Regarding "The 15th Fiscal Year Annual Securities Report (From June 1, 2021 to May 31, 2022)" that was provided as reference information through the TSE English Materials Distribution Service, Pasona Group Inc. provides English material in which the content of the "Independent Auditor's Audit Report and Internal Control Audit Report" and "Independent Auditor's Audit Report" is omitted.

Annual Securities Report

15th Fiscal Year From June 1, 2021 to May 31, 2022

Pasona Group Inc.

Annual Securities Report

1. This document was prepared by outputting and printing the annual securities report prepared based on Article 24, Paragraph 1 of Japan’s *Financial Instruments and Exchange Act* and by adding a Table of Contents and pages to the data submitted by using the electronic data processing system for disclosure (EDINET) set forth in Article 27-30-2 of said act.
2. At its end, this document contains the audit report attached to the annual securities report submitted via the above method, as well as the internal control report and the confirmation letter submitted with the above annual securities report.

Table of Contents

Cover

Document submitted:	Annual Securities Report
Grounds:	Article 24, Paragraph 1 of Japan's *Financial Instruments and Exchange Act*
Submitted to:	Director-general of the Kanto Finance Bureau
Date of submission:	August 22, 2022
Fiscal year:	15th fiscal year (June 1, 2021 to May 31, 2022)
Company name:	Pasona Group Inc.
Name and title of representative:	Yasuyuki Nambu, Group President & CEO
Location of head office:	5-1, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan
Telephone no.:	+81-3-6734-0200 (main)
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Nearest contact point:	6-2, 2-chome, Otemachi, Chiyoda-ku, Tokyo, Japan
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Name of the contact person:	Yuko Nakase, Senior Managing Executive Officer and CFO
Places where a copy is to be made available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan)

Part I: Company Information

I-1 Company overview

1. Transition of major management indicators, etc.

(1) Consolidated management indicators, etc.

Fiscal period		11th	12th	13th	14th	15th
Closing month/year		May 2018	May 2019	May 2020	May 2021	May 2022
Net sales	(¥, millions)	311,410	326,984	324,984	334.540	366,096
Ordinary profit	(¥, millions)	6,631	9,237	10,236	20,379	22,496
Profit attributable to owners of parent	(¥, millions)	1,288	1,975	594	6,784	8,621
Comprehensive income	(¥, millions)	3,249	4,616	3,369	10,251	14,433
Net assets	(¥, millions)	33,889	40,253	42,316	49,779	67,146
Total assets	(¥, millions)	112,477	119,459	140,441	151,641	203,746
Net assets per share	(¥)	604.20	724.91	813.28	974.85	1,276.00
Profit per share	(¥)	34.94	50.52	15.21	173.36	220.19
Diluted per share amount of profit	(¥)	-	-	-	-	219.41
Equity ratio	(%)	21.0	23.7	22.7	25.2	24.5
Return on equity	(%)	6.0	7.6	2.0	19.4	19.6
Price earnings ratio	(times)	48.5	33.1	84.2	10.9	9.5
Cash flow from operating activities	(¥, millions)	9,505	9,186	11,424	18,868	10,115
Cash flow from investing activities	(¥, millions)	(11,977)	(6,519)	(6,964)	(9,665)	(29,624)
Cash flow from financing activities	(¥, millions)	6,496	3,962	12,102	(5,147)	23,543
Cash and cash equivalents, end of period	(¥, millions)	25,054	31,793	48,147	52,298	56,578
Number of employees (Average number of temporary workers)	(persons)	7,716 (1,358)	7,855 (1,462)	9,657 (9,931)	9,498 (12,291)	10,364 (13,124)

Note 1: The number of employees is the number of full-time employees and does not include contract employees.
The Company reviewed the scope of the calculation at the end of the 13th fiscal year from the viewpoint of legal reform and the relationship between segment performance and the number of employees due to the growth of the business segment.

Note 2: Diluted profit per share for the 11th through 14th fiscal years is not shown in the above table, as there are no residual securities with dilutive effects.

Note 3: The number of shares remaining in the stock benefit trust (BBT) and the stock benefit trust (J-ESOP), which are recorded as treasury stock in shareholders' equity, is not included in the above table.
The number of shares of treasury stock held by the Company at the end of the fiscal year is used to calculate net assets per share and profit per share, as well as the number of shares outstanding at the end of the fiscal year and the average number of shares outstanding during the fiscal year.
The number of shares of treasury stock is included as a deduction in the calculation of the number of shares of treasury stock.

Note 4: The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related accounting standards have been applied from the beginning of the 15th fiscal year, and the key management indicators and other indicators for the 15th fiscal year are those after the application of these accounting standards.

(Reference) Assets and liabilities in the above management indicators include temporary "deposits received" from clients related to contracted projects for which use by the Group is restricted and the corresponding "cash and deposits."

Total assets and equity ratio after the deduction of these assets and liabilities are as follows.

