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

June 14, 2022

Company name: ASIRO Inc.	Listing: Tokyo Stock Exchange
Securities code: 7378	URL: https://asiro.co.jp/
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Planned date of quarterly report submission:	June 14, 2022
Planned start date for payment of dividends:	-
Preparation of supplemental explanatory material for quarterly results:	Yes
Holding of briefing for quarterly results:	Yes

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results of the First Six months of the Fiscal Year Ending October 31, 2022 (November 1, 2021 to April 30, 2022)

(1) Consolidated Operating Results

(Percentage figures represent year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended April 30, 2022	1,021	38.8	303	55.1	300	57.4	206	68.3	206	68.3	225	102.9
Six months ended April 30, 2021	736	(2.8)	195	31.6	191	32.9	122	39.9	122	39.9	111	26.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended April 30, 2022	30.47	27.22
Six months ended April 30, 2021	20.38	20.38

(Reference) EBITDA:

Six months ended April 30, 2022	331 million yen (up 50.0%)
Six months ended April 30, 2021	221 million yen (up 22.3%)

Adjusted EBITDA:

Six months ended April 30, 2022	317 million yen (up 49.6%)
Six months ended April 30, 2021	212 million yen (up 24.4%)

(Note) EBITDA and adjusted EBITDA are disclosed as useful comparative information on the Company's performance.

Please see "1. Qualitative Information on Operating Result (3) Explanation of Cash Flows (Reference Information)" on page 4 of the attached materials for information on the definitions and calculation methods of each indicator.

(Note) The Company's shares were unlisted in the first six months of the fiscal year ended October 31, 2021, and although share acquisition rights existed, their dilutive effect is not included in the calculation of diluted earnings per share for the first six months of the fiscal year ended October 31, 2021 because vesting is conditional upon listing.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent
	Millions of yen	Millions of yen	Millions of yen	%
As of April 30, 2022	3,333	2,353	2,349	70.5
As of October 31, 2021	2,802	2,222	2,222	79.3

2. Dividend Status

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	4Q-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended October 31, 2021	—	0.00	—	0.00	0.00
Fiscal year ending October 31, 2022	—	0.00			
Fiscal year ending October 31, 2022 (forecast)			—	0.00	0.00

Note: Revisions to most recently announced dividend forecast: No

3. Consolidated Earnings Forecasts of the Fiscal Year Ending October 31, 2022 (November 1, 2021 to October 31, 2022)

(Percentage figures represent year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,861	19.8	406	12.4	403	13.8	276	20.6	276	20.6	40.39

Note: Revisions to most recently announced earnings forecasts: No

* Notes

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: 1 company (Company name) Kailash Small Amount and Short Term Insurance

Excluded: 1 company (Company name) trient, Inc.

The Company performed an absorption-type merger of trient, Inc. on December 1, 2021. Furthermore, the Company acquired additional shares in Kailash Small Amount and Short Term Insurance on April 28, 2022, making it a consolidated subsidiary.

(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: Yes

(iii) Changes in accounting estimates: None

Note: See "2. Condensed Quarterly Consolidated Financial Statements and Notes (5) Notes to Condensed Quarterly Consolidated Financial Statements (Changes in Accounting Policies) on page 11 for details.

(3) Number of shares issued (common stock)

(i) Number of shares issued at the end of the period (including treasury stock)

As of April 30, 2022 6,841,768 shares

As of October 31, 2021 6,829,000 shares

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

As of April 30, 2022 133,400 shares

As of October 31, 2021 - shares

(iii) Average number of shares during the period

Six months ended April 30, 2022 6,751,308 shares

Six months ended April 30, 2021 6,000,000 shares

* This report is exempt from the quarterly review by certified public accountants or auditing firms.

* Explanation on appropriate use of results forecasts and other notes

The results forecasts and other forward-looking statements shown in these materials are based on information obtained by the Company at present, and certain assumptions deemed to be reasonable. They are not intended to be a promise by the Company to achieve the results. Furthermore, actual results, etc. may vary significantly due to a variety of factors.

Due to factors such as the timing of the impact of COVID-19 subsiding remaining unclear, the Company promptly disclose any revisions to earnings forecasts that are required based on future business trends.

