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April 14, 2022

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP) FY2021 (June 1, 2021 to May 31, 2022) Nine Months Ended February 28, 2022

Listed company name: Pasona Group Inc.
 Listing stock exchange: The Prime Market of the Tokyo Stock Exchange
 Securities code number: 2168
 URL: <https://www.pasonagroup.co.jp>
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Scheduled filing date of quarterly report: April 14, 2022
 Supplemental materials prepared for quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(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	
		%		%		%		%
Nine months ended February 28, 2022	270,875	10.7	17,348	19.5	17,760	21.5	7,314	31.0
Nine months ended February 28, 2021	244,670	2.2	14,512	147.8	14,622	163.3	5,582	882.9

(Note) Comprehensive income 9M FY2021: ¥11,778 million(50.9%) 9M FY2020: ¥7,803 million(169.5%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended February 28, 2022	186.85	—
Nine months ended February 28, 2021	142.68	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
February 28, 2022	167,487	58,068	26.8
May 31, 2021	151,641	49,779	25.2

(Reference) Equity As of February 28, 2022: ¥44,943 million As of May 31, 2021: ¥38,155 million

(Note) In total assets as of May 31, 2021 and February 28, 2022, temporary “Deposits received” from customers related to contracted projects is recorded in liabilities, and “Cash and deposits” worth it is recorded in assets. For details, please refer to “1. Information Concerning Quarterly Consolidated Business Results (2) Overview of Consolidated Financial Position”.

2. DIVIDENDS PER SHARE

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

(Note) Revision to dividend forecast in the current quarter: No

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

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

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

(Note) Revision to forecast of results in the current quarter: No

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

4. NOTES

- (1) Changes in important subsidiaries during the current period: None
(Changes in specified subsidiaries that caused changes in the scope of consolidation)
- (2) Application of the special accounting practices in the preparation of quarterly consolidated financial statements:
None
- (3) Changes of accounting principles, changes in accounting estimates and retrospective restatement
 - 1) Changes of accounting principles in line with revisions to accounting and other standards: Yes
 - 2) Changes of accounting principles other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of shares issued and outstanding (Common shares)
 - 1) The number of shares issued and outstanding as of the period-end (including treasury shares)
February 28, 2022: 41,690,300 shares May 31, 2021: 41,690,300 shares
 - 2) The number of treasury shares as of the period-end
February 28, 2022: 2,516,094 shares May 31, 2021: 2,550,899 shares
 - 3) Average number of shares for the period (Quarterly cumulative period)
Nine months ended February 28, 2022: 39,148,225 shares
Nine months ended February 28, 2021: 39,130,010 shares

(Note)

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

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

Cautionary statement and other explanatory notes

The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results may differ materially from forecasts for a variety of reasons. Please refer to "Overview of Consolidated Forecasts" on page 5.

Method to obtain supplemental materials for quarterly financial results

Supplemental materials for the quarterly financial results have been posted on the Company's website (<https://www.pasonagroup.co.jp/ir/>) since April 14, 2022.

Consolidated Financial Report

Nine Months Ended February 28, 2022

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9M FY2021 Consolidated Financial Report

(June 1, 2021 – February 28, 2022)

1. Information Concerning Quarterly Consolidated Business Results

(1) Consolidated Business Results

	(Millions of yen)		
	9M FY2020	9M FY2021	YoY
Net sales	244,670	270,875	+10.7%
Operating income	14,512	17,348	+19.5%
Ordinary income	14,622	17,760	+21.5%
Profit attributable to owners of parent	5,582	7,314	+31.0%

Segment Information (Figures include intersegment sales)

Consolidated Net Sales by Segment

	(Millions of yen)		
	9M FY2020	9M FY2021	YoY
HR Solutions	240,832	267,109	+10.9%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	204,381	229,022	+12.1%
Expert Services (Temporary staffing)	111,185	114,102	+2.6%
BPO Services (Contracting)	82,402	102,518	+24.4%
HR Consulting, Education & Training, Others	5,731	6,256	+9.2%
Global Sourcing (Overseas)	5,062	6,145	+21.4%
Career Solutions (Placement / Recruiting, Outplacement)	9,373	11,021	+17.6%
Outsourcing	27,077	27,065	(0.0)%
Life Solutions	4,882	5,262	+7.8%
Regional Revitalization Solutions	2,173	3,291	+51.4%
Eliminations and Corporate	(3,218)	(4,788)	—
Total	244,670	270,875	+10.7%