Fiscal period	14th	15th
Closing month/year	May 2021	May 2022
Total assets (¥, millions)	149,652	193,622
Equity ratio (%)	25.5	25.8

(2) Management indicators, etc., of the reporting company

Fiscal period		11th	12th	13th	14th	15th
Closing month/year		May 2018	May 2019	May 2020	May 2021	May 2022
Sales	(¥, millions)	8,709	8,751	9,497	14,477	10,060
Ordinary profit	(¥, millions)	(261)	(2,139)	(2,664)	2,846	(4,231)
Profit	(¥, millions)	741	681	1,569	1,295	1,338
Share capital	(¥, millions)	5,000	5,000	5,000	5,000	5,000
Total number of issued shares	(shares)	41,690,300	41,690,300	41,690,300	41,690,300	41,690,300
Net assets	(¥, millions)	19,115	19,292	20,148	18,578	18,758
Total assets	(¥, millions)	57,853	59,306	78,213	80,170	89,955
Net assets per share	(¥)	488.81	493.21	515.10	474.67	478.85
Dividend per share (Interim dividends per share)	(¥)	13.00 (-)	18.00 (-)	19.00 (-)	30.00 (-)	35.00 (-)
Profit per share	(¥)	20.10	17.42	40.12	33.10	34.18
Diluted profit per share	(¥)	-	-	-	-	-
Equity ratio	(%)	33.0	32.5	25.8	23.2	20.9
Return on equity	(%)	4.3	3.5	8.0	6.7	7.2
Price earnings ratio	(times)	84.3	96.0	31.9	57.3	61.3
Payout ratio	(%)	64.7	103.3	47.4	90.6	102.4
Number of employees (Average number of temporary workers)	(persons)	318 (20)	538 (37)	661 (334)	645 (324)	674 (296)
Total shareholder return	(%)	186.0	185.0	145.0	215.0	240.0
(Comparative indicator: TOPIX including dividends)	(%)	(113.8)	(100.8)	(107.0)	(134.4)	(136.9)
Highest share price	(¥)	2,622	1,995	1,776	2,283	3,860
Lowest share price	(¥)	919	1,008	680	1,117	1847

Note 1: The dividend of 35 yen per share for the 15th fiscal year includes a special dividend of 5 yen per share.

Note 2: The number of employees is the number of full-time employees and does not include contract employees.
The Company reviewed the scope of the calculation at the end of the 13th fiscal year from the viewpoint of legal reform and the relationship between segment performance and the number of employees due to the growth of

the business segment.

Note 3: Diluted profit per share is not stated because there are no dilutive shares.

Note 4: The shares of the Company remaining in the Stock Benefit Trust (BBT) and the Stock Benefit Trust (J-ESOP), which are recorded as treasury stock in shareholders' equity, are used to calculate net assets per share and profit per share, as well as the total number of shares issued and outstanding at the end of the fiscal year and the average number of shares during the fiscal year.

Note 5: The highest and lowest share prices are those quoted on the First Section (currently, the Prime Market) of the Tokyo Stock Exchange

2. Company history

The predecessor of Pasona Inc. was established in February 1976 with the primary objective of creating employment opportunities for housewives.

Since then, Pasona Inc. has expanded its business to include temporary staffing, outsourcing, placement, human resources consulting, education and training, and other services (hereinafter “Human Resources-related Business”).

On June 1, 2000, Pasona Inc. separated its “Human Resources-related Business” from its other businesses and concentrated its management resources into the Human Resources-related Business. In addition, on the same day, the former Pasona Inc. took over the domestic Human Resources-related Business from Nambu Enterprise Inc. At the same time, Pasona Sunrise Inc. changed its trade name to Pasona Inc.

Pasona Inc. established Pasona Group Inc. (the Company) as its wholly owned parent company through a share transfer on December 3, 2007, and became a wholly owned subsidiary of the Company. On March 1, 2008, the Company transferred its shares to Pasona Inc. through an absorption-type demerger, with the Company as the successor company. The Company took over the affiliate management function and a portion of the business from Pasona Inc.

Company history (As of May 31, 2022)