Appendix

Table of Contents

1. Qualitative Information on Operating Result.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position.....	3
(3) Explanation of Cash Flows.....	3
(4) Explanation of Forward-looking Information such as Consolidated Earnings Forecasts.....	4
2. Condensed Quarterly Consolidated Financial Statements and Notes	5
(1) Condensed Quarterly Consolidated Statement of Financial Position	5
(2) Condensed Quarterly Consolidated Statements of Income and Comprehensive Income.....	7
(3) Condensed Quarterly Consolidated Statement of Changes in Equity	9
(4) Condensed Quarterly Consolidated Statements of Cash Flows.....	10
(5) Notes to Condensed Quarterly Consolidated Financial Statements	11
(Notes on Going Concern Assumptions)	11
(Changes in Accounting Policies).....	11
(Changes in Accounting Estimates).....	11
(Bonds)	11
(Segment Information).....	12
(Per Share Information)	13
(Business Combinations)	14
(Significant Events after Reporting Period).....	17

1. Qualitative Information on Operating Result

(1) Explanation of Operating Results

During the six months ended April 30, 2022, the Japanese economy proceeded to return to normal due to the spread of vaccinations against the novel coronavirus (COVID-19), but concerns still cannot be dispelled in the current conditions. In addition, there is growing uncertainty about the future due to factors such as the global rise in resource prices and the invasion of Ukraine by Russia.

Meanwhile, in the Internet advertising market surrounding the Group, advertising expenditures continued to grow consistently to 2.7052 trillion yen (up 21.4% year on year), and exceeded advertising expenditures in the four forms of mass media (aggregate of advertising expenses in the newspapers, magazines, radio and television) for the first time. (Source: Dentsu Inc. “2021 Advertising Expenditures in Japan”)

In such business conditions, the Group is conducting business centered on Legal Media & Other, and operates Legal Media primarily with attorneys as customers and Other Media for customers other than attorneys. Furthermore, in addition to Legal Media & Other, the Group operates Legal Human Resources to provide personnel referral services primarily for attorneys.

In Legal Media that accounts for a large portion of revenue, as a result of increasing the number of new contracts by strengthening sales activities along with customer success activities providing customer support after signing contracts, and focusing on lowering the churn rate, the number of advertising slots posted (Note 1) in April 2022 was 1,696 (up 21.0% year on year), and the number of advertising customers (Note 2) was 684 (up 26.0% year on year), with business growing steadily.

(Note 1) The number of advertising slots posted is the total number, and multiple slots are counted in cases where the same customer has multiple advertising slots.

(Note 2) The number of advertising customers is the actual number of customers with advertising slots.

Furthermore, in Other Media, there was an increase in business in the “Carism” career change media based on heightened recruiting motivation of companies aimed at normalization of the economy, and the number of inquiries during the six months ended April 30, 2022 increased significantly to 17,411 (up 79.9% year on year).

Consequently, the results for the six months ended April 30, 2022 were as follows. Revenue was 1,021,087 thousand yen (up 38.8% year on year), operating profit was 302,723 thousand yen (up 55.1% year on year), profit before tax was 300,399 thousand yen (up 57.4% year on year) and profit was 205,746 thousand yen (up 68.3% year on year). Note that Kailash Small Amount and Short Term Insurance (“Kailash”), which became a consolidated subsidiary on April 28, 2022, is only consolidated on the balance sheet as of April 30, 2022, and the statement of income will be consolidated from the third quarter.

Operating results by segment were as follows.

[Legal Media & Other]

In addition to advertising revenue increasing due to increases in advertising slots posted and advertising customers in Legal Media, due to the increase in inquiries in the “Carism” career change business in Other Media as mentioned above, revenue was 966,771 thousand yen (up 38.3% year on year) and segment profit was 444,661 thousand yen (up 45.2% year on year).

Legal Media revenue was 682,698 thousand yen (up 23.6% year on year) and operating profit was 298,463 thousand yen (up 12.4% year on year). Other Media revenue was 284,073 thousand yen (up 93.6% year on year) and operating profit was 146,198 thousand yen (up 260.1% year on year).

[Legal Human Resources]

Since the launch of the business in two fiscal years ago, there was a steady increase in registrants and contracts in personnel referral services, resulting in revenue of 54,316 thousand yen (up 49.7% year on year), and segment profit of 24,665 thousand yen (up 502.7% year on year).

[Other]

Due to the occurrence of expenses for preparation of the launch of new business and the consolidation of Kailash on the statement of income from the third quarter, from the six month ended April 30, 2022,

new business, etc. with little significance at present have been differentiated as a business segment not included in reportable segments and disclosed as “Other.” No revenue was reported, and segment profit was a loss of 19,702 thousand yen.