Consolidated Operating Income (Loss) by Segment

	(Millions of yen)		
	9M FY2020	9M FY2021	YoY
HR Solutions	22,491	26,967	+19.9%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	13,371	14,075	+5.3%
Expert Services (Temporary staffing)	13,338	13,818	+3.6%
BPO Services (Contracting)			
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas)	32	257	+682.3%
Career Solutions (Placement / Recruiting, Outplacement)	2,200	3,358	+52.6%
Outsourcing	6,919	9,533	+37.8%
Life Solutions	224	177	(20.9)%
Regional Revitalization Solutions	(1,555)	(1,702)	—
Eliminations and Corporate	(6,647)	(8,094)	—
Total	14,512	17,348	+19.5%

※Since the end of FY2020, the segment of some subsidiaries has been changed with the reorganization of subsidiaries. The above tables regarding results in 9M FY2021 show the figures reclassified into the new segment classification.

(2) Overview of Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

Assets and liabilities at the end of the third quarter of the current fiscal year included temporary "Deposits received" from clients related to contracted projects for which use by the Group is restricted and a corresponding "Cash and deposits" amounting to ¥1,109 million (¥1,989 million at the end of the previous fiscal year).

Assets

Total assets at the end of the third quarter increased by ¥15,846 million (up 10.4%) from the end of the previous fiscal year to ¥167,487 million. While cash and deposits decreased by ¥24,191 million, notes receivable, accounts receivable, and contract assets increased by ¥16,699 million due to an increase in contract projects, while property, plants, and equipment increased by ¥4,118 million due to regional development projects, etc., and goodwill increased by ¥11,277 million due to the acquisition of all shares of JTB Benefit Inc.

Liabilities

Total liabilities at the end of the third quarter increased by ¥7,557 million (up 7.4%) from the end of the previous fiscal year to ¥109,419 million. While long-term loans payable increased by ¥10,950 million due to fundraising, accounts payable-trade decreased by ¥1,284 million due to progress in payments, while provisions for bonuses decreased by ¥1,710 million due to bonus payments.

Net Assets

Net assets at the end of the third quarter increased by ¥8,289 million (up 16.7%) from the end of the previous fiscal year to ¥58,068 million. While profit attributable to owners of the parent was ¥7,314 million, dividend payments of ¥1,196 million resulted in a ¥6,130 million increase in retained earnings.

As a result, the equity ratio increased 1.6 percentage points from the end of the previous fiscal year to 26.8%. After deducting "Cash and deposits" associated with "Deposits received" for contract projects, total assets amounted to ¥166,377 million, and the equity ratio was 27.0%.

(3) Overview of Consolidated Forecasts

Since the third-quarter results are generally in line with plans, we maintain our full-year consolidated earnings forecast for the fiscal year ending May 31, 2022, which was announced on January 14, 2022.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2021	As of February 28, 2022
ASSETS		
Current assets		
Cash and deposits	54,533	30,341
Notes and accounts receivable-trade	44,267	—
Notes and accounts receivable-trade and contract assets	—	60,967
Inventories	2,717	3,885
Other	7,400	9,572
Allowance for doubtful accounts	(57)	(96)
Total current assets	108,862	104,671
Non-current assets		
Property, plant and equipment	18,568	22,686
Intangible assets		
Goodwill	1,644	12,922
Other	4,716	7,578
Total intangible assets	6,361	20,501
Investments and other assets		
Other	17,778	19,486
Allowance for doubtful accounts	(97)	(12)
Total investments and other assets	17,681	19,473
Total non-current assets	42,610	62,661
Deferred assets	168	154
Total assets	151,641	167,487

(Millions of yen)

	As of May 31, 2021	As of February 28, 2022
LIABILITIES		
Current liabilities		
Accounts payable-trade	6,377	5,093
Short-term loans payable	9,433	9,680
Accrued expenses	15,152	15,802
Income taxes payable	4,071	2,614
Deposits received	5,518	4,007
Provision for bonuses	4,580	2,869
Provision for directors' bonuses	17	8
Asset retirement obligations	17	1
Other	25,606	25,171
Total current liabilities	70,775	65,249
Non-current liabilities		
Bonds payable	2,176	4,103
Long-term loans payable	20,990	31,941
Provision for directors' stock benefit	457	583
Provision for employees' stock grant	438	562
Net defined benefit liability	2,263	2,277
Asset retirement obligations	2,125	2,312
Other	2,634	2,388
Total non-current liabilities	31,086	44,169
Total liabilities	101,861	109,419
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	14,029	14,069
Retained earnings	20,801	26,931
Treasury shares	(2,417)	(2,378)
Total shareholders' equity	37,413	43,622
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	694	1,218
Foreign currency translation adjustment	10	92
Remeasurements of defined benefit plans	36	9
Total accumulated other comprehensive income	741	1,320
Share acquisition rights	4	4
Non-controlling interests	11,619	13,120
Total net assets	49,779	58,068
Total liabilities and net assets	151,641	167,487