Feb. 1976	Temporary Center Inc. established in Kita-ku, Osaka City to undertake temporary staffing as its main business
Jun. 1993	Corporate name Temporary Center Inc. changed to Pasona Inc.
Jun. 2000	Pasona Sunrise Inc. obtained operational rights of Human resource-related business from the former Pasona Inc. (currently Nambu Enterprise, Inc.) and changed corporate name to Pasona Inc.
Dec. 2001	Pasona Inc. listed on the Osaka Securities Exchange NASDAQ Japan market
Oct. 2003	Pasona Inc. listed on the First Section of the Tokyo Stock Exchange
Mar. 2004	Pasona Tech Inc. registered its shares on the over-the-counter market of the Japan Securities Dealers Association (JASDAQ)
Sep. 2004	Benefit One Inc. registered its shares on the over-the-counter market of the Japan Securities Dealers Association (JASDAQ)
Mar. 2006	Benefit One Inc. listed on the Second Section of the Tokyo Stock Exchange
Dec. 2007	Pasona Group Inc. established as a pure holdings company through a share transfer
	Company listed on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange Hercules
Dec. 2008	Company delisted from Osaka Securities Exchange Hercules
Jul. 2009	Pasona Inc. merged with MITSUI BUSSAN HUMAN RESOURCES CORPORATION
Nov. 2009	Pasona Tech, Inc. included in the scope of consolidation as a wholly owned subsidiary following the acquisition of shares by way of public tender
Feb. 2010	All shares of AIG Staff Co., Ltd. (currently Pasona Inc.) acquired and made a wholly owned subsidiary
Mar. 2010	Pasona Career Inc. merged with Pasona Inc. and changed its corporate name to Pasona Inc.
Mar. 2011	Acquired shares of KIS Corporation (currently Pasona Inc.) and made it a subsidiary
Jun. 2011	Pasona Inc. acquired all rights and obligations relating to the temporary staffing business of Ricoh Human Creates Co., Ltd. and Ricoh San-ai Life Inc. by succeeding to through an absorption-type demerger
Dec 2011	Acquired shares of International transaction Center Ltd. (currently Pasona Inc.), making it a wholly owned subsidiary
	Pasona Agri-Partners Inc. established as a wholly owned subsidiary

Mar. 2012	Acquired shares of CAPLAN Corporation and made it a wholly owned subsidiary
	Benefit One Inc. acquired shares of Unimat Solutions Inc. (currently Benefit One Inc.) and became a wholly owned subsidiary
Apr. 2012	Acquired shares of YASUKAWA BUSINESS STAFF CORPORATION (currently Pasona Yaskawa Business Staff Corporation) and made it a subsidiary
May 2012	Acquired shares of Bewith Co. and made it a subsidiary
	Benefit One Inc. acquires shares of Hoken Kyouiku Center Co., Ltd. (currently Benefit One Inc.), making it a wholly owned subsidiary
Sep. 2012	Pasona Furusato Incubation Inc. established as a joint-venture company with Benefit One Inc.
Nov. 2012	Pasona Tequila Inc. (currently circlace Inc.) established as a subsidiary
Jan. 2013	CAPLAN Corporation acquires shares of Asahi Beer Communications Co., Ltd. and makes it a subsidiary
Feb. 2013	Established Pasona Life Care Inc. as a wholly owned subsidiary
Mar. 2013	Pasona Tequila Inc. (currently circlace Inc.) becomes joint-venture with Tequila International PTE Ltd. and salesforce.co
Dec. 2013	Currently Pasona art now Co., Ltd. became wholly owned subsidiary through the acquisition of shares of Eco LOVE Co.
Apr. 2014	Acquired Medical Associa Inc. (currently Pasona Inc.) and made it a subsidiary
Jan. 2015	Established Tango Kingdom Inc. as a subsidiary
Apr. 2015	Pasona Tohoku Sosei Inc. established as a subsidiary
	Acquired shares of Panasonic Business Service Co., Ltd. (currently Pasonasonic Business Service Co., Ltd.) and made it a subsidiary
Aug. 2015	Benefit One Payroll Inc. (currently Pasona HR Solutions Inc.) established as a joint venture with Benefit One Inc.
Oct 2015	Acquired shares of PT. Dutagriya Sarana in Indonesia and made it a subsidiary
Apr. 2016	Pasona Inc. acquired shares of Osaka Gas Excellent Agency Co. (currently Pasona Inc.) and made it a subsidiary
	Pasona Knowledge Partner Inc. was established as a joint venture with Panasonic IP Management Co. and Japan Employment Creation Organization, Inc. (currently Pasona Masters Inc.)
Dec. 2016	Nijigennomori Inc. established as a subsidiary
	Benefit One Inc. acquires shares of REWARDZ PRIVATE LIMITED and makes it a subsidiary
Aug. 2017	Pasona Inc. acquired shares of NTT Human Solutions Corporation (currently Pasona HS Inc.) and Telwell Job Support Inc. (currently Pasona HS Inc.) and made it a subsidiary
	Took over of temporary staffing business of NTT-ME Service Corporation, NTT Solco and Hokkaido Telemart Corporation, Telwell West Nippon Corporation and DOCOMO Datacom, Inc.
Sep. 2017	Pasona Inc. acquired shares of Drop System Inc. (currently Pasona Inc.) and made it a subsidiary
Dec 2017	Benefit One Inc. established DG One Inc. as a joint venture
Feb. 2018	Acquired shares of Agensi Pekerjaan Pasona Sdn. Bhd. in Malaysia and made it a subsidiary
Apr. 2018	Acquired shares of MHI Diamond Staff Corporation (currently Nagasaki Diamond Staff Corporation), a subsidiary of Mitsubishi Heavy Industries, Ltd. and made it a subsidiary
	Job-Hub Inc. (currently Pasona JOB HUB Inc.) established as a subsidiary
Nov. 2018	Benefit One Inc. listed shares on the First Section of the Tokyo Stock Exchange
Jun. 2019	Pasona Advisor Network Inc. established as a subsidiary
Jan. 2020	Pasona HR Consulting (Thailand) Co. established as a subsidiary
Mar. 2020	Tango Kingdom Brewery Co., Ltd. took over the business of Tango Kingdom Co.
	Acquired all shares of Tango Kingdom Brewery Co. and made it a wholly owned subsidiary
Apr. 2020	Pasona Smile Inc. established as a subsidiary
	CAPLAN Corporation transfers temporary staffing business to Pasona Inc.
Jun. 2020	Pasona Tech, Inc. merged with Pasona Tech Systems, Inc.
	Pasona Human Solutions Inc. merged with Pasona Job Support Inc. and changed its corporate name to Pasona HS Inc.