(2) Explanation of Financial Position

(i) Assets

Current assets as of April 30, 2022 were 1,853,609 thousand yen, an increase of 333,140 thousand yen compared to October 31, 2021. This was mainly due to increases of 252,619 thousand yen in cash and cash equivalents and 76,900 thousand yen in trade and other receivables.

Non-current assets as of April 30, 2022 were 1,479,728 thousand yen, an increase of 197,710 thousand yen compared to October 31, 2021. This was mainly attributable to increases of 163,265 thousand yen in goodwill and 69,237 thousand yen in other financial assets (mainly leasehold deposits and guarantee deposits) due to making Kailash a consolidated subsidiary.

As a result, total assets as of April 30, 2022 were 3,333,337 thousand yen.

(ii) Liabilities

Current liabilities as of April 30, 2022 were 508,468 thousand yen, an increase of 149,173 thousand yen compared to October 31, 2021. This was mainly due to increases of 53,409 thousand yen in bonds and borrowings, 30,324 thousand yen in income taxes payable and 25,920 thousand yen in trade and other payables, in addition to a 24,765 thousand yen increase in insurance contract liabilities due to Kailash becoming a consolidated subsidiary.

Non-current liabilities as of April 30, 2022 were 472,268 thousand yen, an increase of 251,475 thousand yen compared to October 31, 2021. This was mainly due to an increase of 252,697 thousand yen in bonds and borrowings.

As a result, total liabilities as of April 30, 2022 were 980,736 thousand yen.

(iii) Equity

Total equity as of April 30, 2022 was 2,352,601 thousand yen, an increase of 130, thousand yen compared to October 31, 2021. This was mainly due to an increase of 209,876 thousand yen in retained earnings and an increase of 99,773 thousand yen in treasury shares, which is deductible.

(3) Explanation of Cash Flows

Cash and cash equivalents as of April 30, 2022 amounted to 1,556,461 thousand yen, an increase of 252,619 thousand yen compared to October 31, 2021.

The status of cash flows and factors therein during the six months ended April 30, 2022 were as follows.

(Cash flows from operating activities)

Cash flows from operating activities for the six months ended April 30, 2022 were net inflows of 246,443 thousand yen (net inflows of 143,701 thousand yen for the six months ended April 30, 2021). This was mainly due to the increase caused by the recording of 300,399 thousand yen in profit before tax, which was partially offset by the decrease caused by 64,755 thousand yen in income taxes paid.

(Cash flows from investing activities)

Cash flows from investing activities for the six months ended April 30, 2022 were net outflows of 182,800 thousand yen (net outflows of 9,524 thousand yen for the six months ended April 30, 2021). This was mainly due to 113,518 thousand yen in payments for acquisition of subsidiaries and associates and 68,407 thousand yen in payments of leasehold and guarantee deposits.

(Cash flows from financing activities)

Cash flows from financing activities for the six months ended April 30, 2022 were net inflows of 188,975 thousand yen (net outflows of 361,731 thousand yen for the six months ended April 30, 2021). This was mainly due to the increase caused by 343,970 thousand yen in proceeds from issuance of bonds, which was partially offset by the decreases caused by 100,588 thousand yen in purchase of treasury shares of subsidiaries and 39,118 thousand yen in repayments of long-term borrowings.

(Reference information)

The Group has decided to publish EBITDA and adjusted EBITDA as reference indicators on operating results for the purpose of providing useful information for investors to evaluate the Group's results and understand the pure growth of the Group's corporate value without being limited by differences in accounting standards. EBITDA excludes the impact of non-cash expense items (depreciation and amortization) etc. from operating profit. Furthermore, adjusted EBITDA excludes the impact of non-cash expense items associated with application of IFRS, etc. (share-based payment expenses, depreciation of right-of-use assets, etc.) from EBITDA.

The calculation formulae and calculation methods for EBITDA and adjusted EBITDA are as follows.

- EBITDA = Operating profit + Depreciation and amortization – Other income + Other expenses
- Adjusted EBITDA = EBITDA ± Non-cash expense items associated with application of IFRS, etc.

(Units: thousands of yen)

	Six months ended April 30, 2021 (November 1, 2020 to April 30, 2021)	Six months ended April 30, 2022 (November 1, 2021 to April 30, 2022)
Operating profit on financial statements	195,143	302,723
+ Depreciation and amortization	26,674	30,598
– Other revenue	(1,080)	(2,261)
+ Other expenses	–	0
Subtotal	25,593	28,337
EBITDA	220,736	331,060
+ Provision of allowance for paid leave	288	1,307
+ Share-based payment expenses	7,331	1,854
+ Adjustment of leasehold deposits and guarantee deposits recorded	7	7
– Adjustment of depreciation of right-of-use assets	(16,462)	(16,462)
– Adjustment of direct increase in expenses for equity transactions	–	(844)
Subtotal	(8,836)	(14,138)
Adjusted EBITDA	211,900	316,922

(Note) Figures are rounded to nearest thousand yen.

