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January 14, 2022

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP) FY2021 (June 1, 2021 to May 31, 2022) First Half Ended November 30, 2021

Listed company name: Pasona Group Inc.
Listing stock exchange: The First Section of the Tokyo Stock Exchange
Securities code number: 2168
URL: <https://www.pasonagroup.co.jp>
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Scheduled filing date of quarterly report: January 14, 2022
Supplemental materials prepared for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(All amounts are in millions of yen rounded down unless otherwise stated)

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results

Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
		%		%		%		%
First Half ended November 30, 2021	182,486	10.7	11,996	11.0	12,149	11.9	4,800	12.2
First Half ended November 30, 2020	164,906	2.3	10,802	176.9	10,854	201.0	4,278	989.1

(Note) Comprehensive income H1 FY2021: ¥7,918 million H1 FY2020: ¥5,678 million

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
First Half ended November 30, 2021	122.63	—
First Half ended November 30, 2020	109.35	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
November 30, 2021	193,839	54,132	21.7
May 31, 2021	151,641	49,779	25.2

(Reference) Equity As of November 30, 2021: ¥42,147 million As of May 31, 2021: ¥38,155 million.

(Note) In total assets as of May 31, 2021 and November 30, 2021, temporary "Deposits received" from customers related to contracted projects is recorded in liabilities, and "Cash and deposits" worth it is recorded in assets. For details, please refer to "1. Information Concerning Quarterly Consolidated Business Results (2) Overview of Consolidated Financial Position".

2. DIVIDENDS PER SHARE

	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	—	0.00	—	30.00	30.00
FY2021	—	0.00	—	—	—
FY2021 (Forecast)	—	—	—	30.00	30.00

(Note) Revision to dividend forecast in the current quarter: None

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2022

Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Shares
		%		%		%		%	Yen
FY2021 Full Fiscal Year	368,000	10.0	22,000	10.3	22,000	7.9	8,500	25.3	217.14

(Note) Revision to forecast of results in the current quarter: Yes

From the beginning of the first quarter in FY2021, “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29) is applied. Above “FORECAST OF RESULTS” are based on the accounting standard. Percentage figures are calculated based on the results before reclassification in FY2020 Full Fiscal Year.

4. NOTES

- (1) Changes in important subsidiaries during the current period: None
(Changes in specified subsidiaries that caused changes in the scope of consolidation)
- (2) Application of the special accounting practices in the preparation of quarterly consolidated financial statements:
None
- (3) Changes of accounting principles, changes in accounting estimates and retrospective restatement
 - 1) Changes of accounting principles in line with revisions to accounting and other standards: Yes
 - 2) Changes of accounting principles other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of shares issued and outstanding (Common shares)
 - 1) The number of shares issued and outstanding as of the period-end (including treasury shares)
November 30, 2021: 41,690,300 shares May 31, 2021: 41,690,300 shares
 - 2) The number of treasury shares as of the period-end
November 30, 2021: 2,543,305 shares May 31, 2021: 2,550,899 shares
 - 3) Average number of shares for the period (Quarterly cumulative period)
First Half ended November 30, 2021: 39,144,525 shares
First Half ended November 30, 2020: 39,125,391 shares

(Note)

The Company has introduced “Board Benefit Trust (BBT)” and “Employment Stock Ownership Plan (J-ESOP)”. The Company’s shares in the BBT and J-ESOP, which are reported as treasury shares under Shareholders’ equity, are counted as the number of treasury shares as of the average number of shares outstanding for the period for the purpose of not including for computing earnings and net assets per share.

The Quarterly Financial Report is not subject to a quarterly review conducted by CPA or audit firm.

Cautionary statement and other explanatory notes

The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results may differ materially from forecasts for a variety of reasons. Please refer to “Overview of Consolidated Forecasts” on page 6.

We are planning to hold a financial results meeting for analysts and institutional investors on January 20, 2022. Supplemental materials for the meeting will be posted on the Company’s website (<https://www.pasonagroup.co.jp/ir/>) in a timely manner.