Jul. 2020	Pasona Inc. merged with Pasona Digital Solutions Inc.
Aug. 2020	Pasona Advisor Network Inc. merged with Pasona Job Hub Inc. and changed its corporate name to Pasona Job Hub Inc.
Sep. 2020	Pasona Knowledge Partners Inc. established Pasona Intellectual Property Trust Inc.
Oct. 2020	Pasona Inc. merged with Pasona Marketing Inc. Shin Nihon Kogyo Co., Ltd. changes its name to GoTop Co.
Dec. 2020	Pasona Oversea Recruitment (Thailand) Co., Ltd. established as a subsidiary Pasona Inc. merged with Pasona HR Consulting Inc.
Mar. 2021	Pasona Fortune Inc. merged with Pasona Job Hub Inc. and changed company name to Pasona Job Hub Inc. Pasona Japan Creative University Inc. established as a subsidiary
Apr. 2021	Pasona Inc. merged with Pasona Okayama Inc.
Jul. 2021	Established Pasona HR HUB Inc. as a subsidiary
Aug. 2021	Established Kosyunoya Inc. as a subsidiary
Sep. 2021	Established awajishima resort Inc. as a subsidiary
Oct. 2021	Benefit One Inc. acquires all shares of JTB BENEFIT SERVICE, Inc. and makes it a wholly owned subsidiary
Dec. 2021	Established All Japan Tourism Alliance Inc. as a subsidiary
Mar. 2022	Subsidiary Bewith, Inc. listed on the First Section of the Tokyo Stock Exchange.
Apr. 2022	Benefit One Inc. merges with JTB BENEFIT SERVICE, Inc. Pasona Group Inc and Benefit One Inc. move from First Section of the Tokyo Stock Exchange to the Prime Market due to a revision of the Tokyo Stock Exchange's market classification

3. Contents of business

The Group consists of the Company as a holding company, 66 consolidated subsidiaries, and nine equity method affiliates, and is classified into eight segments, including Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing), Career Solutions (Placement/Recruiting, Outplacement), and Employee Welfare Outsourcing, and is engaged in Human Resources-related Businesses and regional revitalization businesses, etc.

The business segments and positioning of major group companies as of May 31, 2022 are as follows.

As the Company falls under the category of a Specified Listed Company, etc., as stipulated in Article 49, Paragraph 2 of the Cabinet Office Ordinance on Regulation of Trading of Securities, etc., the Company will be judged on the basis of consolidated figures with respect to the criteria for minor material facts under the Insider Trading Regulations.

(1) Business Segments and Major Group Companies

Business Segments	Major Group Companies	
HR Solution		
Expert Services (Temporary Staffing) **BPO Services (Contracting & Outsourcing)** **HR Consulting, Education & Training, and Others** **Global Sourcing (Overseas Human Resources Services)**	**Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing), HR Consulting, Education & Training, and Others**	
	Pasona Inc. Pasona Tech, Inc. Pasona Inc. Pasona Tech, Inc. Pasona HS Inc. Pasona Yaskawa Business Staff Inc. Pasona JOB HUB Inc. Pasona Logicom Inc. Pasona art now Inc. Pasona HR Solution Inc. Smart Style Inc. iBrit Inc. Pasona Japan Creative University	Bewith, Inc. Pasona Panasonic Business Service Co. CAPLAN Co. Nagasaki Diamond Staff Co. Pasona Masters Inc. Pasona Knowledge Partner Inc. Asahi Beer Communications Co. GoTop Inc. Pasona Heartful, Inc. Pasona Intellectual Property Trust Co.
	Global Sourcing (Overseas Human Resources Services)	
	Pasona N A, Inc. PASONA CANADA, INC. PT. Dutagriya Sarana Pasona Taiwan Co., Ltd. MGR Consulting Co., Ltd. Pasona Asia Co., Limited Pasona Korea Co., Ltd. Pasona Human Resources (Shanghai) Co., Ltd. Pasona Recruitment (Thailand) Co., Ltd. Pasona HR Consulting (Thailand) Co., Ltd. Pasona Oversea Recruitment (Thailand) Co., Ltd.	Pasona India Private Limited Pasona Tech Vietnam Co., Ltd. PT Pasona HR Indonesia Pasona Singapore Pte. Ltd. Pasona Education Co. Limited Pasona HR Malaysia Sdn. Bhd. Agensi Peker jaan Pasona Sdn. Bhd.
Career Solutions (Placement/ Recruiting, Outplacement)	Pasona Inc.	
Outsourcing	Benefit One Inc. Benefit One Shanghai Inc. BENEFIT ONE INTERNATIONAL PTE. LTD. Benefit One (Thailand) C0., Ltd REWARDZ PRIVATE LIMITED	Benefit One USA, INC. PT. BENEFIT ONE INDONESIA REWARDZ BENEFITS SDN. BHD.
Life Solutions	Pasona Foster Inc.	Pasona Life Care Inc.
Regional Revitalization Solutions	Pasona Furusato Incubation Inc. Nijigennomori Inc. Tango Kingdom Brewery Co., Ltd. Pasona Tohoku Sosei Inc. Kosyunoya Inc. All Japan Tourism Alliance Inc.	Pasona Noentai Inc. Pasona Smile Inc. Chihou Sousei Inc.. Takumi Sousei Inc. awajishima resort Inc.