(4) Explanation of Forward-looking Information such as Consolidated Earnings Forecasts

With regard to the impact of COVID-19, there have been adverse effects in Other Media such as a decrease in net sales of career change media associate with the deterioration of the jobs-to-applicants ratio, but the volume of career change media business has increased due to heightened recruiting motivation of companies aimed at normalization of the economy during the six months ended January 31, 2022, and the business is on a trend of recovery and growth.

The Group has prepared forward-looking information such as consolidated earnings forecasts based on currently available information with the assumption that the economy will gradually recover going forward. There are no significant changes to the forecasts made from the previous fiscal year. However, actual results may differ from these forecasts due to the uncertainties involved in future trends of COVID-19.

2. Condensed Quarterly Consolidated Financial Statements and Notes
 (1) Condensed Quarterly Consolidated Statement of Financial Position

(Units: thousands of yen)

	Fiscal year ended October 31, 2021 (as of October 31, 2021)	Six months ended April 30, 2022 (as of April 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	1,303,843	1,556,461
Trade and other receivables	206,076	282,976
Other current assets	10,551	14,171
Total current assets	1,520,469	1,853,609
Non-current assets		
Property, plant and equipment	24,514	16,691
Right-of-use assets	35,668	19,206
Goodwill	1,138,725	1,301,990
Intangible assets	16,871	12,433
Other financial assets	33,919	103,155
Deferred tax assets	32,255	25,476
Other non-current assets	66	776
Total non-current assets	1,282,017	1,479,728
Total assets	2,802,487	3,333,337

(Units: thousands of yen)

	Fiscal year ended October 31, 2021 (as of October 31, 2021)	Six months ended April 30, 2022 (as of April 30, 2022)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	93,977	119,897
Bonds and borrowings	61,541	114,949
Insurance contract liabilities	—	24,765
Income taxes payable	64,755	95,079
Lease liabilities	30,433	15,266
Other financial liabilities	57,775	63,389
Other current liabilities	50,814	75,122
Total current liabilities	359,295	508,468
Non-current liabilities		
Bonds and borrowings	207,710	460,407
Other financial liabilities	1,057	676
Other non-current liabilities	1,522	692
Provisions	10,504	10,493
Total non-current liabilities	220,793	472,268
Total liabilities	580,089	980,736
Equity		
Share capital	542,354	546,134
Capital surplus	1,150,477	1,148,001
Retained earnings	482,835	692,711
Treasury shares	—	(99,773)
Other components of equity	46,732	62,053
Total equity attributable to owners of parent	2,222,398	2,349,125
Non-controlling interests	—	3,476
Total equity	2,222,398	2,352,601
Total liabilities and equity	2,802,487	3,333,337

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

(Units: thousands of yen)

	Six months ended April 30, 2021 (November 1, 2020 to April 30, 2021)	Six months ended April 30, 2022 (November 1, 2021 to April 30, 2022)
Revenue	735,520	1,021,087
Cost of sales	351,666	470,970
Gross profit	383,854	550,118
Selling, general and administrative expenses	189,792	249,656
Other revenue	1,080	2,261
Other expenses	—	0
Operating profit	195,143	302,723
Finance revenue	9	34
Finance expenses	4,332	2,357
Profit before tax	190,820	300,399
Income tax expense	68,540	94,653
Profit	122,279	205,746
Profit attributable to		
Owners of parent	122,279	205,746
Earnings per share		
Basic earnings per share (yen)	20.38	30.47
Diluted earnings per share (yen)	20.38	27.22

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	(Units: thousands of yen)	
	Six months ended April 30, 2021 (November 1, 2020 to April 30, 2021)	Six months ended April 30, 2022 (November 1, 2021 to April 30, 2022)
Profit	122,279	205,746
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured through other comprehensive income	(11,812)	19,225
Total of items that will not be reclassified to profit or loss	(11,812)	19,225
Items that may be reclassified to profit or loss		
Effective portion of net change in fair value of cash flow hedges	548	265
Total of items that may be reclassified to profit or loss	548	265
Total other comprehensive income	(11,264)	19,490
Comprehensive income	111,015	225,236
Comprehensive income attributable to Owners of parent	111,015	225,236

