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July 15, 2022

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FY2021 (June 1, 2021 to May 31, 2022)

Listed company name: Pasona Group Inc.
Listing stock exchange: The Prime Section of the Tokyo Stock Exchange
Securities code number: 2168
URL: https://www.pasonagroup.co.jp
Representative: Yasuyuki Nambu, Group CEO and President
For further information contact: Yuko Nakase, Senior Managing Executive Officer and CFO
Tel. +81-3-6734-0200
Date of Annual General Meeting of Shareholders: August 19, 2022
Scheduled payment date of cash dividends: August 5, 2022
Scheduled filing date of the securities report: August 22, 2022
Supplemental materials prepared for financial results: Yes
Holding of 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	
		%		%		%		%
FY2021	366,096	9.4	22,083	10.7	22,496	10.4	8,621	27.1
FY2020	334,540	2.9	19,940	88.5	20,379	99.1	6,784	−

(Note) Comprehensive income FY2021: ¥14,433 million (40.8%) FY2020: ¥10,251 million (204.3%)

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2021	220.19	219.63	19.6	12.7	6.0
FY2020	173.36	—	19.4	14.0	6.0

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates
FY2021: ¥142 million FY2020: ¥(110) million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2022	203,746	67,146	24.5	1,276.00
May 31, 2021	151,641	49,779	25.2	974.85

(Reference) Equity As of May 31, 2022: ¥49,986 million As of May 31, 2021: ¥38,155 million
(Note) Total assets for the fiscal years ended May 31, 2021 and May 31, 2022 include temporary "deposits received" from customers for contracted projects and the corresponding "cash and deposits" in assets and liabilities. For details, please refer to "1. Summary of Business Results, etc. (2) Summary of Financial Position for the Fiscal Year under Review."

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Period
FY2021	10,115	(29,624)	23,543	56,578
FY2020	18,868	(9,665)	(5,147)	52,298

2. DIVIDENDS

	Dividends per Share (Yen)					Total Dividend Payment (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Annual			
FY2020	—	0.00	—	30.00	30.00	1,196	17.3%	3.4%
FY2021	—	0.00	—	35.00	35.00	1,396	15.9%	3.1%
FY2022(Forecast)	—	0.00	—	35.00	35.00		15.8%	

(Note) Breakdown of year-end dividend for the fiscal year ending May 31, 2022
Ordinary dividend ¥30.00 Special dividend ¥5.00

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2023

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 Share
		%		%		%		%	Yen
FY2022 First Half	189,000	3.6	7,800	(35.0)	8,000	(34.2)	3,000	(37.5)	76.58
FY2022 Full Fiscal Year	385,000	5.2	22,300	1.0	22,500	0.0	8,700	0.9	222.08

4. NOTES

(1) Changes in significant subsidiaries during the fiscal year under review: None
(Changes in specified subsidiaries that caused changes in the scope of consolidation)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies in line with revisions to accounting and other standards: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(3) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding as of the period-end (including treasury shares)
May 31, 2022: 41,690,300 shares May 31, 2021: 41,690,300 shares

2) Number of treasury shares as of the period-end
May 31, 2022: 2,516,094 shares May 31, 2021: 2,550,899 shares

3) Average number of shares for the period
FY2021: 39,154,774 shares FY2020: 39,132,377 shares

1. FY2021 (June 1, 2021 to May 31, 2022)

(1) Non-consolidated Financial Results

Percentage figures represent year-on-year increase / (decrease).

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income	
		%		%		%		%
FY2021	10,060	(30.5)	(3,655)	—	(4,231)	—	1,338	3.3
FY2020	14,477	52.4	3,312	—	2,846	—	1,295	(17.5)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
FY2021	34.18	—
FY2020	33.10	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
May 31, 2022	89,955	18,758	20.9	478.85
May 31, 2021	80,170	18,578	23.2	474.67

(Reference) Equity as of May 31, 2022: ¥18,758 million As of May 31, 2021: ¥18,578 million

(Note)

The Company has introduced "Board Benefit Trust (BBT)" and "Employment Stock Ownership Plan (J-ESOP)." The Company's shares in 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 not including computing earnings and net assets per share.

This Financial Report is not subject to a 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 might differ materially from forecasts for a variety of reasons. Please refer to (Attachment) "1. Summary of Business Results, etc., (4) Future Outlook" on page 11 for the assumptions used in the forecast of business results.

We are planning to hold a financial results online meeting for analysts and institutional investors on July 21, 2022. Supplemental materials for the financial results will be posted on the Company's website (https://www.pasonagroup.co.jp/ir/) immediately after the meeting.

FY2021 Consolidated Financial Report

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1. Summary of Business Results, etc.

(1) Summary of Business Results for the Fiscal Year under Review

i) Business results for the fiscal year ended March 31, 2022

During the fiscal year under review, the Japanese economy continued to face an uncertain outlook due to the recurring re-expansion of COVID-19 infections. However, there was a trend toward returning to full socio-economic activities, and a sign of recovery has been seen in economic conditions.

In this environment, the Group continued to capture demand for BPO (Business Process Outsourcing) services from the corporate and public sectors, while Expert Services (Temporary Staffing) and Career Solutions (Placement / Recruiting) also expanded business steadily against the backdrop of recovering demand for human resources.

As a result, all business segments reported year-on-year revenue growth in the fiscal year under review, with consolidated net sales of ¥366,096 million (up 9.4% year-on-year).

Although the gross profit margin declined slightly from the previous fiscal year, gross profit amounted to ¥89,671 million (up 8.1% year-on-year) due, in part, to the contribution of higher revenue from BPO services. SG&A expenses rose due to an increase in personnel expenses in line with business expansion, but efforts to curb costs by improving operational efficiency resulted in operating income of ¥22,083 million (up 10.7% year-on-year).

Ordinary income amounted to ¥22,496 million (up 10.4% year-on-year), and profit attributable to owners of parent amounted to ¥8,621 million (up 27.1% year-on-year).

Consolidated Business Results (Millions of yen)

	FY2020	FY2021	YoY
Net sales	334,540	366,096	9.4%
Operating income	19,940	22,083	10.7%
Ordinary income	20,379	22,496	10.4%
Profit attributable to owners of parent	6,784	8,621	27.1%

ⅱ) Business Segment Information (before elimination of intersegment transactions)

HR Solutions

Expert Services (Temporary staffing), BPO Services (Contracting and outsourcing), etc.

Net sales ¥308,093 million Operating income ¥18,793 million

[Expert Services] Net sales: ¥152,067 million

In this business, the Group provides a wide range of human resource services, including office work support, clerical work, the provision of highly specialized skilled personnel, engineers, sales, and marketing personnel, and Expert Services (Temporary Staffing) for a wide range of age groups and job types, from new graduates to senior citizens.

Although sales in relation to certain industries, such as airlines, and some occupations, such as sales and marketing, continued to decline from the previous year, the temporary staffing business continued to recover moderately from May 31, 2021, amid a recovery in economic conditions, mainly among manufacturers and trading companies, as well as in a wide range of other industries. In addition, demand increased from the corporate and public sectors for time-limited work related to COVID-19 countermeasures in fiscal year 2021.

As a result, net sales amounted to ¥152,067 million (up 2.0% year-on-year).

[BPO Services] Net sales: ¥139,272 million

In this business, the Group is entrusted with general affairs, accounting and finance, reception, sales administration and ordering, personnel and labor affairs, and other operations and provides BPO services, while Bewith, Inc., a consolidated subsidiary, provides contact center and BPO services using its own digital technology.

In response to diverse demand from the corporate and public sectors, our business expanded steadily through active collaboration among group companies, taking advantage of the group's strength in being able to undertake all operations, from business design and construction to center operation and staffing. Demand from the public sector increased in line with the promotion of diverse workstyles and support for securing and finding human resources. In the private sector, demand continued to increase in line with organizational restructuring and DX promotion in line with the business environment. In addition, during the fiscal year 2021, demand increased from the corporate and public sectors for time-limited work related to COVID-19 countermeasures and for work related to the hosting of the Tokyo 2020 Olympic and Paralympic Games.

As a result, net sales amounted to ¥139,272 million (up 22.1% year-on-year).

