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October 29, 2021

## Consolidated Financial Results for the First Six Months of Fiscal Year Ending March 31, 2022 (Under IFRS)

Company name: Members Co., Ltd.  
 Listing: Tokyo Stock Exchange  
 Securities code: 2130  
 URL: <https://www.members.co.jp/>  
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 Scheduled date to file quarterly securities report: November 4, 2021  
 Scheduled date to commence dividend payments: —  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: Yes (for analysts and institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the first six months of fiscal year ending March 31, 2022 (from April 1, 2021 to September 30, 2021)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2021	6,795	25.6	366	149.3	364	156.2	259	117.3
September 30, 2020	5,411	10.4	146	(58.1)	142	(59.1)	119	(46.0)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended						
September 30, 2021	259	117.3	259	116.7	19.97	19.49
September 30, 2020	119	(45.4)	119	(45.8)	9.30	9.08

#### (2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of				
September 30, 2021	8,278	4,702	4,702	56.8
March 31, 2021	8,648	4,614	4,614	53.4

## 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	0.00	—	17.50	17.50
Fiscal year ending March 31, 2022	—	0.00			
Fiscal year ending March 31, 2022 (Forecast)			—	23.50	23.50

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

## 3. Consolidated earnings forecast for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	14,800	22.4	1,600	26.8	1,590	27.4	1,065	18.8

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Full year	1,065	18.8	82.83

(Note) Changes from the latest financial forecast: Yes

1. The above consolidated earnings forecast is based on IFRS.

2. “Basic earnings per share” was calculated based on the average number of shares in FY 3/2021 (12,861,722).

\* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: —

Excluded: —

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: Yes

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2021	13,129,800 shares
As of March 31, 2021	12,980,300 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2021	90,093 shares
As of March 31, 2021	90,046 shares

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

Six months ended September 30, 2021	13,011,605 shares
Six months ended September 30, 2020	12,850,989 shares

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

(Notes regarding the description, etc. related to the future)

The descriptions about the future, such as the business forecast, in this document are based on the information the company has obtained so far and certain assumptions that are considered reasonable, and our company does not guarantee that the results will be as forecasted. There is a possibility that actual business performance, etc. will be considerably different from the forecast due to various factors. For the assumptions for the earnings forecast, notes for the use of the forecast, etc., please refer to “1. Qualitative Information Regarding the Financial Results for the Current Quarter, (3) Explanation Regarding the Future Forecast Information such as Consolidated Earnings Forecast” on page 4 of the Appendix.

(How to obtain the material for supplementary explanations on financial results and the contents of the session for briefing financial results)

The material for supplementary explanations on financial results will be uploaded to the website of our company on Friday, October 29, 2021.

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## 1. Qualitative Information Regarding the Financial Results for the Current Quarter

### (1) Explanation Regarding Business Results

#### Management's Explanation and Analysis of Business Results

Due to the climate change caused by global warming, severe natural disasters have been occurring frequently all over the world. As the Sixth Assessment Report of Intergovernmental Panel on Climate Change (IPCC) mentions "there is no doubt that human activities have warmed the atmosphere, ocean, and land areas" (the Ministry of Economy, Trade and Industry: The Sixth Assessment Report of IPCC, the first working group report [scientific grounds], Summary for Policymakers [SPM] [Headline Statement]; announced on Aug. 9, 2021), the entire society is at a crossroads to survive.

In Japan, the Carbon-Neutral policy to virtually eliminate the emission of greenhouse gases such as carbon dioxide, which are a major cause of global warming, by 2050 was announced, and the debate around deregulation to proactively utilize this policy began. We are expecting businesses, including marketing activities, to transform into a model for decarbonization or resolving societal issues by accelerate corporate transformations through Digital Shift or DX (Digital Transformation) for continuous value creation.

As the DX Market gradually becomes more active, each company is having difficulty to recruit and train creative personnel who are versed in the Internet and digital technology on its own, and such personnel shortage is now a huge hurdle in DX. About 80% of Japanese enterprises recognize the qualitative and quantitative insufficiency of personnel who can take charge of innovation in business strategies. And the percentage of enterprises whose efforts for DX have not paid off is about 50% (Information-technology Promotion Agency: White Paper on DX 2021; issued on Oct. 11, 2021).