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
Six months ended April 30, 2021 (November 1, 2020 to April 30, 2021)

(Units: thousands of yen)

	Equity attributable to owners of parent							Total equity
	Share capital	Capital surplus	Retained earnings	Share acquisition rights	Other components of equity		Total	
					Financial assets measured at fair value through other comprehensive income	Cash flow hedges		
Balance as of November 1, 2020	100,000	716,190	254,056	51,564	—	(1,657)	49,907	1,120,153
Profit	—	—	122,279	—	—	—	—	122,279
Other comprehensive income	—	—	—	—	(11,812)	548	(11,264)	(11,264)
Total comprehensive income	—	—	122,279	—	(11,812)	548	(11,264)	111,015
Share-based payment expenses	—	—	—	7,331	—	—	7,331	7,331
Total transactions with owners	—	—	—	7,331	—	—	7,331	7,331
Balance as of April 30, 2021	100,000	716,190	376,335	58,895	(11,812)	(1,109)	45,974	1,238,499

Six months ended April 30, 2022 (November 1, 2021 to April 30, 2022)

(Units: thousands of yen)

	Equity attributable to owners of parent						Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Financial assets measured at fair value through other comprehensive income	
Balance as of November 1, 2021	542,354	1,150,477	482,835	—	—	62,561	(15,095)
Profit	—	—	205,746	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	19,225
Total comprehensive income	—	—	205,746	—	—	—	19,225
Restricted stock compensation	3,779	(1,910)	—	—	—	—	—
Purchase of treasury shares	—	(565)	—	(99,773)	—	—	—
Acquisition of subsidiaries	—	—	4,130	—	—	—	(4,130)
Other	—	—	—	—	—	(39)	—
Total transactions with owners	3,779	(2,476)	4,130	(99,773)	—	(39)	(4,130)
Balance as of April 30, 2022	546,134	1,148,001	692,711	(99,773)	—	62,522	—

(Units: thousands of yen)

	Equity attributable to owners of parent				Non-controlling interests	Total equity
	Other components of equity		Equity attributable to owners of parent	Total		
	Cash flow hedges	Total				
Balance as of November 1, 2021	(734)	46,732	2,222,398	—	2,222,398	
Profit	—	—	205,746	—	205,746	
Other comprehensive income	265	19,490	19,490	—	19,490	
Total comprehensive income	265	19,490	225,236	—	225,236	
Restricted stock compensation	—	—	1,869	—	1,869	
Purchase of treasury shares	—	—	(100,338)	—	(100,338)	
Acquisition of subsidiaries	—	(4,130)	—	3,476	3,476	
Other	—	(39)	(39)	—	(39)	
Total transactions with owners	—	(4,169)	(98,509)	3,476	(95,033)	
Balance as of April 30, 2022	(469)	62,053	2,349,125	3,476	2,352,601	

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Units: thousands of yen)

	Six months ended April 30, 2021 (November 1, 2020 to April 30, 2021)	Six months ended April 30, 2022 (November 1, 2021 to April 30, 2022)
Cash flows from operating activities		
Profit before tax	190,820	300,399
Depreciation and amortization	26,674	30,598
Finance revenue	(9)	(34)
Finance expenses	4,332	2,357
Decrease (increase) in trade and other receivables	(10,202)	(71,382)
Decrease (increase) in other current assets	2,513	(3,310)
Increase (decrease) in trade and other payables	(9,066)	23,462
Increase (decrease) in other current liabilities	4,624	23,987
Increase (decrease) in other financial liabilities	(2,705)	5,266
Share-based payment expenses	7,331	1,854
Other	(789)	(1,085)
Subtotal	213,523	312,112
Interest received	2	6
Interest paid	(2,476)	(919)
Income taxes paid	(67,348)	(64,755)
Cash flows from operating activities	143,701	246,443
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,024)	(1,875)
Payments for acquisition of subsidiaries	-	(113,518)
Purchase of other financial assets	(8,500)	-
Payments for leasehold deposits and guarantee deposits	-	(68,407)
Proceeds from refund of leasehold deposits and guarantee deposits	-	1,000
Cash flows from investing activities	(9,524)	(182,800)
Cash flows from financing activities		
Repayments of long-term borrowings	(346,761)	(39,118)
Proceeds from issuance of bonds	-	343,970
Repayments of lease liabilities	(14,970)	(15,167)
Purchase of treasury shares	-	(100,588)
Other	-	(122)
Cash flows from financing activities	(361,731)	188,975
Net increase (decrease) in cash and cash equivalents	(227,553)	252,619
Cash and cash equivalents at beginning of period	557,471	1,303,843
Cash and cash equivalents at end of period	329,918	1,556,461

(5) Notes to Condensed Quarterly Consolidated Financial Statements
 (Notes on Going Concern Assumptions)
 Not applicable.

