	1,527	1,467	-	1,467	7,200	7,750	14,950	△1,322	16,623	573	573	17,196

Current fiscal year (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity									Valuation and translation adjustments		Total net assets
	Share capital	Capital surplus		Retained earnings			Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
		Legal capital surplus	Total capital surplus	Other retained earnings		Total retained earnings						
				General reserve	Retained earnings brought forward							
Balance, beginning of year	1,527	1,467	1,467	7,200	7,750	14,950	△1,322	16,623	573	573	17,196	
Changes during the period												
Dividends of surplus					△3,987	△3,987		△3,987				△3,987
Net income					6,857	6,857		6,857				6,857
Acquisition of treasury shares							△0	△0				△0
Changes (net) during the year in items other than Shareholders' equity										520	520	520
Total changes during period	-	-	-	-	2,869	2,869	△0	2,869	520	520		3,390
Balance, end of year	1,527	1,467	1,467	7,200	10,620	17,820	△1,322	19,492	1,093	1,093		20,586

[Matters to be set down in notes]

(Important accounting policies)

1. Valuation criteria and valuation methods for assets

(1) Securities

Subsidiary company shares and affiliated company shares

The Company uses the cost method by the moving average method.

Other securities

Securities having a fair value

The Company uses the fair value method based on the market price, etc. on the last day of the accounting period. (Valuation differences are included in net assets and the cost of securities sold is calculated by the moving average method.)

Securities having no fair value

The Company uses the cost method by the moving average method.

(2) Inventories

The valuation criteria are based on the cost method. (Balance sheet amounts are calculated by the book value devaluation method due to a decline in profitability.)

Merchandise

Moving average method

Work in process

Specific identification method

Supplies

Last purchase price method

2. Method of depreciation of non-current assets

(1) Property, plant, and equipment (excluding leased assets)

The declining balance method is used.

However, the Company uses the straight-line method for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

Major useful lives are as follows:

Buildings: Five to 39 years

Structures: 10 to 50 years

Machinery and equipment: 10 years

Vessels: 7 years

Tools, furniture, and fixtures: Two to 20 years

(2) Intangible fixed assets (excluding leased assets)

The straight-line method is used.

Major useful lives are as follows:

Software used by the Company: Three to five years

(3) Leased assets

Leased assets related to non-ownership-transfer finance lease transactions

The Company uses the straight-line method regarding the lease period as the useful life and assuming the residual value as zero.

(4) Long-term prepaid expenses

The straight-line method is used.

3. Recording criteria for allowances

(1) Allowance for doubtful accounts

To prepare for losses due to bad debts, the Company reports the expected non-collectable amount using the loan loss ratio for general claims and individually examining the collectability of claims with a possibility of default and bankruptcy or reorganization claims.

(2) Provision for loss on guarantees

To prepare for guarantee-related losses, the Company reports estimated loss burden by individually considering the financial position of the guarantee.

(3) Provision for point card certificates

To prepare for future expenses incurred by the use of “Benepo,” the Company reported, at the end of the current consolidated fiscal year, the estimated amount corresponding to the points that are expected to be used in the future.

(4) Provision for employee stock ownership plan

To prepare for the provision of the Company’s shares to employees, etc. based on the Stock Benefit Regulations, the Company recorded the provision based on the estimated share benefit obligation as of the end of the current fiscal year.

(5) Provision for share-based remuneration for Directors (and other Officers)

To prepare for the provision of the Company’s shares to Directors based on the Officer Stock Benefit Regulations, the Company recorded the provision based on the estimated share benefit obligation as of the end of the current fiscal year.

4. Amortization method and amortization period of goodwill

The Company amortizes goodwill by estimating its effective period (three years) and using the straight-line method.

5. Material matters that serve as the basis for preparing financial statements

Accounts processing for consumption tax, etc.

Consumption tax and local consumption tax are processed by the tax-excluded method.

(Material accounting estimates)

Impairment loss on non-current assets

1) Major account titles under non-current assets and the amount reported in the financial statements for the current fiscal year

Account title	Amount (Millions of yen)
Buildings	409
Land	602
Software	1,113
Software in progress	1,149

2) Other information that contributes to the understanding of accounting estimates by the users of the financial statements

Notes are omitted because the same content is stated in “Matters to be set down in notes (Material accounting estimates)” in the consolidated financial statements.

(Changes in the accounting policies)

Not applicable.