Under such circumstances, we uphold to create a spiritually rich society through "MEMBERSHIP" as its mission, and aims to convert our client companies' management style, marketing activities, services, and products into "Sustainable Ones for the Earth and Society." During the 26<sup>th</sup> Regular General Meeting of Stockholders held in June 2021, we decided to specify "Initiatives Toward Societal Issues such as Climate Change and Depopulation" in the articles of incorporation, then announced that we would become a leading force in the accelerating actualization of a sustainable society.

We are primarily developing two businesses centered around the DX domain.

#### <EMC Business Outline>

We have organized the Engagement Marketing Center (EMC), which consists of teams dedicated to continuously improve business results and user engagement for the clients of large companies by using digital means. EMC Company is the center of this business and supporting the pursuit of DX for client companies. It offers a comprehensive support service from discovering issues and requirement definition from the point of view of client companies, to the development and operation of digital services and products.

As companies are accelerating digital shift, the EMC business has been increasing the sales especially from existing client companies steadily. Although the number of client companies implemented by the EMC model decreased to 44 (down 3 from the end of the previous fiscal year) since some projects were shifted to the PGT business, digital marketing-related sales for existing clients expanded, and the revenue of this consolidated cumulative second quarter reached 4,777 million yen (IFRS \*Reference Value: Up 15.9% year on year), showing a favorable trend. Further, the number of digital creators belonging to the EMC business rose to 933 (up 158 from the end of the previous fiscal year).

#### <PGT Business Outline>

In the PGT (Product Growth Team) business, we have shifted the focus of its services from the conventional business that was offering creators with specialized skills, to supporting client's product growth in the field of new technology by autonomous teams of digital creators, for Internet and start-up companies with high growth potential, which are also proactive in mainly digital and IT technology investment. The PGT business creates occupations in the New Technology and New Growth Support domains, centered around Members Career Company and Members Edge Company. We plan to start up in-house companies proactively this term especially in the engineering domain, which has a high added value, and make efforts to enhance profitability by achieving high average price and high performance. We have established the following in-house companies in FY 3/2022.

-SaaS Plus Company (established in April 2021), which offers a SaaS-based growth team business

-DevOps (\*4) Lead Company (established in July 2021), which supports the promotion of DevOps by offering a team of professional personnel

The PGT business has continued to grow steadily through support services in specialized domains such as data and UX (\*1) domains, as well as through the rapid growth of the engineering domain, driving the growth of our corporate group. Due to an increase in profitability owing to the steady growth of the specialized domain support services with high added value during the first half of the current fiscal year, the overall revenue of the PGT business reached 2,347 million yen (IFRS \*Reference Value: Up 48.8% from the same term of the previous fiscal year), the number of client companies reached 167 (up 38 from the end of the same quarter of the previous fiscal year), and the number of digital creators belonging to the PGT business reached 698 (up 169 from the end of the previous fiscal year).

#### <Our Corporate Group's Policies and Initiatives>

Our corporate group engages in continuous recruitment as upfront investment, predicting a significant shortage of creators who are versed in digital technology and the Internet. We have been extensively recruiting graduates of art universities, technical colleges, technical schools on Web-related creation, four-year universities, and graduate schools. A total of 364 newly graduates joined us in April 2021 (including local bases), up 128 from the previous year. We assigned new employees' tasks earlier than usual in the current consolidated fiscal year and started business operations with them in June. In April 2022, 481 new graduates plan to join our company as planned.

Through the continuous expansion in the service domain of both EMC and PGT businesses, along with the early training and early operation for new employees, we will increase profitability and strengthen our investments in recruitment and training.

Further, our corporate group has been promoting a company-wide work-from-home workstyle and the utilization of remote environments. We will continue capital investment for the reduction of office space and the implementation of a smooth remote work, to establish a work system that will produce even better results.