(Changes in Accounting Policies)

The Group has made early application of the following standards from the six months ended April 30, 2022 due to the acquisition of shares in Kailash Small Amount and Short Term Insurance, which operates a small-amount short-term insurance business, to make it a subsidiary on April 28, 2022.

Standard document	Standard title	Timing of mandatory application (year of commencement)	Details of establishment or revision
IFRS 17	Insurance Contracts	January 1, 2023	Revision related to insurance policies

Application of the above standard document does not have a material impact on the Condensed Quarterly Consolidated Financial Statements.

Furthermore, the company adopts an approach of distributing insurance premiums because the period of coverage of the insurance products it sells is within one year.

(Changes in Accounting Estimates)
 Not applicable.

(Bonds)

Not applicable to bonds issued in the six months ended April 30, 2021.

The bonds issued in the six months ended April 30, 2022 are as follows.

Issue	ASIRO Inc. 1st Unsecured Corporate Bonds (Guaranteed by Resona Bank, Limited and limited to qualified institutional investors)	ASIRO Inc. 2nd Unsecured Corporate Bonds with Early Redemption Clause (Guaranteed by Mizuho Bank, Ltd. and limited to qualified institutional investors)
Total amount of issuance	250,000,000 yen	100,000,000 yen
Issue price	100 yen per value of 100 yen of each corporate bond	100 yen per value of 100 yen of each corporate bond
Interest rate	0.36% (fixed interest)	6-month yen TIBOR (variable interest)
Date of issuance	March 25, 2022	March 31, 2022
Maturity date	March 25, 2027	March 31, 2027
Redemption method	Fixed redemption every 6 months	Fixed redemption every 6 months However, may be redeemed early on each payment date from one year after the date of issuance at the Company's choice
Intended use of funds	Working capital	Working capital

(Segment Information)

(1) Overview of reportable segments

The Group's business segments are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic reviews to determine the distribution of management resources and evaluate business results.

The Group operates multiple media sites and conducts Legal Human Resources, but has consolidated business segments with generally similar elements such as services into the two reportable segments of "Legal Media & Other" and "Legal Human Resources" to provide appropriate information on the content of business activities, etc.

"Legal Media & Other" operates Legal Media centered on the "Attorney Search" series and Other Media such as "Carism" career change media.

"Legal Human Resources" is licensed by the Minister of Health, Labour and Welfare, and conducts fee-charging employment placement businesses pursuant to the Employment Security Act.

(2) Changes in reportable segments

The Group has differentiated new business, etc. with little significance at present as a business segment not included in reportable segments and discloses it as "Other" from the six months ended April 30, 2022 to assess and manage performance of each reportable segment more appropriately. There were no applicable businesses in the six months ended April 30, 2021.

(3) Information on reportable segments

The revenue and business results of the Group's reportable segments are as follows. Profit of reportable segments is shown as figures based on operating profit.

Six months ended April 30, 2021 (November 1, 2020 to April 30, 2021)

(Units: thousands of yen)

	Reportable segments			Adjustments (Note)	Consolidated
	Legal Media & Other	Legal Human Resources	Total		
Revenue					
Revenue from external customers	699,242	36,278	735,520	—	735,520
Intersegment revenue	—	—	—	—	—
Total	699,242	36,278	735,520	—	735,520
Segment profit (loss)	306,219	4,093	310,312	(115,169)	195,143
Finance revenue	—	—	—	—	9
Finance expenses	—	—	—	—	4,332
Profit before tax	—	—	—	—	190,820

(Note) The adjustments of segment profit or loss are primarily corporate expenses not allocated to each reportable segment.

Six months ended April 30, 2022 (November 1, 2021 to April 30, 2022)

(Units: thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Legal Media & Other	Legal Human Resources	Total				
Revenue							
Revenue from external customers	966,771	54,316	1,021,087	—	1,021,087	—	1,021,087
Intersegment revenue	—	—	—	—	—	—	—
Total	966,771	54,316	1,021,087	—	1,021,087	—	1,021,087
Segment profit (loss)	444,661	24,665	469,327	(19,702)	449,624	(146,902)	302,723
Finance revenue	—	—	—	—	—	—	34
Finance expenses	—	—	—	—	—	—	2,357
Profit before tax	—	—	—	—	—	—	300,399

(Notes) 1 The “Other” category is made up of business segments not included in reportable segments, such as new businesses , etc. with little significance at present.