(2) Major Segments Details

HR Solutions

(i) Expert Services (Temporary Staffing)

In accordance with the provisions of Japan’s *Act for Securing Proper Operation of Worker Dispatching Undertakings and Protection of Dispatched Workers* (hereinafter referred to as the "Worker Dispatching Act"), we conduct "worker dispatching business" in which we recruit, register, and dispatch temporary staff to companies, etc., under license from Japan’s Ministry of Health, Labor and Welfare. In dispatching workers, the Group recruits and registers dispatched staff in advance, matches the staff's wishes with the conditions of the client, concludes an employment contract between the staff and the Group, and dispatches the staff to the client.

(ii) BPO Services (Contracting & Outsourcing)

The Group processes business operations under contract or outsourced by clients, using a system that includes employees of the Group and workers that have entered into employment contracts with the Group to perform such operations. The transactions under outsourcing & contracting agreements include on-site (within the customer's premises) contracted work, BPO (Business Process Outsourcing) and outsourcing of the customer's business process by the Group's own facilities and systems, etc., and outsourcing of the customer's business process. The Group has its own facilities and systems for BPO and contact center operations, both of which are included in BPO services.

In the case of temporary staffing contracts, the client is responsible for directing and ordering the dispatched staff, whereas in the case of outsourcing and subcontracting contracts, the Group directs and orders the workers.

(iii) HR Consulting, Education & Training, and Others

Pasona JOB HUB Inc. provides services to solve management issues by introducing experienced executives and highly specialized domain personnel with abundant know-how and human networks.

CAPLAN Corporation provides education and training services commissioned by companies, government agencies, and municipalities, sales of talent management systems that centrally manage human resources, and consulting services related to the introduction and utilization of such systems, as well as human resources development and personnel management.

Pasona Heartful Inc., a special subsidiary, is engaged in social welfare-related businesses, including the development of an environment in which people with disabilities can work utilizing their talents and abilities, and consulting on employment support for people with disabilities.

(ⅳ) Global Sourcing (Overseas Human Resources Services)

We provide full-line human resource-related services overseas, including placement & recruiting, temporary staffing and outsourcing of contracting, payroll processing, education and training, and other outsourcing services.

(v) Career Solutions (Placement/Recruiting and Outplacement)

The "Placement/Recruiting" business is a fee-charging job placement business licensed by Japan’s Ministry of Health, Labor and Welfare under the *Employment Security Law* that recruits and registers candidates that wish to change jobs or find employment, and at the same time it collects job information to match their needs.

In addition, "outplacement" is a business that provides outplacement services to those that have retired or are scheduled to retire from a company due to company reasons (hereinafter referred to as "service users") by preparing their work history, preparing for job interviews, providing job information, and supporting independence until they find their next new job. When a company implements an early retirement program or transfers an employee to an external company, we enter into a basic contract with such a company and receive compensation from the company to support the career development of the service user.

(ⅵ) Outsourcing

The main business is the welfare and benefit agency business, in which companies, public offices, local governments, etc., become corporate members of membership organizations operated by Benefit One Inc., and the employees of corporate members (individual members) can use a welfare and benefit menu including accommodation facilities, sports clubs, and various schools, etc. The company is also engaged in the "personal" business (mainly for individual customers of cooperating companies), incentive business (loyalty and motivation support services through a variety of point redemption items), healthcare business (health support for disease prevention such as health checkup services, specific health guidance, and stress checks), and purchasing and settlement agency business.

Life Solutions

This segment includes the childcare business, which operates licensed and certified childcare centers, in-house childcare facilities, and childcare for school-age children; the nursing care business, which provides daycare services and home-visit nursing care services; and the housekeeping service business.