(Change of the presentation method)

(Profit and Loss Statement)

“Rental income” that was independently recorded in the previous fiscal year is included in “Other” under “Non-operating income” from the current fiscal year because its monetary importance became smaller. To reflect this change of the presentation method, we have rearranged the financial statements for the previous fiscal year.

As a result, “Rental income” (¥2 million) and “Other” (¥22 million) indicated under “Non-operating income” in the Profit and Loss Statement for the previous fiscal year are included in “Other” (¥24 million) under “Non-operating income.”

(Application of the Accounting Standard for Disclosure of Accounting Estimates)

Effective from the end of the current fiscal year, the Company has applied the Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to the financial statements, with notes on material accounting estimates in the statements.

In accordance with the transitional handling stated in Paragraph 11 of the accounting standard, however, statements related to the previous fiscal year are not included in the notes.

(Changes to accounting estimates)

Not applicable.

(Additional Information)

1. Japanese version of the Employee Stock Ownership Plan (J-ESOP)

Notes on transactions of delivering the Company's shares to employees of the Company and Officers and employees of the Company's subsidiaries through trust are omitted because the same content is stated in "Matters to be set down in notes (Additional Information)" in the consolidated financial statements.

2. Board Benefit Trust (BBT)

Notes on transactions of delivering the Company's shares to Directors (limited to Executive Directors) through trust are omitted because the same content is stated in "Matters to be set down in notes (Additional Information)" in the consolidated financial statements.

3. Impact of COVID-19

The Company made accounting estimates, including impairment accounting for non-current assets, based on information available when the financial statements were prepared. In making accounting estimates for the current fiscal year, COVID-19 had a certain impact, such as decreased service use, on some businesses. The estimates are based on the assumption that a certain impact will continue in the next fiscal year but will gradually disappear in the second half.

(Matters related to the Balance Sheet)

\*1: Assets receivable from and liabilities payable to associated companies

The amounts of monetary claims or monetary liabilities regarding associated companies other than separately presented claims and liabilities are as follows:

	Previous FY (March 31, 2020)	Current FY (March 31, 2021)
Short-term monetary claims	¥4,761 million	¥5,042 million
Short-term monetary liabilities	¥13 million	¥63 million

\*2: Amount of reduction entry

The amount and breakdown of reduction entry of non-current assets deducted as a result of accepting national subsidies, etc. are as follows:

	Previous FY (March 31, 2020)	Current FY (March 31, 2021)
Amount of reduction entry	¥56 million	¥56 million
(of which, buildings)	¥ 0 million	¥ 0 million
(of which, tools, furniture and fixtures)	¥55 million	¥55 million

3. Contingent liabilities are as follows:

	Previous FY (March 31, 2020)	Current FY (March 31, 2021)
Performance guarantee to customers for advances received		
Benefit One Shanghai Inc.	¥19 million	¥4 million

Other than the above, the Company provides a guarantee for liability for damages or other monetary obligations that should be undertaken by REWARDZ PRIVATE LIMITED, an associated company of the Company, caused by negligence, etc. directly related to a contract of REWARDZ PRIVATE LIMITED with a certain customer company, up to the amount paid by the customer company in the most recent one year.

(Matters related to the Profit and Loss Statement)

\*1: Total amount of business transactions and non-business transactions with associated companies

	Previous FY (April 1, 2019 to March 31, 2020)	Current FY (April 1, 2020 to March 31, 2021)
Business transactions	¥161 million	¥230 million
Non-business transactions	¥17 million	¥15 million

\*2: Major expense items, amounts, and approximate percentages of "Selling, general, and administrative expenses" are as follows:

	Previous FY (April 1, 2019 to March 31, 2020)	Current FY (April 1, 2020 to March 31, 2021)
Salaries and allowances	¥1,615 million	¥1,795 million
Outsourcing expenses	¥558 million	¥455 million
Packing and transportation costs	¥488 million	¥452 million
Legal welfare expenses	¥317 million	¥343 million
Bonuses	¥256 million	¥325 million
Welfare expenses	¥208 million	¥206 million
Depreciation	¥156 million	¥179 million
Rent expenses on land and buildings	¥130 million	¥146 million
Provision for employee stock ownership plan	¥43 million	¥61 million
Provision for share-based remuneration for Directors (and other Officers)	¥34 million	¥39 million
Provision of allowance for doubtful accounts	¥△2 million	¥△5 million
Approximate percentage		
Selling expenses	53.7%	55.2%
General and administrative expenses	46.3%	44.8%



(Matters related to securities)

The fair value of subsidiary company shares and affiliated company shares is not stated because they have no market prices and gauging their fair value is extremely difficult.