[HR Consulting, Education & Training, Others] Net sales: ¥8,418 million

In this business, in addition to management support by professional personnel such as freelancers and former executives of listed companies, we also provide education and training business commissioned by companies and the public sector, along with HR tech implementation support business such as talent management.

In the area of professional and advisory personnel, the advisory consulting business, which continues to match sales support personnel and Outside Directors, expanded. In addition, the work-style innovation business, in which freelance professional personnel work remotely amid the diversification of workstyles in the COVID-19 pandemic, grew significantly. In the education and training business, as part of companies' efforts to strengthen human capital management, training in management areas such as training for promoting women's activities increased, and the overall recovery trend continued. In the HR tech implementation support business, growth was achieved by expanding the service lineup, including task management and AI implementation.

As a result, net sales amounted to ¥8,418 million (up 10.6% year-on-year).

[Global Sourcing] Net sales: ¥8,335 million Operating income:¥447 million

This segment provides a full line of human resource-related services overseas, including placement and recruiting, temporary staffing and outsourcing, payroll, and education and training.

In the North America region, "new normal" economic activity has been increasing, and the placement and recruiting, temporary staffing, and BPO businesses all exceeded the previous fiscal year. In the Asian region, although there are differences in each country concerning the stagnation of socioeconomic activities due to COVID-19, the gradual easing of the situation continues. In Taiwan, the placement and recruiting, temporary staffing, and BPO businesses all exceeded the previous fiscal year, while in Indonesia and all other regions, the temporary staffing business grew. In Indonesia, temporary staffing services grew, and in all other regions, business grew from the previous fiscal year. On the other hand, as business activities have been returning to normalcy, sales-related expenses, such as business travel, increased from the previous fiscal year, as well as personnel recruitment and system-related investments.

As a result, net sales amounted to ¥8,335 million (up 18.0% year-on-year), and operating income amounted to ¥447 million (up 285.6% year-on-year).

Net sales for the segment consisting of the above businesses amounted to ¥308,093 million (up 10.9% year-on-year), and operating income amounted to ¥18,793 million (up 7.1% year-on-year) due to increased revenue from BPO services, despite the gross profit margin declining slightly from the previous fiscal year.

Career Solutions (Placement/Recruiting, Outplacement)

Net sales ¥14,700 million　Operating income ¥4,470 million

This business segment provides the Placement/Recruiting business, which supports companies' mid-career recruitment activities and matches job-transfer candidates, and the Outplacement business, which supports companies' personnel transitions based on their human resource strategies.

In the Placement/Recruiting business, the willingness of companies to hire talented personnel has recovered to the level prior to the spread of COVID-19. In this market environment, the Company focused on placement business in the administrative and specialized job categories of companies that are relatively less affected by the economy, and as a result, the unit price per contract rose continuously from the previous fiscal year. In addition, due in part to the revision of the Corporate Governance Code, needs for female managers, an area in which the Company excels, have become stronger, and services in this area expanded.

In the outplacement business, the large-scale restructuring of the business has settled down in the fiscal year under review, and the demand that expanded significantly in the previous fiscal year is subsiding. On the other hand, the implementation of Japan’s revised *Act on Stabilization of Employment of Elderly Persons* and the growing interest in human capital management have led to continued expansion of "Safe Placement Total Service," which supports employees' career development.

As a result, net sales amounted to ¥14,700 million (up 6.0% year-on-year), and operating income amounted to ¥4,470 million (up 14.1% year-on-year).

Outsourcing

Net sales ¥38,359 million　Operating income ¥12,765 million

In this business, Benefit One Inc., a consolidated subsidiary of the Company, provides services mainly as an agent for companies, government agencies, and municipalities in the area of employee benefit programs.

In the welfare and benefit services business, while the number of members remained in a flat range during the period, the use of services by members began to recover from last October after the declaration of the state of emergency, and subsidy expenditures increased accordingly. In addition, JTB BENEFIT SERVICE, Inc. (merged with the Company on April 1, 2022), which became a subsidiary of the Company by acquiring its shares during the period, has been contributing to the expansion of business results since the fourth quarter of the fiscal year under review.

In the healthcare business, our focus on developing new health support services in response to the demands of the social economy, such as support for vaccination against COVID-19 infection, resulted in better-than-expected results at the beginning of the fiscal year and contributed to boosting profits.

As a result, net sales amounted to ¥38,359 million (up 1.4% year-on-year), and operating income amounted to ¥12,765 million (up 30.3% year-on-year), despite a ¥7,682 million decrease in net sales compared to the previous accounting standard due to the impact of the application of the "Accounting Standard for Revenue Recognition" and other standards from the beginning of the fiscal year under review.

Life Solutions

Net sales ¥7,158 million　Operating income ¥232 million

This business includes: the childcare business, which includes the operation of licensed and certified childcare centers, in-house childcare facilities, and childcare for school-age children; the nursing care business, which includes daycare services and home-visit nursing care; and the life support business, which includes housekeeping services.

In the nursing care field, the number of new facility users decreased due to the impact of COVID-19. On the other hand, in the life support business, including housekeeping services, demand for sterilization and disinfection services continued to be strong from the previous fiscal year due to an increase in orders from existing contract customers and the continued spread of COVID-19. In addition, in the childcare business, child-rearing family support services for local governments, such as the operation of children's clubs, grew.

As a result, net sales amounted to ¥7,158 million (up 9.0% year-on-year), and operating income amounted to ¥232 million (up 14.2% year-on-year).

Regional Revitalization Solutions

Net sales ¥4,426 million   Operating income ¥(2,612) million

In this business, we are engaged in regional development projects to create new industries and employment in rural areas in cooperation and collaboration with local residents, local businesses, and local governments.

During the fiscal year under review, the flow of people to tourist destinations gradually began to return, despite repeated outbreaks of COVID-19. On Awaji Island, Hyogo Prefecture, the number of visitors, mainly to the attraction "Dragon Quest Island: The Daimao Zoma and the Island of Beginnings," which opened last May at "Nijigen no Mori" Animation Park in Awaji Island Park, Hyogo Prefecture, remained steady, partly due to the effects of aggressive promotional activities in the Kansai region. The number of visitors remained steady. In addition, "Haru sansan" a restaurant in a field that offers locally produced and locally consumed cuisine using island ingredients, and "Auberge -La Forêt française-" which offers authentic French cuisine and an elegant lodging experience in the midst of nature, each opened last year. In April of this year, we opened "Zenbo Seinei," which offers Zen and other activities and healthy meals on a 100-meter-long wooden deck in the great nature of Awaji Island, being featured in various media and social networking sites.

As a result, net sales amounted to ¥4,426 million (up 36.4% year-on-year), but operating income was ¥(2,612) million (operating income of ¥(2,327) million in the previous fiscal year) due to expenses incurred from the opening of new facilities.

Eliminations and Corporate

Net sales ¥(6,642) million   Operating income ¥(11,566) million

This includes costs for eliminating intergroup transactions and maximizing group synergies, incubation costs for new businesses, and administrative costs as a holding company.

In the fiscal year under review, new initiatives were launched, including the opening of the "Awaji Chef Garden" on Awaji Island, Hyogo Prefecture, which recruits chefs and cooks from all over Japan affected by COVID-19 and supports them in taking on new challenges, as well as IT-related expenses to promote DX of group businesses, and expenses related to the gradual relocation of some head office functions to Awaji Island, Hyogo Prefecture, increased.

As a result, net sales for the elimination of intergroup transactions amounted to ¥(6,642) million (¥(4,846) million in the previous fiscal year), and operating income amounted to ¥(11,566) million (¥(9,191) million in the previous fiscal year).

Effective from the beginning of the fiscal year under review, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020). For details, please refer to "3. Consolidated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)."