Regional Revitalization Solutions

In cooperation and collaboration with local residents, local businesses, and local governments, we conduct regional revitalization projects with the aim of creating new industries and employment opportunities for sustainable regional revitalization. In addition to food & beverages, amusement, and lodging businesses that utilize local specialties and existing facilities, we also conduct projects related to tourism promotion and business attraction so as to revitalize the region.

Business Overview

Pasona Group Inc. (a holdings company)

- Formulation of group management and support for business execution
- Implementation of business management and optical allocation of management resources
- New business development related to job creation, etc.

HR Solution

Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing), HR Consulting, Education & Training, and Others

Pasona Inc.	Pasona Tech, Inc.	Asahi Beer Communications Co.
Bewith, Inc	CAPLAN Corporation.	Pasona Yaskawa Business Staff Inc.
Pasona Panasonic Business Service Co., Ltd.		Nagasaki Diamond Staff Co., Ltd.
Pasona JOB HUB Inc.	Pasona Logicom Inc.	Pasona Knowledge Partner Inc.
Pasona Masters Inc.	Pasona art now Inc.	Pasona Human Solution Inc.
Pasona Heartful Inc.	Smart Style Inc.	Pasona HS Inc.
GoTop Inc.	iBrit Inc.	Pasona Intellectual Property Trust Co.
Pasona Japan Creative University	Pasona HR HUB	

Global Sourcing (Overseas Human Resources Services)

Pasona N A, Inc.	Pasona India Private Limited
PASONA CANADA, INC.	Pasona Tech Vietnam Co., Ltd.
PT. Dutagriya Sarana	PT Pasona HR Indonesia
Pasona Taiwan Co., Ltd.	Pasona Singapore Pte. Ltd.
MGR Consulting Co., Ltd.	Pasona Education Co. Limited
Pasona Human Resources (Shanghai) Co., Ltd.	Pasona Asia Co., Limited
Pasona Recruitment (Thailand) Co., Ltd.	Agensi Peker jaan Pasona Sdn. Bhd.
Pasona HR Consulting (Thailand) Co., Ltd.	Pasona Korea Co., Ltd.
Pasona Oversea Recruitment (Thailand) Co., Ltd.	Pasona HR Malaysia Sdn. Bhd.

Career Solutions (Placement/Recruiting and Outplacement)

Pasona Inc.

Outsourcing

Benefit One Inc.	BENEFIT ONE INTERNATIONAL PTE. LTD.
Benefit One Shanghai Inc.	Benefit One (Thailand) Co., Ltd
Benefit One USA, INC.	REWARDZ PRIVATE LIMITED
PT. BENEFIT ONE INDONESIA	REWARDZ BENEFITS SDN. BHD.

Life Solution

Pasona Foster Inc. Pasona Life Care Inc.

Regional Solution

Pasona Furusato Incubation Inc.	Pasona Agri-Partners Inc.
Nijigennomori Inc.	Pasona Smile Inc.
Tango Kingdom Brewery Inc.	Chihou Sousei Inc..
Pasona Tohoku Sosei Inc.	Takumi Sousei Inc.
Kosyunoya Inc.	awajishima resort Inc.
All Japan Tourism Alliance Inc.	

4. Status of associated companies

The Group's 66 consolidated subsidiaries and nine equity method affiliates (as of May 31, 2022) are engaged in the following business types: temporary staffing, outsourcing & contracting, placement & recruiting, outplacement, outsourcing, childcare & nursing care, and regional revitalization.

Company name	Location	Share capital or investments in capital (millions of yen)	Contents of major business	Ratio of voting rights holding or held (%)	Relationship
(Consolidated subsidiaries)					
Pasona Inc. (Note 1, 5)	Chiyoda-ku, Tokyo	100	Temporary staffing, BPO (contracting and outsourcing), placement and outplacement	100.00	Business management Trademark licensing Business consignee Concurrent director (1) Loan and deposit of funds Guarantee of debt
Benefit One Inc. (Notes 1, 2, 3)	Chiyoda-ku, Tokyo	1,527	Welfare benefit agency services	51.08	Outsourcing of employee welfare services Concurrent director (1) Deposit of funds
Bewith, Inc. (Note 1, 2, 3)	Shinjuku-ku, Tokyo	692	Contact center, BPO (outsourcing & contracting)	57.25	Business consignee Concurrent director (1)
Pasona Panasonic Business Corporation	Osaka City, Osaka	20	General administration and office support, production of manuals and promotional materials, digital content production, document services, etc.	66.50	Trademark licensing Business consignee Concurrent director (1) Deposit of funds
Nijigennomori Inc. (Note 4)	Awaji City, Hyogo Prefecture	100	Operation of "Nijigen-no-mori" animation park, regional revitalization projects, etc.	100.00 (0.10)	Business management Deposit of funds Concurrent Director (1) Guarantee of debt
Pasona Tech, Inc.	Chiyoda-ku, Tokyo	100	Temporary staffing, BPO (contracting and outsourcing), placement & recruiting	100.00	Business management Trademark licensing Outsourcing Deposit of funds
Pasona HS Inc. (Note 4)	Chiyoda-ku, Tokyo	100	Temporary staffing, BPO (contracting and outsourcing), placement and outplacement	100.00 (100.00)	Business management Trademark licensing Deposit of funds
Pasona JOB HUB Inc.	Chiyoda-ku, Tokyo	50	Temporary staffing, BPO (contracting and outsourcing), placement	100.00	Business management Trademark licensing Deposit of funds
GoTop Corporation (Note 4)	Matsusaka City, Mie Prefecture	52	Printing, video, web and multimedia production, event and exhibition production, etc.	60.24 (60.24)	Deposit of funds Outsourcing
Pasona Smiles Inc.	Awaji City, Hyogo Prefecture	30	Operation of amusement facilities, cultural creation business, regional development business, etc.	100.00	Business management Trademark licensing Acceptance of collateral Concurrent Director (1)
56 other companies					
(Equity method-applied affiliated companies) Nine companies					