The amount of subsidiary company shares and affiliated company shares of which fair value is recognized as being extremely difficult to gauge are reported in the balance sheet as follows:

Category	(Millions of yen)	
	Previous FY (March 31, 2020)	Current FY (March 31, 2021)
Subsidiary company shares	123	62
Affiliated company shares	8	22
Total	132	85

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Deferred tax assets)

	Previous FY (March 31, 2020)	Current FY (March 31, 2021)
Accrued enterprise tax	¥77 million	¥115 million
Accrued business office tax	¥4 million	¥4 million
Allowance for doubtful accounts	¥41 million	¥66 million
Provision for loss on guarantees	¥49 million	¥52 million
Provision for point card certificates	¥178 million	¥180 million
Provision for employee stock ownership plan	¥45 million	¥64 million
Provision for share-based remuneration for Directors (and other Officers)	¥26 million	¥39 million
Software development expenses	¥101 million	¥62 million
Loss on valuation of investment securities	¥95 million	¥95 million
Loss on valuation of shares of subsidiaries and associates	¥459 million	¥472 million
Asset retirement obligations	¥6 million	¥6 million
Other	¥35 million	¥36 million
Subtotal of deferred tax assets	¥1,122 million	¥1,197 million
Valuation allowance	¥△22 million	¥△22 million
Total deferred tax assets	¥1,100 million	¥1,175 million

(Deferred tax liabilities)

	Previous FY (March 31, 2020)	Current FY (March 31, 2021)
Cost of removal corresponding to asset retirement obligations	¥△4 million	¥△3 million
Valuation difference on available-for-sale securities	¥△216 million	¥△446 million
Total deferred tax liabilities	¥△221 million	¥△449 million
Balance: Net deferred tax assets	¥878 million	¥725 million

2. Breakdown by major cause when there is a significant difference between the normal effective statutory tax rate and the burden ratio of corporation tax, etc. after application of tax effect accounting

	Previous FY (March 31, 2020)	Current FY (March 31, 2021)
Normal effective statutory tax rate	30.6%	-
(adjustment)		
Items that are not deductible forever, such as social expenses	0.1%	-
Items that are not included in income forever, such as dividend income	△0.1%	-
Gain on extinguishment of tie-in shares	△2.5%	-
Inhabitant tax on per capita basis	0.2%	-
Other	△0.4%	-
Burden ratio of corporation tax, etc. after application of tax effect accounting	27.9%	-

Note: Notes are omitted because, in the current fiscal year, the difference between the normal effective statutory tax rate and the burden ratio of corporation tax, etc. after the application of tax effect accounting is 5/100 or less of the normal effective statutory tax rate.

(Matters related to business combination, etc.)

Not applicable.

(Material post-balance sheet events)

Not applicable.

## 4) Supplementary schedules

[Schedule of tangible fixed assets, etc.]

(Millions of yen)

Category	Type of assets	Book value, beginning of year	Increase in the current year	Decrease in the current year	Depreciation in the current year	Book value, end of year	Accumulated depreciation	Acquisition cost, end of year
Property, plant, and equipment	Buildings	453	0	-	44	409	625	1,035
	Structures	21	-	-	2	18	45	63
	Machinery and equipment	0	-	-	0	0	5	5
	Vessels	60	-	-	22	38	174	213
	Tools, furniture, and fixtures	60	15	-	22	53	332	386
	Land	602	-	-	-	602	-	602
	Leased assets	243	33	-	99	177	560	738
	Total	1,442	49	-	192	1,300	1,744	3,045
Intangible assets	Goodwill	12	-	-	8	4		
	Software	1,181	448	-	516	1,113		
	Software in progress	457	1,214	521	-	1,149		
	Leased assets	25	3	-	15	14		
	Other	2	-	-	0	2		
	Total	1,679	1,666	521	540	2,283		

Note: Major increases in the current year are as follows:

Software: Development of core system functions: ¥391 million

Software in progress: Development of core system functions: ¥1,110 million

[Schedule of allowances]

(Millions of yen)

Category	Balance, beginning of year	Increase in the current year	Decrease in the current year		Balance, end of year
			Reversal for certain purposes	Other	
Allowance for doubtful accounts	136	85	0	5	216
Provision for loss on guarantees	160	9	-	-	169
Provision for point card certificates	582	571	566	-	588
Provision for employee stock ownership plan	148	66	-	2	212
Provision for share-based remuneration for Directors (and other Officers)	87	41	-	1	127

Note 1: "Other" under "Decrease in the current year" for "Allowance for doubtful accounts" represents the reversed amount.