Consolidated Financial Report

First Half Ended November 30, 2021

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H1 FY2021 Consolidated Financial Report

(June 1, 2021 - November 30, 2021)

1. Information Concerning Quarterly Consolidated Business Results

(1) Consolidated Business Results

	(Millions of yen)		
	H1 FY2020	H1 FY2021	YoY
Net sales	164,906	182,486	10.7%
Operating income	10,802	11,996	11.0%
Ordinary income	10,854	12,149	11.9%
Profit attributable to owners of parent	4,278	4,800	12.2%

Segment Information (Figures include intersegment sales)

Consolidated Net Sales by Segment

	(Millions of yen)		
	H1 FY2020	H1 FY2021	YoY
HR Solutions	162,383	180,421	11.1%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	139,166	154,183	10.8%
Expert Services (Temporary staffing)	75,438	78,664	4.3%
BPO Services (Contracting)	56,916	67,620	18.8%
HR Consulting, Education & Training, Others	3,470	3,837	10.6%
Global Sourcing (Overseas)	3,341	4,061	21.5%
Career Solutions (Placement / Recruiting, Outsourcing)	6,026	7,492	24.3%
Life Solutions	3,238	3,475	7.3%
Regional Revitalization Solutions	1,360	2,050	50.8%
Eliminations and Corporate	(2,074)	(3,461)	—
Total	164,906	182,486	10.7%

Consolidated Operating Income (Loss) by Segment

	(Millions of yen)		
	H1 FY2020	H1 FY2021	YoY
HR Solutions	16,269	18,684	14.8%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	10,488	9,412	(10.3)%
Expert Services (Temporary staffing)	10,507	9,244	(12.0)%
BPO Services (Contracting)			
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas)	(19)	167	—
Career Solutions (Placement / Recruiting, Outsourcing)	1,312	2,384	81.7%
Life Solutions	158	114	(27.7)%
Regional Revitalization Solutions	(1,087)	(1,250)	—
Eliminations and Corporate	(4,539)	(5,552)	—
Total	10,802	11,996	11.0%

※ ※ Since the end of FY2020, the segment of some subsidiaries has been changed with the reorganization of subsidiaries. The above tables regarding results in H1 FY2020 show the figures reclassified into the new segment classification.

(2) Overview of Consolidated Financial Position

1) Status of Assets, Liabilities and Net Assets

Assets

Total assets as of November 30, 2021 stood at ¥193,839 million, an increase of ¥42,197 million or 27.8%, compared with May 31, 2021. As of November 30, 2021, the amount of ¥41,878 million (¥1,989 million as of May 31, 2021) of temporary “Deposits received” from customers related to contracted projects was recorded in liabilities, and “Cash and Deposits” worth it was recorded in assets, whose use by the Group is restricted. That was mainly attributable to an increase of ¥20,608 million in cash and deposits with the above as the main factor, and an increase of ¥14,037 million in notes and accounts receivable-trade, and contract assets with increase in contracted projects.

Liabilities

Total liabilities as of November 30, 2021 stood at ¥139,707 million, an increase of ¥37,845 million or 37.2%, compared with May 31, 2021. This was mainly attributable to an increase of ¥38,663 million in deposits received due to the factor as mentioned above, and issuance of ¥2,500 million bonds payable for financing.

Net Assets

Net assets as of November 30, 2021 stood at ¥54,132 million, an increase of ¥4,352 million or 8.7%, compared with May 31, 2021. This was mainly attributable to an increase of ¥3,615 million in retained earnings due to profit attributable to owners of parent of ¥4,800 million in spite of dividends of ¥1,196 million.

As a result, equity ratio decreased by 3.5 percentage points from the end of previous consolidated fiscal year to 21.7 %. Total assets after deducting “Cash and deposits” with “Deposits received” related to contracted projects stood at ¥151,961 million, and equity ratio 27.7%.

2) Status of Cash Flows

Cash and cash equivalents (hereafter “net cash”) as of November 30, 2021 decreased by ¥19,316 million, compared with previous fiscal year end, to ¥32,983 million.

Cash Flows from Operating Activities

Net cash used in operating activities in H1 FY2021 amounted to ¥9,106 million (increase ¥4,899 million in H1 FY2020).