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	9M FY2020	9M FY2021
Net sales	244,670	270,875
Cost of sales	183,640	204,837
Gross profit	61,029	66,038
Selling, general and administrative expenses	46,517	48,690
Operating income	14,512	17,348
Non-operating income		
Interest income	30	21
Share of profit of entities accounted for using equity method	—	2
Subsidy	439	447
Real estate rent	561	554
Other	186	257
Total non-operating income	1,217	1,283
Non-operating expenses		
Interest expenses	219	206
Share of loss of entities accounted for using equity method	225	—
Commitment fee	44	96
Rent expenses on real estates	487	465
Other	131	101
Total non-operating expenses	1,107	870
Ordinary income	14,622	17,760
Extraordinary income		
Gain on sale of non-current assets	—	3
Gain on sale of investment securities	4	—
Gain on sale of shares of subsidiaries and associates	0	24
Total extraordinary income	4	28
Extraordinary loss		
Loss on sales and retirement of non-current assets	195	32
Impairment loss	1,092	—
Loss on sale of investment securities	—	2
Loss on valuation of investment securities	14	19
Loss on valuation of shares of subsidiaries and associates	48	0
Total extraordinary loss	1,351	54
Income before income taxes	13,274	17,734
Income taxes-current	5,445	6,086
Income taxes-deferred	346	955
Income taxes	5,791	7,042
Profit	7,483	10,691
Profit attributable to non-controlling interests	1,900	3,377
Profit attributable to owners of parent	5,582	7,314

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	9M FY2020	9M FY2021
Profit	7,483	10,691
Other comprehensive income		
Valuation difference on available-for-sale securities	340	1,023
Foreign currency translation adjustment	1	86
Remeasurements of defined benefit plans	(22)	(24)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	319	1,086
Comprehensive income	7,803	11,778
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,691	7,893
Comprehensive income attributable to non-controlling interests	2,111	3,885

(4) Notes to Going Concern Assumption

Not applicable

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

Not applicable

(6) Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

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

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

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

Regarding to application of The New Revenue Standard, etc., the Group follows transitional handling provided in its Paragraph 84 proviso. The Group has adjusted the cumulative impact of retroactive application of the new accounting policy before the beginning of the first quarter in FY2021 to retained earnings in the beginning of the first quarter in FY2021, and has applied the new accounting policies since then. However, the Group has applied the method provided in The New Revenue Standard Paragraph 86, and has not retroactively applied the new accounting policies to the contracts recognizing almost all amount of revenue according to the previous accounting policies before the beginning of the first quarter in FY2021. The Group has applied the method provided in The New Revenue Standard Paragraph 86 Also write (1), has performed accounting based on the terms and conditions after reflecting all contract changes before the beginning of the first quarter in 2021, and has adjusted the cumulative impact to retained earnings in the beginning of the first quarter in FY2021.

As a result, in the consolidated cumulative third quarter of FY2021, the net sales decreased by ¥3,618 million, cost of sales decreased by ¥3,753 million, selling, general, and administrative expenses increased by ¥124 million, and operating income, ordinary income, and income before income taxes respectively increased by ¥10 million. Retained earnings in the beginning of FY2021 increased by ¥12 million.

Because of application of The New Revenue Standard, etc., “Notes and accounts receivable-trade” in “Current assets” in Consolidated Balance Sheets of FY2020 is included in “Notes and accounts receivable-trade, and contract assets” from the first quarter of FY2021. According to transitional handling provided in The New Revenue Standard Paragraph 89-2, the Group has not reclassified by the new display method in the previous fiscal year. According to transitional handling provided in “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12, March 31, 2020) Paragraph 28-15, the Group does not describe the information that decomposes the revenue generated from contracts with customers in the previous third quarter financial report.

Application of Accounting Standard for Fair Value Measurement, etc.