Segment Information (Figures include intersegment sales)

Consolidated Net Sales by Segment

(Millions of yen)

	FY2020	FY2021	YoY
HR Solutions	329,572	361,154	9.6%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	277,864	308,093	10.9%
Expert Services (Temporary staffing)	149,133	152,067	2.0%
BPO Services (Contracting)	114,055	139,272	22.1%
HR Consulting, Education & Training, Others	7,613	8,418	10.6%
Global Sourcing (Overseas)	7,061	8,335	18.0%
Career Solutions (Placement / Recruiting, Outplacement)	13,863	14,700	6.0%
Outsourcing	37,844	38,359	1.4%
Life Solutions	6,570	7,158	9.0%
Regional Revitalization Solutions	3,244	4,426	36.4%
Eliminations and Corporate	(4,846)	(6,642)	—
Total	334,540	366.096	9.4%

Consolidated Operating Income (Loss) by Segment

(Millions of yen)

	FY2020	FY2021	YoY
HR Solutions	31,256	36.030	15.3%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	17,543	18,793	7.1%
Expert Services (Temporary staffing) BPO Services (Contracting) HR Consulting, Education & Training, Others	17,427	18,345	5.3%
Global Sourcing (Overseas)	116	447	285.6%
Career Solutions (Placement / Recruiting, Outplacement)	3,919	4,470	14.1%
Outsourcing	9,794	12,765	30.3%
Life Solutions	203	232	14.2%
Regional Revitalization Solutions	(2,327)	(2,612)	—
Eliminations and Corporate	(9,191)	(11,566)	—
Total	19,940	22,083	10.7%

(2) Summary of Financial Position for the Fiscal Year under Review

Status of Assets, Liabilities and Net Assets

Assets and liabilities as of May 31, 2022 included ¥10,123 million (¥1,989 million as of May 31, 2021) in temporary "deposits received" from customers related to contract projects for which use by the Group is restricted and a corresponding amount of "cash and deposits."

Assets

Total assets as of May 31, 2022, amounted to ¥203,746 million, an increase of ¥52,104 million or 34.4%, compared with May 31, 2021. This was mainly attributable to an increase of ¥12,417 million in cash and deposits, an increase of ¥6,714 million in notes, accounts receivable-trade, and contract assets due to the increase in contracted projects, an increase of ¥8,768 million in property, plants, and equipment mainly in the regional revitalization business, and an increase of ¥13,336 million in goodwill and customer-related assets due to the acquisition of all shares of JTB BENEFIT SERVICE, Inc.

Liabilities

Total liabilities as of May 31, 2022, amounted to ¥136,599 million, an increase of ¥34,737 million or 34.1%, compared with May 31, 2021. This was mainly attributable to an increase of ¥17,788 million in long-term loans payable as a result of fundraising, an increase of ¥7,533 million in deposits received, and an increase of ¥2,358 million in accounts payable-trade due to the above-mentioned contracted projects and other factors.

Net Assets

Net assets as of May 31, 2022, amounted to ¥67,146 million, an increase of ¥17,367 million or 34.9%, compared with May 31, 2021. This was mainly attributable to an increase of ¥3,757 million in capital surplus due to the sale of some shares of a subsidiary in connection with the listing of the subsidiary and an increase of ¥7,437 million in retained earnings due to the payment of ¥1,196 million in dividends, while profit attributable to owners of the parent amounted to ¥8,621 million.

As a result, the equity ratio decreased by 0.7 percentage points, compared with May 31, 2021, to 24.5%. Total assets, after deducting "cash and deposits" associated with "deposits received" for contracted projects, amounted to ¥193,622 million, and the equity ratio was 25.8%, an increase of 0.3% compared to the previous fiscal year.

(3) Summary of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereafter “net cash”) in FY2021 increased by ¥4,279 million, compared with May 31, 2021, to ¥56,578 million.

Cash Flows from Operating Activities

Net cash provided by operating activities decreased by ¥8,753 million, compared with the previous fiscal year, to ¥10,115 million (an increase of ¥18,868 million in the previous fiscal year).

Major cash inflows included profit before income taxes totaling ¥22,290 million (¥16,706 million in the previous fiscal year), depreciation and amortization totaling ¥4,419 million (¥3,794 million in the previous fiscal year), and an increase in impairment loss totaling ¥2,823 million (a decrease of ¥845 million in the previous fiscal year) due to an increase in contracted projects.

Major cash outflows included an increase in notes and accounts receivable-trade and contract assets totaling ¥6,112 million (an increase of ¥1,422 million in the previous fiscal year), due to an increase in contracted projects, and income taxes paid totaling ¥8,084 million (¥7,820 million in the previous fiscal year).

Cash Flows from Investing Activities

Net cash used in investing activities increased by ¥19,959 million, compared with the previous fiscal year, to ¥29,624 million (a decrease of ¥9,665 million in the previous fiscal year).

Major cash outflows included the purchase of property, plants, and equipment with the establishment of commercial facilities in the regional revitalization business and new offices in company-wide segments totaling ¥11,632 million (¥7,031 million from the previous fiscal year); acquisition of shares in subsidiaries resulting in change in scope of consolidation, including acquisition of shares in JTB BENEFIT SERVICE Inc. totaling 10,451 million yen (¥183 million yen from the previous fiscal year); purchase of intangible assets with system investment totaling ¥4,683 million (¥1,721 million from the previous fiscal year); and lease and guarantee deposits related to rented properties used in relation to contracted projects totaling ¥2,493 million (¥1,592 million from the previous fiscal year).

Cash Flows from Financing Activities

Net cash provided by financing activities increased by ¥28,690 million, compared with the previous fiscal year, to ¥23,543 million (a decrease of ¥5,147 million in the previous fiscal year).

Major cash inflows included proceeds from long-term loans payable totaling ¥29,129 million (¥7,511 million in the previous fiscal year) to prepare for securing long-term working capital and capital investment funds and included proceeds from changes in ownership interests in subsidiaries that do not result in a change in the scope of consolidation including the sale of shares in connection with the initial public offering of Bewith, Inc. totaling ¥6,523 million (¥0 in the previous fiscal year).

Major cash outflows included repayment of long-term loans payable totaling ¥11,098 million (¥8,901 million in the previous fiscal year) and dividends paid totaling ¥3,584 million (¥2,797 million in the previous fiscal year).

(Reference) **Cash Flow Benchmarks**

	FY2017	FY2018	FY2019	FY2020	FY2021
Equity ratio	21.0%	23.7%	22.7%	25.2%	24.5%
Equity ratio based on market capitalization	58.9%	54.8%	35.7%	49.0%	40.3%
Ratio of interest-bearing debt to cash flows (years)	2.5	2.7	3.2	1.8	5.3
Interest coverage ratio	51.1	41.9	57.9	64.5	35.4

Notes:

1. Equity ratio: Shareholders' equity / Total assets
   Equity ratio based on market capitalization: Market capitalization / Total assets
   Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows
   Interest coverage ratio: Cash flows / Interest payments
2. Each benchmark is calculated based on the consolidated financial statements.
3. Market capitalization is calculated by multiplying the period-end closing share price with the number of outstanding shares at period-end (after deducting treasury shares).
4. Cash flows from operating activities are used in calculations for cash flows.
5. Interest-bearing debt includes all interest-bearing debt under liabilities recorded on the consolidated balance sheets.

(4) Future Outlook

Although COVID-19 is now under control and the suppression of human flow is easing, and with the economic situation showing signs of recovery, the international situation is becoming increasingly unstable, and at the same time, the effects of soaring resource prices and other factors are becoming more pronounced. Against this backdrop, we expect demand for human resources from domestic companies to remain stable. In addition, we expect demand for BPO services to continue to grow steadily as companies seek to improve business productivity, reform workstyles, and promote outsourcing.

The Group will seize on the trends associated with the post-COVID-19 era so as to support the employment of individuals that are active with diverse lifestyles amid a society of increasing numbers of centenarians, including support for the employment of sole proprietors and personnel engaged in dual or multiple occupations, recurrent education for middle-aged and senior workers, and the promotion of migration from urban areas to rural areas, along with teleworking. In addition, the Company will steadily capture demand for human resources and BPO services as well as education and training demand from companies that are working to improve human capital management, workstyle reforms, and business productivity.

For the fiscal year ending May 31, 2023, although temporary demand related to COVID-19 countermeasures, which has expanded since the year before last, will shrink, as mentioned above, we expect an increase in demand for human resources from companies and steady expansion of BPO services, as well as further growth in the regional revitalization business by easing restrictions on human resources flow.