Major cash inflows included income before income taxes totaling ¥12,128 million (¥9,639 million in H1 FY2020).

Principal cash outflows included an increase in notes and accounts receivable-trade, and contract assets with increase in contracted projects totaling ¥ 14,002 million (decrease ¥2,647 million in H1 FY2020), a decrease in accrued consumption taxes totaling ¥1,184 million (decrease ¥618 million in H1 FY2020), and income taxes paid totaling ¥4,216 million (¥4,136 million in H1 FY2020).

Cash Flows from Investing Activities

Net cash used in investing activities in H1 FY2021 amounted to ¥6,849 million (decrease ¥2,818 million in H1 FY2020).

Major cash outflows included purchase of property, plant and equipment with the establishment of commercial facilities in regional revitalization and the new establishment of business facilities in corporate segment totaling ¥3,831 million (¥2,580 million in H1 FY2020), and purchase of intangible assets with system investment totaling ¥2,419 million (¥681 million in H1 FY2020).

Cash Flows from Financing Activities

Net cash used in financing activities in H1 FY2021 amounted to ¥3,385 million (decrease ¥3,193 million in H1 FY2020).

Major cash inflows included proceeds from long-term loans payable totaling ¥2,787 million (¥4,500 million in H1 FY2020) to prepare for securing long-term working capital and capital investment, and proceeds from issuance of bonds totaling ¥2,500 million (none in H1 FY2020).

Principal cash outflows included repayment of long-term loans payable totaling ¥4,648 million (¥4,418 million in H1 FY2020), and payment of dividends totaling ¥3,582 million (¥2,796 million in H1 FY2020).

(3) Overview of Consolidated Forecasts

Regarding forecast of results for FY2021, because new variant strain infections of COVID-19 are spreading close to you, concerns about sixth wave of infection are growing rapidly, and uncertainty about the future is increasing. But the Group expects that demand for BPO services from companies and public sectors continues to expand steadily even in COVID-19; improving business productivity, work style reform, promotion of business outsourcing, and so on. Therefore, forecast of results for the fiscal year ending May 31, 2022 announced on July 15, 2021 has been revised.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2021	As of November 30, 2021
ASSETS		
Current assets		
Cash and deposits	54,533	75,142
Notes and accounts receivable-trade	44,267	—
Notes and accounts receivable-trade, and contract assets	—	58,305
Inventories	2,717	2,958
Other	7,400	10,135
Allowance for doubtful accounts	(57)	(84)
Total current assets	108,862	146,457
Non-current assets		
Property, plant and equipment	18,568	20,630
Intangible assets		
Goodwill	1,644	1,324
Other	4,716	6,435
Total intangible assets	6,361	7,759
Investments and other assets		
Other	17,778	18,843
Allowance for doubtful accounts	(97)	(11)
Total investments and other assets	17,681	18,832
Total non-current assets	42,610	47,222
Deferred assets	168	159
Total assets	151,641	193,839

(Millions of yen)

	As of May 31, 2021	As of November 30, 2021
LIABILITIES		
Current liabilities		
Accounts payable-trade	6,377	5,656
Short-term loans payable	9,433	8,969
Accrued expenses	15,152	16,489
Income taxes payable	4,071	4,328
Deposits received	5,518	44,181
Provision for bonuses	4,580	4,705
Provision for directors' bonuses	17	6
Asset retirement obligations	17	—
Other	25,606	23,942
Total current liabilities	70,775	108,280
Non-current liabilities		
Bonds payable	2,176	4,103
Long-term loans payable	20,990	19,517
Provision for directors' stock benefit	457	605
Provision for employees' stock grant	438	546
Net defined benefit liability	2,263	2,230
Asset retirement obligations	2,125	2,279
Other	2,634	2,144
Total non-current liabilities	31,086	31,426
Total liabilities	101,861	139,707
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	14,029	14,029
Retained earnings	20,801	24,417
Treasury shares	(2,417)	(2,410)
Total shareholders' equity	37,413	41,036
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	694	1,057
Foreign currency translation adjustment	10	34
Remeasurements of defined benefit plans	36	18
Total accumulated other comprehensive income	741	1,110
Share acquisition rights	4	4
Non-controlling interests	11,619	11,980
Total net assets	49,779	54,132
Total liabilities and net assets	151,641	193,839