Note 2: "Other" under "Decrease in the current year" for "Provision for employee stock ownership plan" represents the amount returned as the expected benefit amount decreased when points granted in the previous fiscal year were determined.

Note 3: "Other" under "Decrease in the current year" for "Provision for share-based remuneration for Directors (and other Officers)" represents the amount returned as the expected benefit amount decreased when points granted in the previous fiscal year were determined.

(2) Major assets and liabilities

Statement is omitted because the Company prepared the consolidated financial statements.

(3) Other

Not applicable.

## I-6. Outline of stock affairs of the reporting company

Fiscal year	April 1 of every year to March 31 of the following year
Annual General Meeting of Shareholders	Within three months from the last day of every fiscal year
Reference date	March 31 every year
Dividends of surplus reference date	September 30 and March 31 of every year
Number of shares constituting one unit of shares	100 shares
Purchase of shares less than one unit	
Place	4-5, 1-chome, Marunouchi, Chiyoda-ku, Tokyo Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation
Administrator of the shareholder register	4-5, 1-chome, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Agency	-
Purchas fee	Free of charge
Method of publishing in public notice	The Company adopts the method of electronic public notice. However, if this method is unavailable due to an accident or other unavoidable reasons, the Company will publish in the Nihon Keizai Shimbun newspaper. Electronic public notice is posted on the Company's website below. <a href="https://corp.benefit-one.co.jp/">https://corp.benefit-one.co.jp/</a>
Benefit for shareholders	Shareholder benefit program (1) Eligible shareholders Shareholders who are recorded in the shareholder register as of the end of March every year and who hold one or more units (2) Content of the benefit One-year "Benefit Station" membership (for one ID) offering lodging facilities, leisure facilities, sports facilities, restaurants, etc. at discount prices * A part of services for corporate members is unavailable. (3) Courses offered 1) Holders of 100 shares or more and fewer than 800 shares: Shareholder Course A 2) Holders of 800 or more shares: Shareholder Course B

Note: The Company's shareholders do not have rights other than the following rights for shares less than one unit held.  
Rights set forth in the items of Article 189, Paragraph 2 of the Companies Act  
Rights to make requests based on the provisions of Article 166, Paragraph 1 of the Companies Act  
Rights for the allotment of shares for subscription and allotment of share options for subscription according to the number of shares held by the shareholder

## I-7. Reference information on the reporting company

### 1. Information on the reporting company's parent company, etc.

The Company has no parent company, etc. defined by Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

### 2. Other reference information

The Company submitted the following documents between the first day of the current fiscal year and the date of submission of the annual securities report.

#### (1) Annual securities report, accompanying documents, and confirmation letter

These documents for the 25th fiscal year (April 1, 2019 to March 31, 2020) were submitted to the Director-general of the Kanto Finance Bureau on June 26, 2020.

#### (2) Internal control report and accompanying documents

These documents were submitted to the Director-general of the Kanto Finance Bureau on June 26, 2020.

#### (3) Quarterly securities report and confirmation letter

These documents for the first quarter of the 26th fiscal year (April 1, 2020 to June 30, 2020) were submitted to the Director-general of the Kanto Finance Bureau on August 14, 2020.

These documents for the second quarter of the 26th fiscal year (July 1, 2020 to September 30, 2020) were submitted to the Director-general of the Kanto Finance Bureau on November 13, 2020.

These documents for the third quarter of the 26th fiscal year (October 1, 2020 to December 31, 2020) were submitted to the Director-general of the Kanto Finance Bureau on February 12, 2021.

#### (4) Extraordinary report

An extraordinary report prepared based on the provisions of Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (results of exercising the voting rights at the annual shareholders meeting) was submitted to the Director-general of the Kanto Finance Bureau on June 26, 2020.

Part II: Information on the Reporting Company's Guarantor Company, etc.

Not applicable.

## Independent Auditors' Report and Internal Control Audit Report

June 24, 2021

Board of Directors  
Benefit One Inc.

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Deloitte Touche Tohmatsu LLC

Tokyo Office

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Designated limited liability partner Engagement partner	Certified public accountant	Takuya Nagashima	Seal
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Designated limited liability partner Engagement partner	Certified public accountant	Koji Kusano	Seal
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<Financial statement audit>

Audit opinion

To perform audit certification based on the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Auditing Firm audited the consolidated financial statements of Benefit One Inc. for the consolidated fiscal year from April 1, 2020 to March 31, 2021, namely, the consolidated balance sheet, the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated statements of changes in net assets, the consolidated cash flow statement, material matters that serve as the basis for preparing consolidated financial statements, and other notes and consolidated supplementary schedules presented in the "Status of accounting."