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

(7) Additional Information:**Accounting estimates with COVID-19 infections**

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

(8) Segment Information

i) Nine months ended February 28, 2021

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

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others (Note 1)	Career Solutions	Outsourcing					
Net sales								
(1) Sales to outside customers	202,220	9,353	26,586	4,664	1,845	244,670	—	244,670
(2) Intersegment sales and transfers	2,161	20	490	218	327	3,218	(3,218)	—
Total	204,381	9,373	27,077	4,882	2,173	247,888	(3,218)	244,670
Operating income (loss)	13,371	2,200	6,919	224	(1,555)	21,159	(6,647)	14,512

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. Adjustment of ¥(6,647) million with Operating income (loss) includes corporate expenses of ¥(6,698) million which primarily consist of Group management costs relating to the Company and incubation cost for our new business and the elimination of intersegment transactions of ¥51 million.
3. Segment income is adjusted with operating income under consolidated statements of income.

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

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

ii) Nine months ended February 28, 2022

a) Information regarding net sales and income (loss) by reportable segment and revenue decomposition information

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 1)	Figures in consolidated statements of income (Note 2)
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing					
Net sales								
Expert Services	113,671	—	—	—	—	113,671	—	113,671
BPO Services	101,111	—	—	—	—	101,111	—	101,111
HR Consulting, Education & Training, Others	5,318	—	—	—	—	5,318	—	5,318
Global Sourcing	5,909	—	—	—	—	5,909	—	5,909
Career Solutions	—	10,990	—	—	—	10,990	—	10,990
Outsourcing	—	—	26,211	—	—	26,211	—	26,211
Life Solutions	—	—	—	4,891	—	4,891	—	4,891
Regional Revitalization Solutions	—	—	—	—	2,770	2,770	—	2,770
Revenue from contract with customers	226,011	10,990	26,211	4,891	2,770	270,875	—	270,875
Other revenue	—	—	—	—	—	—	—	—
Sales to outside customers	226,011	10,990	26,211	4,891	2,770	270,875	—	270,875
Intersegment sales and transfers	3,010	30	854	370	521	4,788	(4,788)	—
Total	299,022	11,021	27,065	5,262	3,291	275,664	(4,788)	270,875
Operating income (loss)	14,075	3,358	9,533	177	(1,702)	25,442	(8,094)	17,348

Notes:

1. Adjustment of ¥(8,094) million with Operating income (loss) includes the corporate expenses of ¥(8,201) million which primarily consist of Group management costs relating to the Company and incubation cost for our new business and the elimination of intersegment transactions of ¥106 million.
2. Segment income is adjusted with operating income under consolidated statements of income.

b) Matters regarding changes in reportable segment

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

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

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

As a result, in the consolidated cumulative third quarter of FY2021, compared with the previous method, the net sales increased by ¥2,073 million and operating income increased by ¥69 million in "Expert Services, BPO Services and Others", the net sales decreased by ¥46 million and operating income decreased by ¥46

million in "Career Solutions", the net sales decreased by ¥5,649 million and operating income decreased by ¥14 million in "Outsourcing", the net sales increased by ¥2 million in "Life Solutions", and the net sales increased by ¥1 million and operating income increased by ¥1 million in "Regional Development Solutions".

c) Information regarding assets by reportable segment

In the third quarter of the current consolidated fiscal year, Benefit One Inc., a consolidated subsidiary of the Company, acquired all shares of JTB Benefit Inc. and newly included it in the scope of consolidation.

As a result, the amount of assets in the "Outsourcing" segment increased by ¥15,645 million in the third quarter of the current consolidated fiscal year compared to the end of the previous consolidated fiscal year.

d) Information regarding impairment loss on non-current assets and goodwill by reportable segment

In the "Outsourcing" segment, goodwill of ¥11,755 million was recorded due to the acquisition of all shares of JTB Benefit Inc. by the Company's consolidated subsidiary Benefit One Inc. during the third quarter of the current fiscal year, making it a subsidiary.

As of the end of the third quarter of the current consolidated fiscal year, the allocation of acquisition cost has not been completed, as the Company is still in the process of refining the identification of identifiable assets and liabilities as of the date of the business combination. Therefore, the amount of goodwill has been accounted for on a provisional basis.

(9) Important Subsequent Events

(Partial sale of shares in a subsidiary)

The Company has sold a portion of its shares in its consolidated subsidiary Bewith, Inc. (hereinafter, "Bewith").

1. Reason for sale of shares

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 the company.

The listing of Bewith's stock will enhance the company's social credibility and name recognition both in Japan and overseas and will facilitate the expansion of its business partners and the hiring of talented personnel, 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 the entire Group.