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	H1 FY2020	H1 FY2021
Net sales	164,906	182,486
Cost of sales	122,915	137,973
Gross profit	41,991	44,512
Selling, general and administrative expenses	31,189	32,516
Operating income	10,802	11,996
Non-operating income		
Interest income	21	14
Subsidy	335	215
Real estate rent	376	369
Other	144	179
Total non-operating income	877	778
Non-operating expenses		
Interest expenses	147	133
Share of loss of entities accounted for using equity method	229	26
Commitment fee	33	85
Rent expenses on real estates	328	313
Other	86	66
Total non-operating expenses	825	625
Ordinary income	10,854	12,149
Extraordinary income		
Gain on sale of non-current assets	—	2
Gain on sale of shares of subsidiaries and associates	—	24
Total extraordinary income	—	27
Extraordinary loss		
Loss on sale and retirement of non-current assets	107	26
Impairment loss	1,092	—
Loss on valuation of investment securities	14	19
Other	—	2
Total extraordinary loss	1,214	48
Income before income taxes	9,639	12,128
Income taxes-current	4,830	4,905
Income taxes-deferred	(504)	24
Income taxes	4,325	4,929
Profit	5,314	7,198
Profit attributable to non-controlling interests	1,035	2,398
Profit attributable to owners of parent	4,278	4,800

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	H1 FY2020	H1 FY2021
Profit	5,314	7,198
Other comprehensive income		
Valuation difference on available-for-sale securities	366	710
Foreign currency translation adjustment	14	26
Remeasurements of defined benefit plans	(15)	(16)
Share of other comprehensive income of entities accounted for using equity method	0	—
Total other comprehensive income	364	720
Comprehensive income	5,678	7,918
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,452	5,169
Comprehensive income attributable to non-controlling interests	1,226	2,749

(4) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	H1 FY2020	H1 FY2021
Cash flows from operating activities		
Income before income taxes	9,639	12,128
Depreciation and amortization	1,807	2,035
Impairment loss	1,092	—
Amortization of goodwill	340	319
Increase (decrease) in allowance for doubtful accounts	(70)	18
Increase (decrease) in provision for bonuses	356	123
Increase (decrease) in provision for directors' bonuses	(0)	(10)
Increase (decrease) in net defined benefit liability	4	(26)
Decrease (increase) in net defined benefit asset	(88)	(96)
Interest and dividends income	(40)	(37)
Interest expenses	147	133
Subsidy income	(335)	(215)
Share of (profit) loss of entities accounted for using equity method	229	26
Loss (gain) on sale and retirement of non-current assets	107	23
Loss (gain) on extinguishment securities	—	2
Loss (gain) on sale of shares of subsidiaries and associates	—	(24)
Decrease (increase) in trade receivables	2,647	—
Decrease (increase) in trade receivables, and contract assets	—	(14,002)
Increase (decrease) in operating debt	(3,825)	791
Increase (decrease) in accrued consumption taxes	(618)	(1,184)
Other	(2,595)	(5,025)
Subtotal	8,796	(5,022)
Interest and dividends income received	53	53
Interest expenses paid	(149)	(136)
Proceeds from subsidy	335	215
Income taxes paid	(4,136)	(4,216)
Net cash provided by (used in) operating activities	4,899	(9,106)