The Auditing Firm concludes that the above consolidated financial statements adequately present, in all material respects, the financial position of Benefit One Inc. and its consolidated subsidiaries as of March 31, 2021 and their operating results and cash flows for the consolidated fiscal year ended March 31, 2021 in accordance with the corporate accounting standards that are generally accepted as fair and appropriate in Japan.

Basis for audit opinion

The Auditing Firm conducted an audit in accordance with the audit standards that are generally accepted as fair and appropriate in Japan. The responsibility of the Auditing Firm for audit standards is described in "Responsibility of the Auditing Firm in the audit of the consolidated financial statements." The Auditing Firm is independent from the Company and its consolidated subsidiaries and fulfills other ethical responsibilities as an auditor in accordance with the rules on professional ethics in Japan. The Auditing Firm judges that it has obtained sufficient and appropriate audit evidence that provides a basis for expressing an opinion.

Major matters to consider upon audit

Major matters to consider upon audit refer to the matters that the auditor, as a professional expert, determines as being especially significant in the audit of the consolidated financial statements for the current consolidated fiscal year. Major matters to consider upon audit are the matters that were dealt with in the audit process and in the formation of an audit opinion for overall consolidated financial statements, and the Auditing Firm does not individually express an opinion on these matters.



Evaluation of "Software in progress"	
Content of major matters to consider upon audit and reasons for determination	Audit procedures
<p>As described in "[Matters to be set down in notes] (Material accounting estimates)" in the consolidated financial statements, the Company reported software of ¥ 2,376 million in the consolidated balance sheet. Of this amount, ¥1,151 million belongs to "Software in progress."</p> <p>During the current consolidated fiscal year, the Company decided to accelerate and reduce the period of system development for which multiple years were initially assumed. The system development mainly consists of systems that are under development and to be used for service provision in the Employee Benefit Service business, the Healthcare business, etc. and the "Bene One Platform" (hereinafter, the "New System") that allows the management and utilization of member companies' HR and health data, both included in assets as software used by the Company. Software used by the Company needs to be processed as an expense if revenue earning and cost reduction effects in the future are not recognized as certain or if the certainty is unclear. However, the Company expects that the number of member companies will increase in the future by increasing the added value of service provision using the New System and judges that, as a result of quantitatively measuring the cost reduction effect of the New System and monitoring the most recent development status, the recorded "Software in progress" is recognized as having certain revenue earning and cost reduction effects in the future.</p> <p>The Auditing Firm considered that careful examination is necessary for the evaluation of "Software in progress" related to the New System because revenue earning and cost reduction effects in the future may not be recognized as certain or the certainty could be unclear depending on the status of the development of the New System.</p> <p>Based on the above, the Auditing Firm determined that the evaluation of "Software in progress" is a major matter to consider upon audit because, if the management does not appropriately judge revenue earning and cost reduction effects in the future regarding "Software in progress" related to the New System, that could lead to the risk of material misstatement on the evaluation of "Software in progress."</p>	<p>In considering the evaluation of "Software in progress" related to the New System under development, the Auditing Firm mainly carried out the following audit procedures.</p> <ul style="list-style-type: none"> <li>- Evaluated the effectiveness of the status of development and operation of internal control related to the evaluation of "Software in progress."</li> <li>- To confirm the management judgment on revenue earning and cost reduction effects in the future regarding "Software in progress" related to the New System under development and the expected time of operation of the New System in the future, asked questions to the person responsible for the DX Promotion Development Department, who leads the development of the New System, with the attendance of an IT expert of the Auditing Firm, and inspected the minutes and approval documents of the Board of Directors.</li> <li>- To examine whether the approved development details are consistent with the work content regarding "Software in progress" related to the New System under development, inspected contracts related to the system development, work reports, etc. in cooperation with an IT expert of the Auditing Firm.</li> <li>- To verify whether the New System development is progressing as scheduled after the end of the consolidated fiscal year, asked questions to the DX Promotion Development Department's person in charge and inspected materials prepared for the Management Council.</li> </ul>

#### Responsibility of the management and the Audit and Supervisory Committee for the consolidated financial statements:

The management is responsible for preparing and adequately presenting consolidated financial statements in accordance with the corporate accounting standards that are generally accepted as fair and appropriate in Japan. This includes preparing consolidated financial statements without material misstatement due to fraud or error and developing and operating internal control judged by the management as necessary for adequate presentation.