Based on the above, for the fiscal year ending May 31, 2023, we forecast net sales of ¥385,000 million (up 5.2% year-on-year), operating income of ¥22,300 million (up 1.0% year-on-year), ordinary income of ¥22,500 million (up 0% year-on-year), and profit attributable to owners of parent of ¥8,700 million (up 0.9% year-on-year).

These are aggregate estimates and projections of the impact of each company in our group based on currently available information and forecasts, etc. Actual results can vary depending on various factors, such as the timing of the end of COVID-19 and economic conditions.

Consolidated Business Results Forecast

(Millions of yen)

	FY2021	**FY2022 (Forecast)**	YoY
Net sales	366,096	385,000	5.2%
Operating income	22,083	22,300	1.0%
Ordinary income	22,496	22,500	0.0%
Profit attributable to owners of parent	8,621	8,700	0.9%

(5) Policy on the Appropriation of Profits and Dividends for FY2021 and FY2022

In connection with the appropriation of profits, the Company takes into consideration the funds for growth required to engage in new businesses and capital investments aimed at fulfilling the Company’s responsibilities as a sustainably developing company, so as to strengthen the Company’s operating platform and earnings capacity and to expand shareholders’ returns by enhancing corporate value. On this basis and for the foreseeable future, the Company has adopted the basic policy to implement a consolidated dividend payout ratio target of 30% in an effort to continuously deliver adequate and stable returns to shareholders taking into consideration operating performance.

The year-end dividend for the fiscal year under review was approved at the Board of Directors meeting held on May 25, 2022, taking into consideration current business performance and other factors, as well as the fact that our consolidated subsidiary, Bewith, Inc., newly listed on March 2, 2022, moved to the Tokyo Stock Exchange's Prime Market on April 4, the Company decided to pay a special dividend of ¥5.00 per share to express its gratitude to its shareholders for their continued support.

As a result, the year-end dividend per share will be ¥35.00, consisting of an ordinary dividend of ¥30.00 and a special dividend of ¥5.00. The effective date of the dividend payment will be August 5, 2022, the same as last year, but earlier than before.

For the next fiscal year, we plan to pay a dividend of ¥35.00 per share, as we will strive to maintain continuous and stable dividends based on our dividend policy.

2. Basic Consideration on Selecting our Accounting Standard

The Group has adopted Japanese GAAP as our accounting standard, considering the period comparability of the consolidated financial statements and the comparability between companies. Regarding the application for IFRS (International Financial Reporting Standards), we will proceed with consideration based on domestic and international situations.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2021	As of May 31, 2022
ASSETS		
Current assets		
Cash and deposits	54,533	66,951
Notes and accounts receivable-trade	44,267	—
Notes receivable-trade	—	101
Accounts receivable-trade	—	40,872
Contract assets	—	10,008
Inventories	2,717	3,560
Income taxes receivable	486	70
Other	6,913	9,648
Allowance for doubtful accounts	(57)	(89)
Total current assets	108,862	131,123
Non-current assets		
Property, plants, and equipment		
Buildings	13,479	19,410
Accumulated depreciation	(6,217)	(7,201)
Buildings, net	7,261	12,208
Structures	3,676	4,431
Accumulated depreciation	(570)	(791)
Structures, net	3,105	3,639
Land	3,234	7,308
Lease assets	2,982	3,256
Accumulated depreciation	(2,092)	(2,505)
Lease assets, net	890	751
Construction in progress	2,683	1,605
Other	6,962	7,982
Accumulated depreciation	(5,569)	(6,160)
Other, net	1,393	1,821
Total property, plants, and equipment	18,568	27,336
Intangible assets		
Goodwill	1,644	6,833
Software	4,104	7,644
Lease assets	58	18
Customer assets	434	8,581
Other	119	116
Total intangible assets	6,361	23,195
Investments and other assets		
Investment securities	4,966	6,938
Long-term loans receivable	39	39
Net defined benefit asset	1,348	1,942
Deferred tax assets	3,182	2,720
Lease and guarantee deposits	6,751	9,063
Other	1,490	1,247
Allowance for doubtful accounts	(97)	(10)

	As of May 31, 2021	As of May 31, 2022
Total investments and other assets	17,681	21,941
Total non-current assets	42,610	72,473
Deferred assets		
Bond issue cost	168	149
Total deferred assets	168	149
Total assets	151,641	203,746

(Millions of yen)

	As of May 31, 2021	As of May 31, 2022
LIABILITIES		
Current liabilities		
Accounts payable-trade	6,377	8,735
Short-term loans payable	9,433	9,611
Lease obligations	660	411
Accounts payable-other	8,359	10,523
Accrued expenses	15,152	16,016
Income taxes payable	4,071	5,877
Accrued consumption taxes	7,187	5,250
Contract liabilities	—	8,453
Unearned revenue	3,362	—
Deposit received	5,518	13,051
Provision for bonuses	4,580	4,741
Provision for directors' bonuses	17	19
Asset retirement obligations	17	43
Other	6,036	819
Total current liabilities	70,775	83,555
Non-current liabilities		
Bonds payable	2,176	3,810
Long-term loans payable	20,990	38,779
Lease obligations	562	554
Provision for directors' stock benefit	457	598
Provision for employees' stock grant	438	571
Net defined benefit liability	2,263	2,300
Deferred tax liabilities	1,028	3,506
Asset retirement obligations	2,125	2,280
Other	1,043	643
Total non-current liabilities	31,086	53,044
Total liabilities	101,861	136,599
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	14,029	17,786
Retained earnings	20,801	28,238
Treasury shares	(2,417)	(2,378)
Total shareholders' equity	37,413	48,646
Other comprehensive income		
Valuation difference on available-for-sale securities	694	1,131
Foreign currency translation adjustment	10	197
Remeasurements of defined benefit plans	36	10
Total other comprehensive income	741	1,339
Share acquisition rights	4	4
Non-controlling interests	11,619	17,155
Total net assets	49,779	67,146
Total liabilities and net assets	151,641	203,746

(2) Consolidated Statements of Income & Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	FY2020	FY2021
Net sales	334,540	366,096
Cost of sales	251,570	276,424
Gross profit	82,969	89,671
Selling, general and administrative expenses	63,028	67,588
Operating income	19,940	22,083
Non-operating income		
Interest income	40	28
Equity in earnings of affiliates	—	142
Subsidy	636	720
Real estate rent	743	735
Other	283	363
Total non-operating income	1,704	1,991
Non-operating expenses		
Interest expenses	290	293
Share of loss of entities accounted for using equity metho	110	—
Commitment fee	56	460
Rent expenses on real estates	635	611
Other	171	212
Total non-operating expenses	1,265	1,578
Ordinary income	20,379	22,496
Extraordinary income		
Gain on sales of non-current assets	0	4
Gain on sales of investment securities	4	—
Gain on sale of shares of subsidiaries and associates	0	24
Total extraordinary income	5	28
Extraordinary loss		
Loss on sales and retirement of non-current assets	367	80
Impairment loss	3,238	132
Loss on sale of investment securities	0	2
Loss on valuation of investment securities	14	19
Loss on valuation of shares of subsidiaries and associates	56	0
Total extraordinary loss	3,678	234
Profit before income taxes	16,706	22,290
Income taxes-current	7,939	8,826
Income taxes-deferred	(915)	69
Income taxes	7,024	8,895
Profit	9,682	13,394
Profit attributable to non-controlling interests	2,898	4,773
Profit attributable to owners of parent	6,784	8,621

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2020	FY2021
Profit	9,682	13,394
Other comprehensive income		
Valuation difference on available-for-sale securities	449	867
Foreign currency translation adjustment	117	198
Remeasurements of defined benefit plans	2	(28)
Share of other comprehensive income of entities accounted for using equity method	—	(0)
Total other comprehensive income	569	1,038
Comprehensive income	10,251	14,433
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,074	9,219
Comprehensive income attributable to non-controlling interests	3,177	5,213

(3) Consolidated Statements of Changes in Shareholders' Equity

FY2020 (For the fiscal year ended May 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained Earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,000	14,013	14,789	(2,442)	31,360
Changes of items during the period					
Dividends from surplus			(758)		(758)
Profit attributable to owners of parent			6,784		6,784
Purchase of treasury stock by stock benefit trust				24	24
Change of scope of consolidation		14	(14)		0
Change of scope of equity method			(0)		(0)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		3			3
Capital increase of consolidated subsidiaries		(0)			(0)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	16	6,012	24	6,052
Balance at the end of current period	5,000	14,029	20,801	(2,417)	37,413