	H1 FY2020	H1 FY2021
Cash flows from investment activities		
Purchase of property, plant and equipment	(2,580)	(3,831)
Proceeds from sales of property, plant and equipment	4	11
Purchase of intangible assets	(681)	(2,419)
Purchase of investment securities	(5)	(617)
Payments of loans receivable	(27)	(6)
Payments for lease and guarantee deposits	(116)	(131)
Proceeds from collection of lease and guarantee deposits	105	134
Payments for transfer of business	(7)	—
Other	491	10
Net cash provided by (used in) investment activities	(2,818)	(6,849)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	12	(61)
Proceeds from long-term loans payable	4,500	2,787
Repayment of long-term loans payable	(4,418)	(4,648)
Proceeds from issuance of bonds	—	2,500
Redemption of bonds	(153)	(293)
Proceeds from sale and leaseback transactions	—	257
Repayments of finance lease liabilities	(318)	(345)
Purchase of treasury shares of subsidiaries	(0)	(0)
Cash dividends paid	(755)	(1,193)
Dividends paid to non-controlling interests	(2,040)	(2,389)
other	(19)	(0)
Net cash provided (used in) by financing activities	(3,193)	(3,385)
Effect of exchange rate change on cash and cash equivalents	(2)	25
Net increase (decrease) in cash and cash equivalents	(1,113)	(19,316)
Cash and cash equivalents at the beginning of the period	48,147	52,298
Net increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	1
Cash and cash equivalents at the end of the period	47,033	32,983

(5) Notes to Going Concern Assumption

Not applicable

(6) Notes on Significant Changes in the Shareholders' Equity

Not applicable

(7) Changes in Accounting Policies:

Application of Accounting Standard for Revenue Recognition, etc.

“Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020; hereinafter, “The New Revenue Standard”) is applied from the beginning of the first quarter in FY2021. When control of the promised goods or services is transferred to the customer, revenue is recognized by the amount expected to be received in exchange for the goods or services. The main changes due to it are as follows.

In outsourcing business, regarding to transactions for which the role of a consolidated subsidiary in providing services to customers is determined to be an agent, of the transactions that had traditionally been recognized the total amount of consideration received from customers as revenue, the method has been changed to that of recognizing revenue with the net amount obtained by deducting the amount paid to subcontractors from the consolidation received from customers.

In expert services business, regarding to the amount of commuting transportation expenses for temporary staffs received from customers, revenue had traditionally been recognized as the net amount obtained by deducting the amount paid to temporary staffs from the consolidation received from customers. The method has been changed to that of recognizing revenue with the total amount because the amount paid to temporary staffs is a part of the consolidation of providing services related to temporary staffing and the role of consolidated subsidiaries is applicable to the person.

Regarding to application of The New Revenue Standard, etc., the Group follows transitional handling provided in its Paragraph 84 proviso. The Group has adjusted the cumulative impact of retroactive application of the new accounting policy before the beginning of the first quarter in FY2021 to retained earnings in the beginning of the first quarter in FY2021, and has applied the new accounting policies since then. However, the Group has applied the method provided in The New Revenue Standard Paragraph 86, and has not retroactively applied the new accounting policies to the contracts recognizing almost all amount of revenue according to the previous accounting policies before the beginning of the first quarter in FY2021. The Group has applied the method provided in The New Revenue Standard Paragraph 86 Also write (1), has performed accounting based on the terms and conditions after reflecting all contract changes before the beginning of the first quarter in 2021, and has adjusted the cumulative impact to retained earnings in the beginning of the first quarter in FY2021. As a result, in the consolidated cumulative second quarter of FY2021, net sales decreased by ¥2,397 million, cost of sales decreased by ¥2,465 million, selling, general and administrative expenses increased by ¥73 million, and operating income, ordinary income and income before income taxes respectively decreased by ¥5 million. Retained earnings in the beginning of FY2021 increased by ¥12 million.

Because of application of The New Revenue Standard, etc., “Notes and accounts receivable-trade” in “Current assets” in Consolidated Balance Sheets of FY2020 is included in “Notes and accounts receivable-trade, and contract assets” from the first quarter of FY2021. “Decrease (increase) in trade receivables” in “Cash flows from operating activities” in Quarterly Consolidated Statements of Cash Flows of first half ended November 30, 2020 is included in “Decrease (increase) in trade receivables, and contract assets” from FY2021. According to transitional handling provided in The New Revenue Standard Paragraph 89-2, the Group has not reclassified by the new display method in the previous fiscal year. According to transitional handling provided in “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12, March 31, 2020) Paragraph 89-2, the Group does not describe the information that decomposes the revenue generated from contracts with customers in first half ended November 30, 2020.

Application of Accounting Standard for Fair Value Measurement, etc.