When preparing consolidated financial statements, the management is responsible for evaluating whether preparing consolidated financial statements based on a going concern assumption is appropriate and for disclosing matters regarding such going concern, if such matters need to be disclosed, based on the corporate accounting standards that are generally accepted as fair and appropriate in Japan.

The Audit and Supervisory Committee is responsible for monitoring Directors' execution of duties in the development and operation of the financial reporting process.

#### Responsibility of the auditor in the audit of the consolidated financial statements

The auditor is responsible for expressing an opinion on the consolidated financial statements in an audit report from an independent standpoint based on the audit conducted by the auditor after obtaining reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error. Misstatement could occur due to fraud or error and is judged as material if it is reasonably expected that the misstatement affects the decision-making of the users of the consolidated financial statements individually or when aggregated.

The auditor makes judgments as a professional expert and conducts the following, maintaining professional skepticism, through the audit process in accordance with the audit standards generally accepted as fair and appropriate in Japan.

- Identify and assess the risk of material misstatement caused by fraud or error; plan and perform audit procedures that address the risk of material misstatement; make judgments on the selection and application of audit procedures; and obtain sufficient and appropriate audit evidence that provides a basis for expressing an opinion.
- Consider internal control related to the audit when assessing risk in order to plan appropriate audit procedures depending on the situation although the purpose of the audit of consolidated financial statements is not expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of the accounting policy adopted by the management and its application method, the reasonableness of accounting estimates made by the management, and the adequacy of related matters to be set down in notes.
- Conclude whether the management's preparation of the consolidated financial statements based on a going concern assumption is appropriate and, based on the obtained audit evidence, whether material uncertainty is recognized regarding an event or circumstance that would raise material doubt about the going concern assumption. If material uncertainty is recognized in the going concern assumption, it is required to draw attention to the matters to be set down in notes in the consolidated financial statements in the audit report. Or, if the matters to be set down in notes regarding material uncertainty in the consolidated financial statements are not appropriate, it is required to express an opinion on the consolidated financial statements with exclusions. The auditor's conclusion is based on the audit evidence obtained by the date of the audit report but there is the possibility that the enterprise may not be able to continue as a going concern depending on an event or circumstance in the future.
- Evaluate whether the presentation and matters to be set down in notes in the consolidated financial statements are in accordance with the corporate accounting standards that are generally accepted as fair and appropriate in Japan, whether the presentation, composition, and content of the consolidated financial statements including related matters to be set down in notes are appropriate, and whether the consolidated financial statements are adequately presenting transactions and accounting events that provide the basis for the statements.
- Obtain sufficient and appropriate audit evidence related to the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instruction, supervision, and implementation of the audit of the consolidated financial statements and assumes sole responsibility for the audit opinion.

The auditor reports the scope and timing of the planned audit, material audit findings including material inadequacies in internal control identified in the audit process, and other matters required by the audit standards to the Audit and Supervisory Committee.

The auditor reports to the Audit and Supervisory Committee the auditor's observance of professional ethics rules in Japan regarding independence, matters that are reasonably perceived as affecting the auditor's independence, and the content of safeguards if safeguards are taken to eliminate or reduce hindrance.

The auditor determines the matters judged as being especially significant in the audit of the consolidated financial statements for the current consolidated fiscal year, among the matters discussed with the Audit and Supervisory Committee, as major matters to consider upon audit, and reports them in the audit report. However, the auditor does not report such matters if the publication of such matters is prohibited by laws, regulations, etc. or if the auditor judges that such matters should not be reported because it is reasonably expected that the disadvantages caused by reporting such matters in the audit report exceed public interest, although such cases are extremely limited.

#### <Internal control audit>

##### Audit opinion

To perform audit certification based on the provisions of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, the Auditing Firm audited the internal control report of Benefit One Inc. as of March 31, 2021.

The Auditing Firm concludes that the above internal control report, in which Benefit One Inc. indicated that internal controls over the financial reports as of March 31, 2021 were effective, adequately presents, in all material respects, the evaluation results of the internal controls over financial reports in accordance with the criteria for evaluation of the internal controls over financial reports that are generally accepted as fair and appropriate in Japan.