	Total accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	499	(90)	41	451	—	10,504	42,316
Changes of items during the period							
Dividends from surplus				—			(758)
Profit attributable to owners of parent				—			6,784
Purchase of treasury stock by stock benefit trust				—			24
Change of scope of consolidation				—			0
Change of scope of equity method				—			(0)
Change in treasury shares of parent arising from transactions with non-controlling shareholders				—			3
Capital increase of consolidated subsidiaries				—			(0)
Net changes of items other than shareholders' equity	194	100	(5)	290	4	1,114	1,410
Total changes of items during the period	194	100	(5)	290	4	1,114	7,462
Balance at the end of current period	694	10	36	741	4	11,619	49,779

FY2021 (For the fiscal year ended May 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	5,000	14,029	20,801	(2,417)	37,413
Cumulative effect of changes in accounting policies			12		12
Balance at beginning of current period reflecting changes in accounting policies	5,000	14,029	20,813	(2,417)	37,425
Changes of items during the period					
Dividends from surplus			(1,196)		(1,196)
Profit attributable to owners of parent			8,621		8,621
Acquisition of treasury stock				(0)	(0)
Disposal of treasury shares by stock benefit trust				39	39
Change in treasury shares of parent arising from transactions with non-controlling shareholders		2,993			2,993
Capital increase of consolidated subsidiaries		763			763
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	3,757	7,424	39	11,220
Balance at the end of current period	5,000	17,786	28,238	(2,378)	48,646

	Total accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	694	10	36	741	4	11,619	49,779
Cumulative effect of changes in accounting policies				—			12
Balance at beginning of current period reflecting changes in accounting policies	694	10	36	741	4	11,619	49,792
Changes of items during the period							
Dividends from surplus				—			(1,196)
Profit attributable to owners of parent				—			8,621
Acquisition of treasury stock				—			(0)
Disposal of treasury shares by stock benefit trust				—			39
Change in treasury shares of parent arising from transactions with non-controlling shareholders				—			2,993
Capital increase of consolidated subsidiaries				—			763
Net changes of items other than shareholders' equity	436	187	(26)	597	—	5,535	6,133
Total changes of items during the period	436	187	(26)	597	—	5,535	17,354
Balance at the end of current period	1,131	197	10	1,339	4	17,155	67,146

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2020	FY2021
Cash flows from operating activities		
Profit before income taxes	16,706	22,290
Depreciation and amortization	3,794	4,419
Impairment loss	3,238	132
Amortization of goodwill	662	709
Increase (decrease) in allowance for doubtful accounts	(106)	20
Increase (decrease) in provision for bonuses	464	153
Increase (decrease) in net defined benefit liability	128	(41)
Decrease (increase) in net defined benefit asset	(177)	(629)
Increase (decrease) in provision for directors’ stock benefit	159	171
Increase (decrease) in provision for employees’ stock grant	139	138
Interest and dividends income	(75)	(71)
Interest expenses	290	293
Subsidy income	(636)	(720)
Share of (profit) loss of entities accounted for using equity method	110	(142)
Loss (gain) on sales and retirement of non-current assets	367	76
Loss (gain) on sales of investment securities	(3)	2
Loss (gain) on valuation of investment securities	71	19
Decrease (increase) in notes and accounts receivable-trade	(1,422)	—
Decrease (increase) in notes, accounts receivable-trade and contract assets	—	(6,112)
Decrease (increase) in inventories	(458)	(315)
Decrease (increase) in other assets	975	(1,907)
Increase (decrease) in operating debt	(845)	2,823
Increase (decrease) in accrued consumption taxes	527	(862)
Increase (decrease) in deposits received	(886)	(1,201)
Increase (decrease) in other liabilities	3,127	(1,669)
Other	104	104
Subtotal	26,256	17,679
Interest and dividends income received	87	86
Interest expenses paid	(292)	(286)
Proceeds from subsidy	636	720
Income taxes paid	(7,820)	(8,084)
Net cash provided by operating activities	18,868	10,115

(Millions of yen)

	FY2020	FY2021
Cash flows from investment activities		
Decrease (increase) in time deposits	755	10
Purchase of property, plants, and equipment	(7,031)	(11,632)
Proceeds from sales of property, plants, and equipment	10	13
Purchase of intangible assets	(1,721)	(4,683)
Purchase of investment securities	(33)	(744)
Proceeds from sales of investment securities	7	95
Purchase of shares of subsidiaries resulting in charge in scope of consolidation	(183)	(10,451)
Payments of loans receivable	(59)	(7)
Collection of loans receivable	61	11
Payments for lease and guarantee deposits	(1,592)	(2,493)
Proceeds from collection of lease and guarantee deposits	326	256
Payments for asset retirement obligation	(123)	(50)
Payments for transfer of business	(14)	—
Other	(66)	52
Net cash used in investment activities	(9,665)	(29,624)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5	(61)
Proceeds from long-term loans payable	7,511	29,129
Repayment of long-term loans payable	(8,901)	(11,098)
Proceeds from sale and leaseback	—	257
Repayments of finance lease obligations	(645)	(686)
Proceeds from issuance of bonds	—	2,500
Redemption of bonds	(306)	(586)
Proceeds from payments from noncontrolling interests	—	1,171
Purchase of treasury shares	—	(0)
Purchase of treasury shares of subsidiaries	(0)	(0)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(19)	(0)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	0	6,523
Cash dividends paid	(756)	(1,194)
Dividends paid to non-controlling interests	(2,041)	(2,390)
Other	5	(20)
Net cash provided by (used in) financing activities	(5,147)	23,543
Effect of exchange rate change on cash and cash equivalents	95	244
Net increase (decrease) in cash and cash equivalents	4,150	4,278
Cash and cash equivalents at the beginning of the period	48,147	52,298
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	1
Cash and cash equivalents at the end of the period	52,298	56,578

(5) Note to Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Important Items Considered Fundamental to the Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

1) Consolidated subsidiaries

a. No. of consolidated subsidiaries: 66 companies

b. Major consolidated subsidiaries
Pasona Inc.
Benefit One Inc.
Bewith, Inc.
Pasona Tech, Inc.
Pasona Panasonic Business Service Co., Ltd.
Nijigennomori Inc.

c. New consolidated subsidiaries: 6 companies

Establishment	Pasona HR HUB Inc.
	Koshunoya Inc.
	awajishima resort Inc.
	All Japan Tourism Alliance Inc.
Share acquisition	JTB BENEFIT SERVICE, Inc.*1
Change from equity method affiliates	Takumi Sousei Inc.*2

d. Exclusion from the scope of consolidation: 2 companies
DG1 Inc.*3
More-Selections Inc.*4

*1 Merged with Benefit One Inc., a consolidated subsidiary of the Company, on April 1, 2022, and was dissolved

*2 Transferred from an affiliated company accounted for by the equity method due to increase in materiality

*3 Excluded from scope of consolidation due to the sale of all shares held by Benefit One Inc., a consolidated subsidiary of the Company

*4 Merged with Pasona Inc., a consolidated subsidiary of the Company, and was dissolved

2) Non-consolidated subsidiary

a. No. of non-consolidated subsidiaries: 12 companies

b. Major non-consolidated subsidiaries Pasona Force Inc.

c. Reasons for exclusion from the scope of consolidation
The assets, sales, net profit & loss (the amount equivalent to equity shareholdings), and retained earnings (the amount equivalent to equity shareholdings) are considered insignificant and deemed to have immaterial impact on the consolidated financial statements. As a result, these non-consolidated subsidiaries have been excluded from the scope of consolidation.