2. The adjustments of segment profit or loss are primarily corporate expenses not allocated to each reportable segment.

(Per Share Information)

	Six months ended April 30, 2021 (November 1, 2020 to April 30, 2021)	Six months ended April 30, 2022 (November 1, 2021 to April 30, 2022)
Profit attributable to owners of parent (thousand yen)	122,279	205,746
Profit not attributable to common shareholders to owners of parent (thousand yen)	—	—
Profit used for calculation of basic earnings per share (thousand yen)	122,279	205,746
Weighted average number of common stock (shares)	6,000,000	6,751,308
Increase in the number of common stock due to stock acquisition rights (shares)	—	807,208
Diluted weighted-average number of common stock (shares)	6,000,000	7,558,515
Basic earnings per share (yen)	20.38	30.47
Diluted earnings per share (yen)	20.38	27.22

(Notes) The Company’s shares were unlisted in the first six months of the fiscal year ended October 31, 2021, and although share acquisition rights existed, their dilutive effect is not included in the calculation of diluted earnings per share for the first six months of the fiscal year ended October 31, 2021 because vesting is conditional upon listing.

(Business Combinations)

Six months ended April 30, 2021 (November 1, 2020 to April 30, 2021)

Not applicable.

Six months ended April 30, 2022 (November 1, 2021 to April 30, 2022)

On April 28, 2022, the Company acquired an additional 62.31% of the shares of Kailash Small Amount and Short Term Insurance (“Kailash”), which operates a small-amount and short-term insurance business. This, along with the existing holding of 14.82%, resulted in holding 77.14% of the outstanding shares of Kailash, making it a subsidiary.

(1) Overview of business combination

(i) Name and content of business of acquired company

Name of acquired company: Kailash Small Amount and Short Term Insurance

Content of business: Small-amount insurance business such as selling legal fee insurance
“BenNavi Attorney's Fee Insurance”

(ii) Acquisition date

April 28, 2022

(iii) Percentage of equity interest with voting rights acquired

The Company had held 14.82% of Kailash shares with voting rights immediately before the business combination date, but made an additional acquisition of 62.31% of the shares on the business combination date, making it a subsidiary.

(iv) Main reasons for the business combination

Kailash was registered as a small-amount short-term insurance company on February 14, 2020, and commenced operation of its small-amount short-term insurance business on April 1, 2020, selling legal fee insurance. As legal fee insurance is a product that uses insurance payments to cover part of the expenses arising when hiring attorneys to resolve trouble encountered in everyday life, parties insured by the insurance have the potential for legal trouble and are prepared for the possibility of hiring attorneys.

Meanwhile, the Company operates Legal Media, and attracts users with manifest legal problems who feel the need to hire attorneys in areas such as divorce problems and labor issues. Users of the Company's Legal Media and people insured by Kailash have similar attributes, and the Company had made a partial investment in the operating funds associated with the commencement of Kailash's business in 2020 due to the significant potential for a business partnership, and held 14.82% of voting rights.

More than one year has elapsed since the commencement of Kailash's business, and the accumulation of insurance contracts has been confirmed. Furthermore, including the contracts the Company has brokered as an insurance agent, over 80% of the insured have been attracted via the Internet, and the Company has determined that the number of contracts held can be increased by making Kailash a subsidiary and applying our web marketing technology. In addition, by strengthening business partnership by making Kailash a subsidiary, the Company will be able to reach customers who potentially face legal trouble, and using Kailash's platform will make it possible to diversify revenue sources by developing and selling new insurance products in the future. For these reasons, it was determined that making Kailash a subsidiary would lead to further business expansion and improvement of competitiveness of the Group.

(v) Method of acquisition of control of the acquired company

Acquisition of shares in exchange for cash

(2) Expenses related to acquisition

The expenses related to acquisition for the business combination were 9,500 thousand yen, and the entire amount was recorded as an expense under “selling, general and administrative expenses.”

(3) Breakdown of consideration for acquisition

(Units: thousands of yen)

Cash and cash equivalents	141,360
Fair value of equity interest held immediately before acquisition	33,630
Total	174,990

(4) Gain due to acquisition in stages

As a result of re-measurement of the fair value on the acquisition date of the 14.82% held by the Group on the acquisition date, a gain of 131 thousand yen due to acquisition in stages was recognized from the business combination. This gain is included in the net change in fair value of financial assets measured through other comprehensive income on the condensed quarterly consolidated statement of comprehensive income.