Note 1: The company is a specified subsidiary company.

Note 2 :The company submits annual securities reports.

Note 3 :The following companies are consolidated subsidiaries of the Group that are publicly traded on securities

markets in Japan.
Prime Market of the Tokyo Stock Exchange: Benefit One Inc. ,Bewith, Inc.

Note 4: Figures in parentheses in the "Percentage of voting rights held" column indicate indirect ownership.

Note 5: Pasona Inc. accounts for more than 10% of consolidated net sales (excluding inter-company sales among consolidated companies).

Principal financial information

(1) Net sales	¥209,363 million
(2) Ordinary profit	¥15,648 million
(3) Profit	¥10,082 million
(4) Net assets	¥29,839 million
(5) Total assets	¥70,214 million

5. Status of employees

(1) Status of consolidated companies

As of May 31 2022

Segment	Number of employees
Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing) Others	7,555 (12,123)
Career Solution (Recruiting/Outplacement)	409 (176)
Outsourcing	1,155 (195)
Life Solutions	501 (362)
Regional Revitalization Solutions	136 (136)
Companywide	608 (132)
Total	10,364 (13,124)

Note 1: The number of employees is the total number of full-time employees of all consolidated companies, and the average number of temporary employees for the year is shown in parentheses.

(2) Status of the reporting company

As of May 31 2022

Number of employees	Average age	Average years of service	Average annual salary (¥, thousands)
674 (296)	36.8	8.2	6,192

Segment	Number of employees
Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing) Others	66 (164)
Companywide	608 (132)
Total	674 (296)

Note 1: The number of employees is the number of full-time employees, and the average number of temporary employees for the year is shown in parentheses.

Note 2: In calculating average years of service, employees transferred from consolidated subsidiaries of the Company are included in the total number of years of service at the relevant companies.

Note 3: Average annual salary includes bonuses and non-standard wages.

(3) Status of labor unions

There is nothing special to report.

I-2. Status of business

1. Management policies, management environment, challenges to address, etc.

(1) Basic policy for company management

Based on the corporate philosophy of "Solutions to Society's Problems," which has remained unchanged since its establishment in 1976, and in accordance with Pasona Group's "Mission" and "Guiding Principles," the Group aims to contribute to the building of a sustainable society through the realization of the "Smart Life Initiative" to create enriched lives for people.

Corporate Philosophy

Solutions to Society's Problems

Pasona Group's job is to harness the potential of the individual. That is, to “Life Produce” and to support the creation of a comfortable lifestyle for people everywhere.
To carry this out, our mission is to continue embracing challenges with high aspirations and dedication toward creating a new social infrastructure.

- **Creating a society in which every person is able to find work that they like and a career that complements their personal goals**
- **Working toward a society in which people are free to exercise their talents through an egalitarian relationship between the workplace and the individual**
- **Promoting diversity and continually creating opportunities for individuals to achieve their dreams**

(2) Target Management Indicators

The Group's job is to "make the most of people" and to create enriched lifestyles for people, in other words, "life production.” As a "Social Solutions Company," we will respond to diversifying needs, continue to be a company needed by society, and strive to enhance corporate value through group cooperation and synergy creation, thereby achieving sustainable growth and improving profitability.

(3) Issues to be addressed by the Company

(i) Further expansion of BPO services and promotion of DX

The Group provides BPO services to various companies and organizations by undertaking various clerical tasks such as general affairs, accounting, and finance. In Japan, where the working-age population is declining, the movement to improve productivity and efficiency of business operations continues to attract a great deal of attention, regardless of fluctuations in economic conditions. In an environment that requires quick and effective responses to changing economic conditions, project-based business areas that effectively utilize outside personnel and resources for a set period of time are also expanding.