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

2. Name and business of subsidiary

Name of subsidiary: Bewith, Inc.

Business description: Provision of contact center and BPO services using digital technology such as Omnia LINK, a cloud-based PBX developed by the company, and development and sales of various AI and DX solutions

3. Issuance of new shares by Bewith through public offering

Class and number of shares to be issued: 900,000 shares of common stock

Payment date: March 1, 2022

4. Secondary offering of shares by the Company

Date of sale	Number of shares sold	Selling price
March 2, 2022	4,400,000 shares	¥5,790 million
<u>April 1, 2022 (over-allotment)</u>	<u>557,100 shares</u>	<u>¥733 million</u>
	4,957,100 shares	¥6,523 million

5. Number of shares held and percentage of shares held by the Company

(1) Number of shares held before the secondary offering: 12,800,000 shares
(Ownership ratio: 100.0%; number of shares issued: 12,800,000 shares)

(2) New issue due to listing and number of shares held after the secondary offering: 7,842,900 shares
(Ownership ratio: 57.25%; number of shares issued: 13,700,000)

6. Legal form of business combination

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

7. Outline of accounting treatment to be implemented

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), as a transaction under common control with a non-controlling shareholder, the Company will reduce the equity corresponding to the shares sold from the Company's equity, increase the non-controlling interests, and treat the difference between the decrease in the Company's equity due to the sale and the sale price as capital surplus.

(Execution of agreements for financing)

At a meeting of the Board of Directors held on March 31, 2022, the Company resolved to enter into the following syndicated loan agreement, and the agreement was executed on the same day.

1. Purpose of the Syndicated Loan Agreement

The Company received a "particularly advanced (A rank)" rating in the MUFG ESG assessment by Mitsubishi UFJ Research and Consulting Co., Ltd. (supported by Japan Credit Rating Agency, Ltd.) for the "ESG Management Support Private Placement Bonds" concluded in March 2020 with MUFG Bank, Ltd. The company has obtained a rating for the "ESG Management Support Syndicated Loan" to be contracted this time. This loan is procured as business funds related to various business activities of the Company promoting regional development, and the loan is structured as a syndicated loan by 25 regional banks throughout Japan that have endorsed the Company's business activities.

2.Outline of Syndicated Loan Agreement

(1) Amount	¥21.7 billion	
(2) Contract date	March 31, 2022	
(3) Execution date	March 31, 2022 ~ June 30, 2023	
(4) Maturity date	March 31, 2032	
(5) Repayment method	Equal principal repayment	
(6) Use of funds	Business fund	
(7) Arranger and Agent	MUFG Bank, Ltd.	
(8) Participating financial Institutions	Total of 25 financial institutions	
	The Chiba Bank, Ltd. (Chiba Pref.)	The Yamaguchi Bank, Ltd. (Yamaguchi Pref.)
	The Yamanashi Chuo Bank, Ltd. (Yamanashi Pref.)	The Aomori Bank, Ltd. (Aomori Pref.)
	The Ashikaga Bank, Ltd. (Tochigi Pref.)	The Iyo Bank, Ltd., (Ehime Pref.)
	The Kiyo Bank, Ltd. (Wakayama Pref.)	The Joyo Bank, Ltd. (Ibaraki Pref.)
	The San-in Godo Bank, Ltd. (Shimane Pref.)	The Higashi-Nippon Bank, Ltd. (Tokyo Metropolitan)
	THE SHIGA BANK, LTD. (Shiga pref.)	The Higo Bank, ltd. (Kumamoto Pref.)
	The 77 Bank, Ltd. (Miyagi Pref.)	The Hyakujushi bank, Ltd. (Kagawa Pref.)
	Daishi Hokuetsu Bank, Ltd. (Niigata Pref.)	The Minato Bank, Ltd. (Hyogo Pref.)
	The Chukyo Bank, Limited. (Aichi Pref.)	The Awa Bank, Ltd. (Tokushima Pref.)
	The Chugoku Bank, Limited (Okayama pref.)	The Keiyo Bank, Ltd. (Chiba Pref.)
	The Hyakugo Bank, Ltd. (Mie Pref.)	THE TAIKO BANK, LTD. (Niigata Pref.)
	Hiroshima Bank, Ltd. (Hiroshima pref.)	The Hachijuni Bank, Ltd. (Nagano Pref.)
	THE BANK OF FUKUOKA,LTD. (Fukuoka Pref.)	