#### <Overview of Consolidated Financial Statements>

For the first half of the current consolidated term, revenue was 6,795 million yen (up 25.6% in the same term of the previous fiscal year), operating profit was 366 million yen (up 149.3% in the same term of the previous fiscal year), quarterly profit before income taxes was 364 million yen (up 156.2% in the same term of the previous fiscal year), and profit attributable to the owners of the parent was 259 million yen (up 117.3% in the same term of the previous fiscal year). In the cumulative second quarter of the current consolidated term, sales revenue and operating profit increased 25.6% and 149.3%, respectively, year on year, showing high growth rates, as our support service in specialized domains with high added value progressed and our service of supporting existing clients in digital marketing performed well. On the other hand, in the EMC business, we posted a valuation loss of inventory assets of 92 million yen and an allowance of 78 million yen because of the emergence of unprofitable transactions, and the plans for acquiring new customers were delayed somewhat, so the results fell below the earnings forecast for the cumulative second quarter of the current consolidated term. Accordingly, we have revised the full-year consolidated earnings forecast, while considering the difference between the results and forecast for the cumulative second quarter, the recent performance trend, etc.

In the second half, we expect that corporate investment in digitalization will accelerate after the lifting of the state of emergency in Japan. Under such circumstances, our corporate group will enhance the activities to reel in new clients and concentrate on the recruitment of mid-career workers, to increase digital creators, who are the sources of profits. In parallel, we will further invest in education in specialized fields and transfer creators to more profitable fields, to improve added value sales per person.

As we continue to work on fulfilling our long-term vision, VISION 2030 ([https://www.members.co.jp/ir/pdf/20200508\\_04.pdf](https://www.members.co.jp/ir/pdf/20200508_04.pdf)), we will take initiatives with the aim of achieving the important KPIs of 100,000 social creators (\*2), the total amount of social engagement (\*3) of 10 billion, 10,000 employees, and an operating profit of 10 billion yen in 2030.

(\*1) UX (User Experience): The experience one gains by using a product or service.

(\*2) Social Creator: A motivated creator (artisan) with design thinking, who tries to resolve societal issues through the promotion of business, systemic design, and output.

(\*3) Social Engagement: The number of contacts with the contents, products, and services worked on by Members Group as its policy to resolve societal issues.

(\*4) DevOps: Concept or system for offering swift and flexible services based on the close cooperation between developers and operators using

(2) Explanation Regarding the Financial Standing

(i) Status of Assets, Liabilities, and Shareholders' Equity

The total assets at the end of the second quarter of the current consolidated term were 8,278 million yen (down 370 million yen from the end of the previous consolidated fiscal year). This is primarily due to an increase of 91 million yen in right-to-use assets and an increase of 42 million yen in deferred tax assets, along with a decrease of 489 million yen in trade and other receivables and a decrease of 47 million yen in cash and cash equivalents.

Total liabilities stood at 3,576 million yen (down 457 million yen from the end of the previous consolidated fiscal year). This was primarily due to an increase of 88 million yen in lease liabilities of both current and non-current liabilities, an increase of 78 million yen in allowances, along with a decrease of 321 million yen in trade and other payables, a decrease of 147 million yen in income taxes payable, a decrease of 107 million yen in contract liabilities, and a decrease of 49 million yen in other current liabilities.

Total equity was 4,702 million yen (up 87 million yen from the end of the previous consolidated fiscal year). This was primarily due to an increase of 34 million yen in retained earnings, an increase of 25 million yen in capital stock, and an increase of 25 million yen in capital surplus.

(ii) Status of Cash Flows

The cash and cash equivalent (hereinafter referred to as "funds") at the end of the second quarter of the current consolidated term was 4,093 million yen, down 47 million yen from the end of the previous consolidated fiscal year. The status of each cash flow for the first half of this consolidated fiscal year and the factors behind them are as follows.

(Cash Flows from Operating Activities)

The funds acquired during the first half of this consolidated fiscal year as a result of operating activities amounted to 293 million yen (down 219 million yen from the same period of the previous year). The income was mainly from a decrease of 382 million yen in trade and other receivables, the expenditure was mainly from 348 million yen paid as income taxes paid, and a decrease in trade and other payables of 324 million yen.