The Group has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019; hereinafter, “Fair Value Accounting Standard”) from the beginning of the first quarter in FY2021. According to transitional handling provided in Fair Value Accounting Standard Paragraph 19 and “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019) Paragraph 44-2, the Group will apply the new accounting policies stipulated by Fair Value Accounting Standard and so on in the future. There is no impact on the quarterly consolidated financial statements.

(8) Additional Information:

Accounting estimates with COVID-19 infections

There are no significant changes to the assumption including future spread and convergence time of COVID-19 infections, which is described in “Important Accounting Estimates” of “Consolidated Financial Report FY2020 (June 1, 2020 to May 31, 2021).

(9) Segment Information

i) First Half ended November 30, 2020

a) Information regarding net sales and segment income (loss) by reporting segment

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others (Note 1)	Career Solutions	Outsourcing					
Net sales								
(1) Sales to outside customers	137,760	6,014	16,891	3,087	1,151	164,906	—	164,906
(2) Intersegment sales and transfers	1,405	11	298	150	208	2,074	(2,074)	—
Total	139,166	6,026	17,190	3,238	1,360	166,981	(2,074)	164,906
Operating income (l oss)	10,488	1,312	4,469	158	(1,087)	15,341	(4,539)	10,802

Notes:

1. The “Expert Services, BPO Services, Others” segment includes each of the businesses of Expert Services (Temporary staffing), BPO Services (Contracting), HR Consulting/Education & Training/Others and Global Sourcing (Overseas).
2. Adjustments of ¥(4,539) million with Operating income (loss) includes corporate expenses of ¥(4,576) million which primarily consist of Group management costs relating to the Company and incubation cost for our new business and the elimination of intersegment transactions of ¥37 million.
3. Segment income is adjusted with operating income under consolidated statements of income.

b) Information regarding impairment loss of non-current assets or goodwill by reporting segment

The total impairment loss of non-current assets in the consolidated cumulative second quarter of FY2020 has amounted to ¥1,092 million; ¥639 million in “Expert Services, BPO Services, Others” segment and ¥452 million in “Regional Revitalization Solutions” segment

ii) First Half ended November 30, 2021

a) Information regarding net sales and segment income (loss) by reporting segment

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 1)	Figures in consolidated statements of income (Note 2)
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing					
Net sales								
Expert Services	78,344	—	—	—	—	78,344	—	78,344
BPO Services	66,684	—	—	—	—	66,684	—	66,684
HR Consulting, Education & Training,	3,129	—	—	—	—	3,129	—	3,129
Global Sourcing	3,938	—	—	—	—	3,938	—	3,938
Career Solutions	—	7,469	—	—	—	7,469	—	7,469
Outsourcing	—	—	18,024	—	—	18,024	—	18,024
Life Solutions	—	—	—	3,206	—	3,206	—	3,206
Regional Revitalization	—	—	—	—	1,687	1,687	—	1,687
Revenue from contract	152,097	7,469	18,024	3,206	1,687	182,486	—	182,486
Other revenue	—	—	—	—	—	—	—	—
Sales to outside customers	152,097	7,469	18,024	3,206	1,687	182,486	—	182,486
Intersegment sales and transfers	2,085	22	720	269	363	3,461	(3,461)	—
Total	154,183	7,492	18,745	3,475	2,050	185,947	(3,461)	182,486
Operating income (loss)	9,412	2,384	6,887	114	(1,250)	17,548	(5,552)	11,996

Notes:

- Adjustments of ¥(5,552) million with Operating income (loss) includes the corporate expenses of ¥(5,611) million which primarily consist of Group management costs relating to the Company and incubation cost for our new business and the elimination of intersegment transactions of ¥58 million.
- Segment income is adjusted with operating income under consolidated statements of income.

b) Matters regarding changes in reporting segment

Since the end of FY2020, with the reorganization of subsidiaries, the segment of some subsidiaries has been changed from “Career Solutions” to “Expert Services, BPO Services, Others”.

The segment information in the previous fiscal year was recorded in the way of new segment classification method.

As described in changes in accounting policies, because of application of The New Revenue Standard, etc. and changes in accounting treatment for revenue recognition from the beginning of the first quarter of FY2021, the calculation method of income or loss in operating segment has been also changed.