(5) Fair values of consideration for acquisition, acquired assets, liabilities assumed and non-controlling interests as of the acquisition date

(Units: thousands of yen)

Fair value of consideration for acquisition	174,990
Fair value of acquired assets and liabilities assumed	
Cash and cash equivalents	27,842
Trade and other receivables	7,057
Other current assets	311
Other financial assets (non-current assets)	10,000
Total assets	45,210
Trade and other payables	3,997
Insurance contract liabilities	24,765
Income taxes payable	685
Other financial liabilities (current liabilities)	242
Other current liabilities	320
Non-current liabilities	—
Total liabilities	30,010
Fair value of acquired assets and liabilities assumed	15,201
Non-controlling interests (Note 1)	(3,476)
Goodwill (Note 2)	163,265
Total	174,990

- (Notes) 1. Non-controlling interests are measured using the equity interest of non-controlling shareholders in relation to the fair value of the identifiable net assets of the acquired company.
2. Goodwill arises mainly from reasonable estimates of the future expected excess earning power.
Note that there is no amount expected to be included in losses for tax purposes with regard to the goodwill.

(6) Cash flows associated with the acquisition

(Units: thousands of yen)

Cash and cash equivalents paid due to the additional acquisition	141,360
Cash and cash equivalents held by the acquired company at the time of acquisition	(27,842)
Purchase of subsidiaries	113,518

(7) Impact on performance

The amounts of revenue and net profit or loss of the acquired company recognized on the Condensed Quarterly Consolidated Statements of Income for the reporting period are immaterial.

Furthermore, the impact on the Group's revenue and profit for the six months under review assuming the business combination took place at the start of the period is immaterial. The relevant pro forma information has not undergone a quarterly review.

(Significant Events after Reporting Period)

(Issuance of Share Acquisition Rights as Stock Options)

In the meeting of the Board of Directors held on June 14, 2022, the Company resolved to issue share acquisition rights as paid stock options for the Company's directors, executive officers who do not concurrently serve as directors, and employees pursuant to the provisions of Article 236, Article 238 and Article 240 of the Companies Act.

(1) Reasons for issuance of share acquisition rights as stock options

The Company issues share acquisition rights as paid stock options for the Company's directors, executive officers who do not concurrently serve as directors, and employees for the purpose of further increasing motivation and morale, and also providing better unity with the aim of expanding the Company's medium- to long-term performance and increasing corporate value.

(2) Summary of issuance of share acquisition rights

1) Date of issuance of share acquisition rights

July 25, 2022

2) Classifications and number of eligible persons

Two directors of the Company, two executive officers who do not concurrently serve as directors of the Company, 27 employees

3) Number of share acquisition rights issued

2,090

4) Amount paid in for share acquisition rights

700 yen per share acquisition right

5) Class and number of shares subject to share acquisition rights

209,000 common shares of the Company (100 shares per share acquisition right)

6) Amount paid in when exercising share acquisition rights

959 yen per share

7) Amount of share capital and legal capital surplus increased when issuing shares due to the exercise of share acquisition rights

- i. The amount of share capital to increase when issuing shares due to the exercise of share acquisition rights is one half of the limit on the increase in share capital, etc. calculated in accordance with Article 17, paragraph 1 of the Regulations on Corporate Accounting, with fractions of less than 1 yen resulting from calculation being rounded up.
- ii. The amount of legal capital surplus increased when issuing shares due to the exercise of share acquisition rights is the amount of the limit on the increase in share capital, etc. stated in i. above minus the amount of the increase in share capital specified in i. above.

8) Conditions of the exercise of share acquisition rights

- i. Holders of share acquisition rights may only exercise share acquisition rights after the revenue and operating profit stated on the Company's consolidated statement of income (non-consolidated statement of income if a consolidated statement of income is not prepared) satisfies all of the conditions listed in a) and b) below during any fiscal year from the fiscal year ending October 31, 2025 to the fiscal year ending October 31, 2026.
 - a) If revenue exceeds 5,500 million yen
 - b) If operating profit exceeds 1,100 million yen
- ii. Holders of share acquisition rights must continue to be directors, corporate auditors or employees of the Company or the Company's subsidiaries and associates during the period from the allotment date until October 31, 2024.

9) Exercise period of share acquisition rights

From February 1, 2026 to October 31, 2029