(Cash Flows from Investing Activities)

The funds used during the first half of this consolidated fiscal year as a result of investing activities amounted to 8 million yen (up 2 million yen from the same period of the previous year). The expenditure was mainly from 4 million yen in purchases of property, plant and equipment.

(Cash Flows from Financing Activities)

The funds used during the first half of this consolidated fiscal year as a result of financing activities amounted to 332 million yen (down 294 million yen from the same period of the previous year). The expenditure was mainly from 225 million yen as dividends paid and 160 million yen in expenditure for the repayment of lease liabilities.

(3) Explanation Regarding the Future Forecast Information such as Consolidated Earnings Forecast

We have revised the full-year consolidated earnings forecast for the term ending March 2022, which was announced on May 7, 2021, while considering the results for the cumulative second quarter of the current consolidated term and the current outlook.

Revision to the full-year consolidated earnings forecast for the term ending March 2022 (Apr. 1, 2021 to Mar. 31, 2022)

	Sales revenue	Operating profit	Profit before tax	Profit	Profit attributable to owners of parent	Basic earnings per share
	million yen	million yen	million yen	million yen	million yen	yen
Forecast announced previously (A)	15,200	1,800	1,790	1,199	1,199	93.22
Forecast announced this time (B)	14,800	1,600	1,590	1,065	1,065	82.83
Change (B-A)	(400)	(200)	(200)	(134)	(134)	
Change rate (%)	(2.6)	(11.1)	(11.1)	(11.1)	(11.1)	

(Regarding the Dividend Forecast)

From the point of enhancing the return of profits to all of our shareholders and further increasing enterprise value, we will

retain earnings in preparation for new business investment for long-term profit growth and the expansion in business activities, as well as set a fundamental policy of the distribution of profits according to the improvement of business results and a continuous increase in the dividend amount. Our medium-term target of an equity dividend ratio attributable to owners of the consolidated parent company is about 5%.

After comprehensively taking into account of the DOE and dividend payout ratio, the term-end dividend for FY 3/2022 is planned to be 23.50 yen.



## 2. Summary of Consolidated Financial Statements and Major Notes

### (1) Summary of Quarterly Consolidated Balance Sheets

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2021)	2nd quarter of the current consolidated accounting year (Sep. 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	4,140,847	4,093,617
Trade receivables and other receivables	2,842,456	2,352,462
Inventory assets	31,803	49,118
Other current assets	173,103	196,004
Total current assets	7,188,210	6,691,203
Non-current assets		
Tangible fixed assets	252,811	243,652
Rights to use as assets	491,002	582,088
Goodwill	116,115	116,115
Intangible assets	8,436	9,523
Other financial assets	266,909	268,638
Deferred tax assets	323,802	366,733
Other non-current assets	1,309	523
Total non-current assets	1,460,387	1,587,276
Total assets	8,648,597	8,278,479

[unit: thousand yen]

	Previous consolidated accounting year (Mar. 31, 2021)	2nd quarter of the current consolidated accounting year (Sep. 30, 2021)
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Lease liabilities	234,773	287,894
Trade payables and other payables	974,844	653,383
Income taxes payable	356,050	209,003
Allowance	-	78,135
Contract liabilities	234,351	126,752
Other current liabilities	1,970,892	1,921,474
Total current liabilities	3,770,912	3,276,643
Non-current liabilities		
Lease liabilities	157,327	193,114
Allowance	106,181	106,716
Total non-current liabilities	263,509	299,830
Total liabilities	4,034,422	3,576,474
Shareholders' equity		
Capital stock	910,405	935,834
Capital surplus	228,752	254,181
Treasury shares	(8,240)	(8,370)
Other components of equity	55,622	58,469
Retained earnings	3,427,635	3,461,891
Total equity attributable to owners of the parent	4,614,175	4,702,005
Total shareholders' equity	4,614,175	4,702,005
Total liabilities and equity	8,648,597	8,278,479