2. Application of the Equity Method

1) Affiliated companies that are accounted for by the equity method

a. No. of affiliated companies that are accounted for by the equity method: 9 companies

b. Major affiliated companies that are accounted for by the equity method
e-staffing Co., Ltd.
National Examination Center Inc.
circlace Inc.

c. Exclusion from affiliated companies that are accounted for by the equity method: 1 company
Takumi Sousei Inc. (Note)
(Note) Transferred to consolidated subsidiary due to increase in materiality

2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

a. No. of non-consolidated subsidiaries and affiliated companies not accounted for by the equity method: 9 companies

b. Major non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

Pasona Force Inc.

c. Reasons for exclusion from the scope of the equity method

Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method were excluded from the scope of consolidation, as their net profit and loss (the amount equivalent to equity shareholdings) and retained earnings (the amount equivalent to equity shareholdings) had an immaterial impact on the Group and as their overall importance to the Group's performance was limited.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard") and other standards are applied from the beginning of the fiscal year under review, and revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. The main changes as a result of this change are as follows

In the Outsourcing business, for transactions in which the Company previously recognized as revenue the gross amount of consideration received from the customer, the Company now recognizes as revenue the net amount of consideration received from the customer less the amount paid to the service provider for transactions in which the role of the consolidated subsidiary in providing services to the customer is determined to be that of an agent. The Company has changed its method of accounting for such transactions.

In addition, in the Expert Services business, the Company previously recognized revenue for the amount equivalent to commuting and transportation expenses related to temporary staff received from clients on a net amount to be paid to the temporary staff from the consideration received from the client. However, the Company has changed the method of recognizing revenue on a gross basis, judging that it is a part of the consideration for providing temporary staffing services and that the role of the consolidated subsidiary falls under this category.

In accordance with the transitional treatment prescribed in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative effect of the retrospective application of the new accounting policy prior to the beginning of the fiscal year under review is added to or deducted from retained earnings at the beginning of the fiscal year under review, and the new accounting policy is applied from the balance at the beginning of the fiscal year under review. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the fiscal year under review by applying the method prescribed in Paragraph 86 of the Revenue Recognition Accounting Standard. In addition, the Company has applied the method prescribed in the proviso (1) to Paragraph 86 of the Revenue Recognition Accounting Standard and has accounted for contract modifications made prior to the beginning of the fiscal year under review based on the contract terms after reflecting all contract modifications, with the cumulative effect of the modifications added to or subtracted from retained earnings at the beginning of the fiscal year under review.

Due to the application of the Revenue Recognition Accounting Standard, etc., "notes and accounts receivable-trade," which was presented in "current assets" in the consolidated balance sheet in the previous fiscal year, is presented separately from "notes receivable-trade," "accounts receivable-trade," and "contract assets" in the fiscal year under review, and "unearned revenue" related to revenue, which was presented in "current liabilities," is included in "contract liabilities" from the fiscal year under review. In addition, "decrease (increase) in notes and accounts receivable-trade," which was presented in "cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year, is included in "Decrease (increase) in notes, accounts receivable-trade, and contract assets" from the fiscal year under review. However, in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification has been made for the previous fiscal year using the new presentation.

As a result, compared with the figures before the application of the Revenue Recognition Accounting Standard, etc., net sales decreased ¥5,046 million, cost of sales decreased ¥5,175 million, selling, general, and administrative expenses increased ¥160 million, and operating income, ordinary income, and profit before income taxes each decreased ¥31 million in the consolidated statement of income for the fiscal year under review.

The balance of retained earnings in the consolidated statement of changes in net assets at the beginning of the current period increased by ¥12 million due to the cumulative effect on net assets for the current period.

The impact on per share information is shown in "Per Share Information."

(Application of "Accounting Standard for Fair Value Measurement," etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Fair Value Measurement Accounting Standard") and other standards are applied from the beginning of the fiscal year under review, in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The new accounting policies prescribed by the accounting standards will be applied prospectively. There is no impact on the consolidated financial statements.

(Changes in Presentation Method)

“Deposits received," which was included in "other" under "current liabilities" in the previous fiscal year, is presented as a separate line item in the current consolidated fiscal year due to its increased importance in terms of amount. To reflect this presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, "other" of ¥11,555 million in "current liabilities" in the consolidated balance sheets for the previous fiscal year has been reclassified as "deposits received" of ¥5,518 million and "other" of ¥6,036 million.

(Additional Information)

(Accounting estimate of the impact of the COVID-19 infection)

Due to COVID-19, the Group was affected by the suspension of operations and shortened operating hours, especially in the Regional Revitalization Solutions business, which operates food and beverage, amusement, and lodging businesses, while taking measures to prevent the spread of infection at each facility, but the Group is aggressively opening new facilities with an eye on the post-COVID-19 era. Since March this year, when the priority measures to prevent the spread of infections were lifted, domestic tourist visits have been increasing, and inbound demand is expected to gradually recover as countries ease their entry into the country. Accounting estimates for the impairment of fixed assets, etc., are based on the current business conditions and information available at the time of preparation of the consolidated financial statements and are estimated based on the assumption that further increase in domestic tourists and increase in overseas tourists is expected in the medium term.

Because accounting estimates, including forecasts of the future impact of COVID-19, are subject to uncertainty, changes in assumptions related to accounting for the impairment of fixed assets, such as prolonged impact of COVID-19, could necessitate the recording of impairment losses on fixed assets in the next consolidated fiscal year. In this case, the Company might be required to record an impairment loss on fixed assets in the next fiscal year.

(Business Combinations, etc.)

(Business combination through acquisition)

Benefit One Inc., a consolidated subsidiary of the Company (a company with a fiscal year end in March, hereinafter referred to as "Benefit One") acquired all shares of JTB BENEFIT SERVICE, Inc. (hereinafter referred to as "JTB Benefit") on October 29, 2021, and made JTB Benefit a subsidiary. Benefit One merged with JTB Benefit effective April 1, 2022.

1. Outline of Business Combination

(1) Name of acquired company and its business

Name of acquired company: JTB BENEFIT SERVICE, Inc.

Description of business: Employee benefit agency services

(2) Main reason for business combination

While COVID-19 has had a major impact on the social economy, it has also provided an opportunity for many companies to accelerate their efforts to reform workstyles, health management, and digitalization, etc. The use of outsourcing services will continue to increase in corporate HR departments, and the use of HRDX (digital transformation in the HR domain) will also increase. In the future, HR departments will increasingly utilize outsourcing services, and HRDX (digital transformation in the HR domain) is expected to become an important management issue.

Benefit One recognizes these socioeconomic trends as an opportunity and has developed the "Bene One Platform," which enables the management and utilization of HR and health data in conjunction with a variety of outsourcing services related to human resources and labor affairs, as well as outsourcing services for employee benefits and healthcare. The company is promoting a platform strategy to support corporate HRDX and is working to widely disseminate this platform and accelerate membership growth as its core mid- to long-term strategy.

JTB Benefit, on the other hand, has been a leading player in employee benefit services since its establishment in 2000, aiming to contribute to "work-life balance of workers" and "creation of an energetic workplace."

In line with Benefit One's mid-term management plan, we have decided to welcome "JTB Benefit" into our group with the expectation of a dramatic expansion of its membership base and service distribution.

(3) Date of business combination

October 29, 2021

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Name of company after business combination

Benefit One Inc.

(6) Percentage of voting rights acquired

100%

(7) Main basis for determining the acquiring company

Benefit One was designated as the acquiring company due to the acquisition of its shares for cash consideration.

2. Period of performance of the acquired company included in the consolidated financial statements

January 1, 2022 to March 31, 2022

3. Acquisition cost and breakdown by type of consideration

Consideration for acquisition	Cash	¥12,177 million
Acquisition cost		¥12,177 million

4. Details and amounts of major acquisition-related expenses

Compensation for advisory services ¥139 million

5. Amount of goodwill incurred, reason for incurring goodwill, amortization method, and amortization period

(1) Amount of goodwill incurred

¥5,898 million

(2) Cause of goodwill

Because the acquisition cost exceeded the net assets of the acquired company, the excess amount was recorded as goodwill.