##### Basis for audit opinion

The Auditing Firm conducted an internal control audit in accordance with the audit standards for the internal controls over financial reports that are generally accepted as fair and appropriate in Japan. The responsibility of the Auditing Firm for the audit standards for the internal controls over financial reports is described in "Responsibility of the Auditing Firm in internal control audit." The Auditing Firm is independent from the Company and its consolidated subsidiaries and fulfills other ethical responsibilities as an auditor in accordance with the rules on professional ethics in Japan. The Auditing Firm judges that it has obtained sufficient and appropriate audit evidence that provides a basis for expressing an opinion.

##### Responsibility of the management and the Audit and Supervisory Committee for the internal control report

The management is responsible for developing and operating the internal controls over financial reports and preparing and adequately presenting an internal control report in accordance with the criteria for evaluation of the internal controls over financial reports that are generally accepted as fair and appropriate in Japan.

The Audit and Supervisory Committee is responsible for monitoring and verifying the status of the development and operation of the internal controls over financial reports.

There is the possibility that false statements presented in financial reports cannot be completely prevented or discovered through the internal controls over financial reports.

#### Responsibility of the auditor in internal control audit

The auditor is responsible for expressing an opinion on the internal control report in an internal control audit report from an independent standpoint based on the internal control audit conducted by the auditor after obtaining reasonable assurance about whether the internal control report is free from material misstatement.

The auditor makes judgments as a professional expert and conducts the following, maintaining professional skepticism, through the audit process in accordance with the audit criteria for the internal controls over financial reports that are generally accepted as fair and appropriate in Japan.

- Implement audit procedures designed to obtain audit evidence regarding the evaluation results of the internal controls over financial reports in the internal control report. Internal control audit procedures are selected and applied by the judgment of the auditor based on the importance of the impact on the reliability of the financial reports.
- Consider the presentation of the internal control report as a whole, including the management's statement on the scope of the evaluation of the internal controls over financial reports, evaluation procedures, and evaluation results.
- Obtain sufficient and appropriate audit evidence related to the evaluation results of the internal controls over financial reports in the internal control report. The auditor is responsible for instruction, supervision, and implementation of the audit of the internal control report and assumes sole responsibility for the audit opinion.

The auditor reports to the Audit and Supervisory Committee the scope and timing of the planned internal control audit, the results of the internal control audit, material inadequacies in internal control identified and to be disclosed, the results of correction, and other matters required by the internal control audit standards.

The auditor reports to the Audit and Supervisory Committee the auditor's observance of professional ethics rules in Japan regarding independence, matters that are reasonably perceived as affecting the auditor's independence, and the content of safeguards if safeguards are taken to eliminate or reduce hindrance.

#### Interest

There is no interest to be noted pursuant to the provisions of the Certified Public Accountants Act between the Company and its consolidated subsidiaries and the Auditing Firm or the engagement partners.

End of document

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Note 1: The above is a computerized version of the statements in the original audit report, and the original report is separately retained by the Company (a company submitting annual securities reports).

Note 2: XBRL data are not subject to the audit.

## Independent Auditors' Report

June 24, 2021

Board of Directors  
Benefit One Inc.

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Deloitte Touche Tohmatsu LLC

Tokyo Office

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Designated limited liability partner Engagement partner	Certified public accountant	Takuya Nagashima	Seal
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Designated limited liability partner Engagement partner	Certified public accountant	Koji Kusano	Seal
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### Audit opinion

To perform audit certification based on the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Auditing Firm audited the financial statements of Benefit One Inc. for the 26th fiscal year from April 1, 2020 to March 31, 2021, namely, the balance sheet, the profit and loss statement, the statements of changes in net assets, important accounting policies, and other notes and supplementary schedules presented in the "Status of accounting."

The Auditing Firm concludes that the above financial statements adequately present, in all material respects, the financial position of Benefit One Inc. as of March 31, 2021 and its operating results for the fiscal year ended March 31, 2021 in accordance with the corporate accounting standards that are generally accepted as fair and appropriate in Japan.

### Basis for audit opinion

The Auditing Firm conducted an audit in accordance with the audit standards that are generally accepted as fair and appropriate in Japan. The responsibility of the Auditing Firm for audit standards is described in "Responsibility of the Auditing Firm in the audit of the financial statements." The Auditing Firm is independent from the Company and fulfills other ethical responsibilities as an auditor in accordance with the rules on professional ethics in Japan. The Auditing Firm judges that it has obtained sufficient and appropriate audit evidence that provides a basis for expressing an opinion.