## (2) Summary of Quarterly Consolidated Statements of Income

[unit: thousand yen]

	1H FY2021 (Apr. 1, 2020 to Sep. 30, 2020)	1H FY2022 (Apr. 1, 2021 to Sep. 30, 2021)
Revenue	5,411,183	6,795,096
Cost of sales	3,830,804	4,905,053
Gross profit	1,580,378	1,890,043
Selling, general and administrative expenses	1,414,143	1,539,726
Other income	27,152	18,518
Other expenses	46,416	2,447
Operating profit (loss)	146,970	366,387
Finance income	15	445
Finance costs	4,902	2,756
Profit (loss) before income taxes	142,084	364,076
Income taxes	22,520	104,240
Profit (loss) for the period	119,563	259,835
Profit (loss) attributable to		
Owners of parent	119,563	259,835
Net profit (loss)	119,563	259,835
Earnings per share		
Basic earnings (loss) per share (yen)	9.30	19.97
Diluted earnings (loss) per share (yen)	9.08	19.49

(3) Summary of Quarterly Consolidated Statements of Comprehensive Income

[unit: thousand yen]

	1H FY2021 (Apr. 1, 2020 to Sep. 30, 2020)	1H FY2022 (Apr. 1, 2021 to Sep. 30, 2021)
Profit (loss) for the period	119,563	259,835
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	346	—
Total of items that will not be reclassified to profit or loss	346	—
Total comprehensive income	346	—
Comprehensive income	119,910	259,835
Comprehensive income attributable to		
Owners of parent	119,910	259,835
Comprehensive income	119,910	259,835

## (4) Summary of Quarterly Consolidated Statements of Changes in Equity

Consolidated first half of the prior fiscal year ended March 2021 (Apr. 1, 2020 to Sep. 30, 2020)

[unit: thousand yen]

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance on April 1, 2020	901,143	474,594	(7,922)	44,627	2,709,135	4,121,578	67,513	4,189,092
Profit for the period	—	—	—	—	119,563	119,563	—	119,563
Other comprehensive income	—	—	—	346	—	346	—	346
Total comprehensive income	—	—	—	346	119,563	119,910	—	119,910
Exercise of share acquisition rights	2,003	2,003	—	(442)	—	3,565	—	3,565
Issuance of share acquisition rights	—	—	—	13,395	—	13,395	—	13,395
Dividends	—	—	—	—	(179,874)	(179,874)	—	(179,874)
Transfer to retained earnings	—	—	—	(346)	346	—	—	—
Purchase of non-controlling interests	—	(255,104)	—	—	—	(255,104)	(67,513)	(322,618)
Total transactions with owners	2,003	(253,101)	—	12,606	(179,528)	(418,019)	(67,513)	(485,533)
Balance on September 30, 2020	903,147	221,493	(7,922)	57,579	2,649,170	3,823,469	—	3,823,469

Consolidated first half of the current fiscal year ending March 2022 (Apr. 1, 2021 to Sep. 30, 2021)

[unit: thousand yen]

	Equity attributable to owners of parent						Total equity	
	Capital stock	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance on April 1, 2021	910,405	228,752	(8,240)	55,622	3,427,635	4,614,175	4,614,175	
Profit for the period	—	—	—	—	259,835	259,835	—	259,835
Total comprehensive income	—	—	—	—	259,835	259,835	—	259,835
Exercise of share acquisition rights	25,428	25,428	—	(6,668)	—	44,188	—	44,188
Issuance of share acquisition rights	—	—	—	9,516	—	9,516	—	9,516
Purchase of treasury shares	—	—	(129)	—	—	(129)	—	(129)
Dividends	—	—	—	—	(225,579)	(225,579)	—	(225,579)
Total transactions with owners	25,428	25,428	(129)	2,847	(225,579)	(172,005)	—	(172,005)
Balance on September 30, 2021	935,834	254,181	(8,370)	58,469	3,461,891	4,702,005	—	4,702,005

## (5) Summary of Quarterly Consolidated Statements of Cash Flows

[unit: thousand yen]