(3) Amortization method and period

Equal amortization over 20 years

6. Amounts of assets acquired and liabilities assumed on the date of business combination and their breakdown

Current assets	¥3,183 million
Non-current assets	¥9,054 million
Total assets	¥12,238 million
Current liabilities	¥3,253 million

Non-current liabilities	¥2,706 million
Total liabilities	¥5,959 million

7. Amounts allocated to intangible assets other than goodwill and amortization periods

Customer-related assets	Amount	¥8,441 million
	Amortization period	22 years

8. Estimated effect of the business combination on the consolidated statement of income for the current consolidated fiscal year as if the business combination had been completed on the first day of the consolidated fiscal year and the method of calculation

Net sales	¥5,800 million
Operating income	¥328 million
Ordinary income	¥354 million
Profit before income taxes	¥354 million
Profit attributable to owners of the parent	¥89 million
Net income per share	¥2.28

(Method of calculation of estimated amount)

The difference between the net sales and profit/loss information calculated as if the business combination had been completed on the first day of the consolidated fiscal year and the net sales and profit/loss information in the consolidated statement of income of the Group is the estimated amount of impact. These notes are unaudited.

(Partial sale of shares of a subsidiary)

Bewith, Inc. (hereinafter referred to as "Bewith"), a consolidated subsidiary of the Company, was newly listed on the First Section of the Tokyo Stock Exchange on March 2, 2022, and issued new shares (900,000 common shares) through a public offering. In conjunction with the listing, the Company sold a portion of its holdings in Bewith. Bewith moved to the Tokyo Stock Exchange Prime Market on April 4, 2022.

1. Outline of Transaction

(1) Name and Business of Subsidiary

Name of subsidiary	Bewith, Inc.
Description of business	Provision of contact center and BPO services utilizing digital technology such as Omnia LINK, a cloud-based PBX developed in-house, and the development and sales of various AI and DX solutions

(2) Date of share sale

First sale date	March 2, 2022
Second sale date	April 1, 2022 (over-allotment)

(3) Legal form of business combination

Partial sale of shares of a subsidiary to a non-controlling shareholder without changing the scope of consolidation

(4) Outline of the transaction including purpose of transaction

Following the initial listing of our consolidated subsidiary Bewith on the First Section of the Tokyo Stock Exchange on March 2, 2022, we sold a portion of our holdings in Bewith.

The listing of Bewith's stock will enhance the company's social credibility and name recognition both in Japan and overseas and will promote the expansion of its business partners and the hiring of excellent human resources, leading to the continuous expansion of its business. We believe that the expansion of Bewith's business will contribute to the further enhancement of the corporate value of our entire group.

After the listing, our company will maintain a majority shareholding in Bewith, and we will promote the growth of the entire group while taking advantage of group synergies.

2. Outline of Accounting Procedures Implemented

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), transactions under common control etc., as a transaction with non-controlling shareholders, the equity corresponding to the shares sold is reduced from the Company's equity, the non-controlling shareholders' equity is increased, and the difference between the decrease in the Company's equity due to the sale and the sale price is recorded as additional paid-in capital.

3. Matters related to changes in the Company's interest in transactions with non-controlling shareholders

(1) Main reasons for changes in capital surplus

Due to the difference between the amount of decrease in the Company's equity interest from the sale and the sale price

(2) Amount of capital surplus increased by transactions with non-controlling shareholders

¥2,984 million

(Segment Information, etc.)

[Segment Information]

1. Overview of reportable segments

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

The Group’s principal business activities are comprehensive human resource-related support services. Accordingly, the Group has designated "Expert Services (Temporary staffing), BPO Services (Contracting), Others," "Career Solutions (Placement/Recruiting, Outplacement)," "Outsourcing," "Life Solutions," and "Regional Revitalization Solutions" as reporting segments. Pasona Group Inc., a holding company, pursues the formulation of strategies for Group management and supports operation execution, governance of management, and the proper allocation of management resources, as well as developing new businesses related to job creation.

2. Method of computing net sales, income (loss), assets, liabilities, and other items by reporting segment

The accounting treatment method for the Group’s reporting segments is generally same as the consolidated financial statements.

Also, segment income is based on operating income.

The prices of intersegment transactions and transfers are determined by price negotiations based on the Group’s submission of preferred prices after taking market conditions into account.

(Application of Accounting Standards for Revenue Recognition, etc.)

As described in "Change in Accounting Policies," the Company has applied the Revenue Recognition Accounting Standard and other standards to its consolidated financial statements for the fiscal year under review, and has changed its accounting method for revenue recognition, and has therefore changed its method for calculating profit or loss by business segment as well.

As a result of this change, compared with the previous method, net sales and segment income of "Expert Services, BPO Services and Others" increased ¥2,680 million and ¥18 million, respectively, while net sales and segment income of "Career Solutions" decreased ¥47 million and ¥47 million, respectively. Net sales of "Outsourcing" decreased ¥7,682 million, and segment income decreased ¥1 million. Net sales of "Life Solutions" increased ¥3 million, and net sales of "Regional Development Solutions" decreased ¥0 million, with segment income decreasing by ¥0 million.

3. Information regarding net sales, income (loss), assets, liabilities, and other items by reporting segment

FY2020 (For the fiscal year ended May 31, 2021)

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 2)	Figures in consolidated statements of income
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others (Note 1)	Career Solutions	Outsourcing					
Net sales								
Net sales to outside customers	274,957	13,833	36,747	6,257	2,744	334,540	—	334,540
Intersegment sales and transfers	2,906	30	1,097	312	500	4,846	(4,846)	—
Total	277,864	13,863	37,844	6,570	3,244	339,387	(4,846)	334,540
Segment income (loss)	17,543	3,919	9,794	203	(2,327)	29,132	(9,191)	19,940
Segment assets	75,655	18,531	35,855	2,136	11,273	143,452	8,188	151,641
Other items								
Depreciation and Amortization	1,419	257	778	52	683	3,192	602	3,794
Amortization of Goodwill	649	—	8	0	2	662	—	662
Impairment losses	736	—	—	—	2,502	3,238	—	3,238
Increase in tangible and intangible fixed assets	1,188	84	1,300	173	4,210	6,957	2,431	9,388

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. The following are included in the adjustment item.
   (1) Adjustment of segment loss totaling ¥9,191 million includes Group management costs relating to the Company and incubation cost of our new business totaling ¥9,237 million, as well as intersegment sales and transfers totaling ¥45 million.
   (2) Adjustment of segment assets totaling ¥8,188 million includes the Company's cash and deposits and assets relating to Group management totaling ¥46,926 million, as well as intersegment sales and transfers totaling ¥(38,737) million.
   (3) Adjustment of depreciation and amortization totaling ¥602 million is mainly comprised of depreciation and amortization of assets relating to Group management totaling ¥610 million, as well as intersegment sales and transfers totaling ¥(7) million.
   (4) Adjustment of increase in tangible and intangible fixed assets totaling ¥2,431 million is mainly comprised of an increase of assets relating to Group management totaling ¥2,478 million and intersegment sales and transfers totaling ¥(46) million.
3. Segment income is adjusted with operating income under consolidated statements of income.

FY2021 (For the fiscal year ended May 31, 2022)

(Millions of yen)

	Reporting segments							
	HR Solutions							
	Expert Services, BPO Services, Others (Note 1)	Career Solutions	Outsourcing	Life Solutions	Regional Revitalization Solutions	Total	Adjustment (Note 2)	Figures in consolidated statements of income
Net Sales								
Expert Services	151,520	—	—	—	—	151,520	—	151,520
BPO Services	137,319	—	—	—	—	137,319	—	137,319
HR Consulting, Education & Training, Other	7,181	—	—	—	—	7,181	—	7,181
Global Sourcing	8,043	—	—	—	—	8,043	—	8,043
Career Solution	—	14,665	—	—	—	14,665	—	14,665
Outsourcing	—	—	37,040	—	—	37,040	—	37,040
Life Solution	—	—	—	6,686	—	6,686	—	6,686
Regional Revitalization Solution	—	—	—	—	3,639	3,639	—	3,639
Revenue from contracts with customers	304,064	14,665	37,040	6,686	3,639	366,096	—	366,096
Other revenue	—	—	—	—	—	—	—	—
Net sales to outside customers	304,064	14,665	37,040	6,686	3,639	366,096	—	366,096
Intersegment sales and transfers	4,028	34	1,319	472	786	6,642	(6,642)	—
Total	308,093	14,700	38,359	7,158	4,426	372,739	(6,642)	366,096
Segment income (loss)	18,793	4,470	12,765	232	(2,612)	33,650	(11,566)	22,083
Segment assets	89,230	20,614	58,074	2,322	15,654	185,896	17,849	203,746
Other items								
Depreciation and Amortization	1,072	191	1,059	59	950	3,333	1,086	4,419
Amortization of Goodwill	631	—	77	—	—	709	—	709
Impairment losses	—	—	—	—	132	132	—	132
Increase in tangible and intangible fixed assets	1,093	57	17,900	5	4,703	23,760	7,633	31,394