### Major matters to consider upon audit

Major matters to consider upon audit refer to the matters that the auditor, as a professional expert, determines as being especially significant in the audit of the financial statements for the current fiscal year. Major matters to consider upon audit are the matters that were dealt with in the audit process and in the formation of an audit opinion for overall financial statements, and the Auditing Firm does not individually express an opinion on these matters.

Evaluation of "Software in progress"
Statement is omitted because the content is the same as that stated in "Major matters to consider upon audit (Evaluation of "Software in progress")" in the audit report on the consolidated financial statements.

#### Responsibility of the management and the Audit and Supervisory Committee for the financial statements

The management is responsible for preparing and adequately presenting financial statements in accordance with the corporate accounting standards that are generally accepted as fair and appropriate in Japan. This includes preparing financial statements without material misstatement due to fraud or error and developing and operating internal control judged by the management as necessary for adequate presentation.

When preparing financial statements, the management is responsible for evaluating whether preparing financial statements based on a going concern assumption is appropriate and for disclosing matters regarding such going concern, if such matters need to be disclosed, based on the corporate accounting standards that are generally accepted as fair and appropriate in Japan.

The Audit and Supervisory Committee is responsible for monitoring Directors' execution of duties in the development and operation of the financial reporting process.

#### Responsibility of the auditor in the audit of the financial statements

The auditor is responsible for expressing an opinion on the financial statements in an audit report from an independent standpoint based on the audit conducted by the auditor after obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Misstatement could occur due to fraud or error and is judged as material if it is reasonably expected that the misstatement affects the decision-making of the uses of the financial statements individually or when aggregated.

The auditor makes judgments as a professional expert and conducts the following, maintaining professional skepticism, through the audit process in accordance with the audit standards generally accepted as fair and appropriate in Japan.

- Identify and assess the risk of material misstatement caused by fraud or error; plan and perform audit procedures that address the risk of material misstatement; make judgments on the selection and application of audit procedures; and obtain sufficient and appropriate audit evidence that provides a basis for expressing an opinion.
- Consider internal control related to the audit when assessing risk in order to plan appropriate audit procedures depending on the situation although the purpose of the audit of financial statements is not expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of the accounting policy adopted by the management and its application method, the reasonableness of accounting estimates made by the management, and the adequacy of related matters to be set down in notes.
- Conclude whether the management's preparation of the financial statements based on a going concern assumption is appropriate and, based on the obtained audit evidence, whether material uncertainty is recognized regarding an event or circumstance that would raise material doubt about the going concern assumption. If material uncertainty is recognized in the going concern assumption, it is required to draw attention to the matters to be set down in notes of the financial statements in the audit report. Or, if the matters to be set down in notes regarding material uncertainty in the financial statements are not appropriate, it is required to express an opinion on the financial statements with exclusions. The auditor's conclusion is based on the audit evidence obtained by the date of the audit report but there is the possibility that the enterprise may not be able to continue as a going concern depending on an event or circumstance in the future.
- Evaluate whether the presentation and matters to be set down in notes in the financial statements are in accordance with the corporate accounting standards that are generally accepted as fair and appropriate in Japan, whether the presentation, composition, and content of the financial statements including related matters to be set down in notes are appropriate, and whether the financial statements are adequately presenting transactions and accounting events that provide the basis for the statements.

The auditor reports the scope and timing of the planned audit, material audit findings including material inadequacies in internal control identified in the audit process, and other matters required by the audit standards to the Audit and Supervisory Committee.

The auditor reports to the Audit and Supervisory Committee the auditor's observance of professional ethics rules in Japan regarding independence, matters that are reasonably perceived as affecting the auditor's independence, and the content of safeguards if safeguards are taken to eliminate or reduce hindrance.

The auditor determines the matters judged as being especially significant in the audit of the financial statements for the current fiscal year, among the matters discussed with the Audit and Supervisory Committee, as major matters to consider upon audit, and reports them in the audit report. However, the auditor does not report such matters if the publication of such matters is prohibited by laws, regulations, etc. or if the auditor judges that such matters should not be reported because it is reasonably expected that the disadvantages caused by reporting such matters in the audit report exceed public interest, although such cases are extremely limited.

#### Interest

There is no interest to be noted pursuant to the provisions of the Certified Public Accountants Act between the Company and the Auditing Firm or the engagement partners.

End of document

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Note 1: The above is a computerized version of the statements in the original audit report, and the original report is separately retained by the Company (a company submitting annual securities reports).

Note 2: XBRL data are not subject to the audit.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.