	1H FY2021 (Apr. 1, 2020 to Sep. 30, 2020)	1H FY2022 (Apr. 1, 2021 to Sep. 30, 2021)
<b>Cash flows from operating activities</b>		
Profit before income taxes	142,084	364,076
Depreciation and amortization	180,750	174,730
Impairment loss	28,000	—
Finance income	(15)	(20)
Finance costs	4,722	2,018
(Increase) decrease in inventories	5,599	(17,315)
(Increase) decrease in trade and other receivables	730,591	382,508
Increase (decrease) in trade and other payables	(521,041)	(324,074)
Other	115,466	(6,847)
Subtotal	686,158	575,075
Interest and dividends received	3,547	20
Proceeds from subsidy income	6,158	1,508
Proceeds from insurance income	—	6,000
Interest paid	(2,026)	(1,908)
Income taxes paid	(184,781)	(348,187)
Income taxes refund	3,651	61,170
Cash flows from operating activities	512,708	293,679
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,766)	(4,439)
Purchase of intangible assets	—	(2,356)
Payments for asset retirement obligations	(6,900)	—
Proceeds from sales of investments	5,346	—
Other	3,076	(1,304)
Cash flows from investing activities	(5,244)	(8,100)
<b>Cash flows from financing activities</b>		
Repayments of lease liabilities	(141,878)	(160,838)
Proceeds from issuance of share acquisition rights	13,395	9,516
Proceeds from exercise of share acquisition rights	3,565	44,188
Payments for purchase of treasury shares	—	(129)
Dividends paid	(179,849)	(225,545)
Purchase of non-controlling interests	(322,618)	—
Cash flows from financing activities	(627,386)	(332,809)
Net increase (decrease) in cash and cash equivalents	(119,921)	(47,230)
Cash and cash equivalents at beginning of period	3,115,696	4,140,847
Cash and cash equivalents at end of period	2,995,774	4,093,617

(6) Notes to Summary of Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no related information.

(Revision to Accounting Estimates)

We have revised the estimated cost, because the possibility of outflow of economic benefits increased due to the augmentation of man-hours, which was not expected at the time of the previous estimation of total costs, in the cumulative second quarter of the current consolidated period. Accordingly, the cost of sales augmented by 138,388 thousand yen.

(Significant Subsequent Events)

Conclusion of a contract for merger with Members Gifted Co., Ltd.

At the meeting of the board of directors held on October 21, 2021, our company resolved to absorb Members Gifted Co., Ltd. through merger with our company being the surviving company and Members Gifted being the absorbed company and the scheduled effective date being January 1, 2022, and signed a merger contract with them.

(1) Outline of the transaction

(i) Name and business of the company to be absorbed

Name of the company to be absorbed: Members Gifted Co., Ltd.

Business description: Support for employment of disabled people

(ii) Schedule for the merger

Date of resolution of the board of directors: Oct. 21, 2021

Date of conclusion of the contract for absorption-type merger: Oct. 21, 2021

Date of merger (effective date): Jan. 1, 2022 (scheduled)

(iii) Merger method

It is the absorption-type method with our company being the surviving company and Members Gifted being the absorbed company. Members Gifted was insolvent as of March 31, 2021, but was no longer insolvent as of September 30, 2021.

This merger falls under the short form merger set forth in Article 796, Paragraph 2 of the Companies Act from the viewpoint of our company, and the short form merger set forth in Article 784, Paragraph 1 of the Companies Act from the viewpoint of the absorbed company, so the merger will be carried out without holding a general meeting of shareholders for approving the absorption-type merger contract in either company.

(iv) Other items related to this transaction

This merger is aimed at conducting sales, marketing, foothold strategy, recruitment, staffing, training, and management operations in a more integrated, group-wide manner, to further accelerate the growth of our corporate group.

Since it is an absorption-type merger with a 100% subsidiary of our company, we will not conduct the issuance of new shares, the allocation of funds, or the like through this merger.

(2) Impact on business performance

Since this is a merger with a consolidated subsidiary of our company, there will be no impact on our consolidated performance.