Notes:

1. The followingare included in the adjustment item.
   (1) Adjustment of segment loss totaling ¥(11,566) million includes Group management costs relating to the Company and incubation cost of our new business totaling ¥(11,711) million, as well as intersegment sales and transfers totaling ¥145 million.
   (2) Adjustment of segment assets totaling ¥17,849 million includes the Company’s cash and deposits and assets relating to Group management totaling ¥51,703 million, as well as intersegment sales and transfers totaling ¥(33,854) million.
   (3) Adjustment of depreciation and amortization totaling ¥1,086 million is mainly comprised of depreciation and amortization of assets relating to Group management totaling ¥1,151 million, as well as intersegment sales and transfers totaling ¥(64) million.
   (4) Adjustment of increase in tangible and intangible fixed assets totaling ¥7,633 million is mainly comprised of an increase of assets relating to Group management and headquarters functions totaling ¥7,658 million, as well as intersegment sales and transfers totaling ¥(24) million.
2. Segment income is adjusted with operating income under consolidated statements of income.

[Related information]

FY2020 (For the fiscal year ended May 31, 2021)

1. Information by product and service

Nothing is stated herein as similar information is disclosed in segment information.

2. Information on geographic areas

(1) Net sales

Since the percentage of net sales in Japan exceeds 90%, information on geographic areas is omitted in this report.

(2) Property, plants, and equipment

Because the percentage of total property, plants, and equipment located in Japan exceeds 90%, information on geographic areas is omitted in this report.

3. Information by major customer

No major customer is stated because no customer accounted for more than 10% of net sales.

FY2021 (For the fiscal year ended May 31, 2022)

1. Information by product and service

Nothing is stated herein, as similar information is disclosed in segment information.

2. Information on geographic areas

(1) Net sales

Because the percentage of net sales in Japan exceeds 90%, information on geographic areas is omitted in this report.

(2) Property, plants, and equipment

Because the percentage of total property, plants, and equipment located in Japan exceeds 90%, information on geographic areas is omitted in this report.

3. Information by major customer

No major customer is stated because no customer accounted for more than 10% of net sales.

(Information regarding Impairment Loss on fixed assets by reporting segment)

FY2020 (For the fiscal year ended May 31, 2021)

Because an impairment loss on fixed assets has been already disclosed in the segment information, it is omitted in this report.

FY2021 (For the fiscal year ended May 31, 2022)

Because an impairment loss on fixed assets has been already disclosed in the segment information, it is omitted in this report.

[Information regarding Unamortized Balance of Goodwill by reporting segment]

FY2020 (For the fiscal year ended May 31, 2021)

(Millions of yen)

	Reporting segments					Adjustment	Total
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing	Life Solutions	Regional Revitalization Solutions		
Balance at the end of the period	1,640	—	4	—	—	—	1,644

FY2021 (For the fiscal year ended May 31, 2022)

(Millions of yen)

	Reporting segments					Adjustment	Total
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing	Life Solutions	Regional Revitalization Solutions		
Balance at the end of the period	1,008	—	5,824	—	—	—	6,833

(Information regarding Gain on Bargain Purchase by reporting segment)

FY2020 (For the fiscal year ended May 31, 2021)

None

FY2021 (For the fiscal year ended May 31, 2022)

None

(Per Share Information)

(Yen)

	FY2020	FY2021
Net assets per share	974.85	1,276.00
Net income per share	173.36	220.19
Diluted net income per share	—	219.63

(Notes)

1. Diluted net income per share for the previous fiscal year is not shown because there are no residual securities with dilutive effects.
2. The Company's shares in BBT and J-ESOP, which are reported as treasury shares under Shareholders' equity, are not counted toward the number of treasury shares as of the period-end and the average number of shares outstanding for the period, for the purpose of computing earnings and net assets per share.
   The number of treasury shares deducted for calculation of net assets per share was 452,100 in FY2020 and 424,862 in FY2021, in terms of BBT, and was 305,752 in FY2020 and 298,114 in FY2021 in terms of J-ESOP (year-end basis). The number of treasury shares deducted for calculation of net income per share was 455,964 in FY2020 and 443,070 in FY2021, in terms of BBT, and was 308,912 in FY2020 and 299,370 in FY2021 in terms of J-ESOP (year-average basis).
3. The Company has applied the "Revenue Recognition Accounting Standard" and other standards from the beginning of the fiscal year under review as prescribed in "Changes in Accounting Policies." The effect of this change on net assets per share, net income per share, and diluted net income per share for the current consolidated fiscal year is immaterial.
4. The following shows the basis for calculating net income per share and diluted net income per share.

(Millions of yen)

Items	FY2020	FY2021
Profit attributable to owners of the parent	6,784	8,621
Amount not applicable to shareholders of common stock	—	—
Profit attributable to owners of the parent applicable to common stock	6,784	8,621
Average number of shares for the period (shares)	39,132,377	39,154,774
Diluted net income per share		
Adjustment to net income attributable to owners of the parent	—	(22)
(Adjustment due to latent shares of consolidated subsidiaries)	—	(22)
Overview of diluted shares excluded from the calculation of net income per share after adjusting for diluted share because of lack of diluting effect	Share acquisition rights of consolidated subsidiary: 2 types (Number of stock acquisition rights: 5,450)	—

5 . The following shows the basis of calculating net assets per share.

(Millions of yen)

Items	As of May 31, 2021	As of May 31, 2022
Total net assets	49,779	67,146
Amount deducted from total net assets	11,624	17,160
Net assets applicable to common stock as of the fiscal period-end	38,155	49,986
Number of common stock shares used to calculate net assets per share (shares)	39,139,401	39,174,206

(Important Subsequent Events)

(Acquisition and Cancellation of Treasury Stock of Consolidated Subsidiary)

Benefit One Inc. ("Benefit One") resolved at a meeting of its Board of Directors held on May 10, 2022, regarding matters pertaining to the acquisition of treasury stock in accordance with the provisions of its Articles of Incorporation pursuant to Article 459, Paragraph 1 of the Companies Act of Japan, and also resolved to cancel a portion of treasury stock held by the Company in accordance with Article 178 of the Companies Act.

1. Reasons for the share repurchase and cancellation
   To improve capital efficiency and to return profits to shareholders

2. Details of matters relating to the acquisition
   (1) Type of shares to be acquired: Common stock of Benefit One Inc.
   (2) Total number of shares to be acquired: 800,000 shares (maximum)
   (0.50% of the total number of shares issued excluding treasury stock (as of March 31, 2022))
   Note: Benefit One has introduced a stock benefit trust (J-ESOP) and a stock benefit trust (BBT), and the Custody Bank of Japan, Ltd. (Trust E account) (hereinafter referred to as "Trust E account") owns Benefit One shares, but the above treasury stock does not include Benefit One shares owned by Trust E account.
   (3) Total amount of shares to be acquired: ¥1,500 million (maximum)
   (4) Period of acquisition: May 12, 2022 to June 10, 2022
   (5) Method of acquisition: Purchase on the market at the Tokyo Stock Exchange based on a discretionary trading agreement

3. Results of acquisition
   (1) Type of shares acquired: Common stock of Benefit One Inc.
   (2) Total number of shares acquired: 779,100 shares
   (3) Total amount of shares acquired: ¥1,499,989,399
   (4) Date of share acquisition: May 12, 2022 to June 8, 2022 (contract basis)
   (5) Method of acquisition: Purchase on the market at the Tokyo Stock Exchange based on a discretionary trading agreement

4. Details of matters pertaining to retirement
   (1) Type of shares retired: Common stock of Benefit One Inc.
   (2) Number of shares retired: Same as the total number of shares of treasury stock acquired in accordance with 3. above
   (3) Date of retirement: June 30, 2022