As a result, in the consolidated cumulative second quarter of FY2021, compared with the previous method, net sales increased by ¥1,410 million and operating income increased by ¥55 million in “Expert Services, BPO Services, Others”, net sales decreased by ¥49 million and operating income decreased by ¥49 million in “Career Solutions”, net sales decreased by ¥3,763 million and operating income decreased by ¥13

million in “Outsourcing”, net sales increased by ¥1 million in “Life Solutions”, and net sales increased by ¥3 million and operating income increased by ¥3 million in “Regional Revitalization Solutions”.

(10) Important Subsequent Events

Business combination by acquisition

Benefit One Inc. (March settlement company; hereinafter, “Benefit One”), a consolidated subsidiary of Pasona Group Inc., resolved to acquire all shares of JTB Benefit Inc. (hereinafter, “JTB Benefit”) and to make it a subsidiary in the board of directors on August 30, 2021, and executed the acquisition of shares on October 29, 2021.

Benefit One resolved to perform the absorption-type merger; Benefit One as surviving company, JTB Benefit as disappearing company, and April 1, 2022 as effective date; in the board of directors on December 23, 2021, and concluded the absorption-type merger agreement on December 23, 2021.

1. Overview of business combination

(1) Name of acquired company and business content

Name	JTB Benefit Inc.
Business content	welfare agency service, health support service, organization revitalization service

(2) Reason of business combination

While COVID-19 infections have a big impact on socioeconomics, those make opportunities to accelerate efforts of work style reform, health management and digitalization in many companies. In the human resources department of companies, it is expected that utilization of outsourcing services will continue to increase in the future, and that correspondence to HRDX (digital transformation in the human resources area) will become an important management issue.

Benefit One, a core subsidiary of the Group, takes these socioeconomic trends as opportunities, and has developed “Bene One Platform”, infrastructure that enables management and utilization of personnel and health data, in cooperation with outsourcing services of welfare and health care, and various outsourcing services of personnel and labor related. It is promoting the platform strategy to support corporate HRDX, and is working on spreading the infrastructure widely and accelerating membership expansion as a medium to long term core strategy.

On the other hand, JTB Benefit is a leading player of welfare services aiming to contribute to “Work-life balance of working people” and “Creating a vibrant workplace” since its founding in 2000.

The Group has decided to welcome JTB Benefit to the Group this time, expecting the dramatic expansion of membership base and service distribution in line with the medium-term management plan.

(3) Acquisition date

October 29, 2021

(4) Legal form of business combination

Acquisition of shares in consideration of cash

(5) Acquired voting rights ratio

100%

(6) Main rationale for deciding the acquisition company

Because Benefit One acquired 100% voting rights by acquisition of shares in consideration of Cash.

(7) Financing method of funds to be paid

The outline of the syndicated loan commitment for the purpose of partial appropriation for payment of shares acquisition funds and related costs is as follows.

① Arranger/Agent	Sumitomo Mitsui Banking Corporation
② Loan execution date	October 29, 2021
③ Composition amount	¥10 billion
④ Borrowing interest rate	Fixed interest rate
⑤ Repayment deadline	September 30, 2031

⑥ Repayment method	Equal repayment of principal
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2. Overview of absorption-type merger

(1) Purpose of the absorption-type merger

Benefit One, a consolidated subsidiary of Pasona Group, Inc., acquired all shares of JTB Benefit and made it a subsidiary on October 29, 2021.

By the merger, the Group will pursue maximum economies of scale by accelerating the promotion of integration of overlapping services and organizational functions within the Group, work to improve operational efficiency through efficient allocation and utilization of management resources, work to improve the quality and quantity of service menus, and aim to further improve customer satisfaction.

(2) Effective date

April 1, 2022

(3) Method of the absorption-type merger, content of allocation about the absorption-type merger, and other absorption

① Method of the absorption-type merger

Absorption-type merger;

Benefit One as surviving company, JTB Benefit as disappearing company

② Content of allocation about the absorption-type merger

Because of the absorption-type merger of wholly owned subsidiary, no allocation of stocks and other money will be made.