In response to increasingly diverse management issues, the Group is expanding the scope of its service offerings by strengthening cooperation within the Group and promoting Xtech. In addition, we will accelerate the DX of BPO services by promoting Xtech and utilizing digital tools such as RPA and AI to provide higher-value-added services. The Pasona Group's efforts to promote digital services are described in the "Pasona Group DX White Paper 2022" below.
https://www.pasonagroup.co.jp/company/dx.html

(ii) Strengthening support for career development in the "era of living to 100"

As Japan enters an "era of living to 100," the percentage of the working population over the age of 45 is increasing year by year, and the number of senior citizens that continue to work beyond the age of 65 after retirement is increasing.
In addition, Japan’s revised *Act Concerning Stabilization of Employment of Elderly Persons*, which came into effect last year, requires companies to secure employment opportunities for employees until the age of 70.
Under these circumstances, our group is engaged in the senior staffing business and the professional and advisory staffing

business, which matches experienced human resources as corporate advisors and Outside Directors. In addition, we support diverse work styles, such as dual or multiple jobs. In addition, we are expanding our service menu to support companies' recurrent education and human capital management, including the provision of "Safe Placement Total Service," which supports diverse career development of employees.

(iii) Promotion of Regional Revitalization projects for a sustainable society
In September 2020, the Group announced the phased relocation of a portion of its head office functions to Awaji Island, Hyogo Prefecture, and is promoting BCP (business continuity plan) measures by decentralizing its bases. We have also launched a work program for a wide range of people, including young people affected by the COVID-19 pandemic, single-parent families that have difficulty finding work, and experienced seniors. In addition, on Awaji Island, Hyogo Prefecture, we have started a program to support the development of social entrepreneurs and young people from around the world. The Awaji Youth Federation (Awaji Youth Federation), which brings together talented young people and social entrepreneurs from around the world to create new industries and promote regional development, has been launched in Hyogo Prefecture.

In addition, the Group has been selected as a corporate sponsor for the 2025 Japan International Expo (Expo '70 Osaka-Kansai), which will be visited by many people from around the world. In the "PASONA Natureverse" pavilion, we will exhibit our products and services in the areas of "Medical Care/Food," "Motivation/Compassion," and "Work/Mutual Aid." We will also accelerate the realization of further regional development by connecting Awaji Island and Osaka.

(4) Promotion of sustainability management
Based on the corporate philosophy of "Solutions to Society's Problems," the Group is committed to business activities aimed at realizing a sustainable society and promoting sustainability management for the sustainable growth of the Group. In 2021, we will establish "Pasona Group Sustainability" to clarify the significance of our sustainability efforts and the future image we are aiming for, and to make it the common understanding of the Group.

Our ESG and sustainability initiatives are posted on our website:
https://www.pasonagroup.co.jp/ir/esg.htm

Pasona Group's Sustainability Management

Commitment to Sustainable Global Environment

- Major Efforts to Reduce CO2 Emissions
- Environmental Initiatives
- Compliance with the Task Force on Climate-related Financial Disclosure (TCFD)

Respect for Diversity Commitment to Human Capital

- Diversity and Inclusion
- Human Resource Development
- Providing diverse career paths and employment opportunities
- Health Management Initiatives

Inheritance of the Founding Spirit and Corporate Culture

- Spreading the Philosophy
- Fostering a corporate culture geared toward solving social issues
- Governance

1) Commitment to Sustainable Global Environment

Since 2005, when the government-led "Team Minus 6%" project was launched, the Group established an Environmental Committee composed of Executives and employees from each Group company. Since then, we have worked to create opportunities for each and every one of our employees to act as "social activists," in addition to providing them with environmental education, in order to leave a healthy and beautiful planet for future generations.
In recent years, as environmental destruction, global warming, abnormal weather, and the destruction of ecosystems have become increasingly serious on a global level, as a social solutions company, Pasona
Group will communicate its vision of sustainable management and continue to be a trusted socially responsible long-selling company. In June 2021, Pasona Group formulated the Pasona Group Environmental Innovation Strategy, and in July of the same year, Pasona Group announced its support for the Task Force on Climate-related Financial Disclosure (TCFD).
In November 2021, Pasona Group established the Environmental Management Promotion Council to analyze climate change scenarios and clarify business impact based on risks and opportunities.

Based on the results, we will now disclose climate-related information in line with TCFD recommendations.

a. Major efforts to reduce CO_2 emissions

The entire group is actively promoting energy-saving activities to reduce CO_2 emissions. We are actively switching to hybrid and electric vehicles for company cars. We are also promoting the use of renewable energy at our offices. In addition, the entire company is promoting the reduction of paper resources by converting employee handbooks into mobile apps, digitizing contracts and paper documents, and using tablet terminals at board meetings and other meetings. We are striving to reduce CO_2 emissions by changing the behavior of each and every Executive and employee through "Kaizen Challenge" activities, which promote ecological activities not only in the workplace but also at home and individually, and through environmental conservation activities in Japan and overseas. In the fiscal year ended May 31, 2022, we reduced CO_2 emissions by 240 tons through the introduction of eco cars, digitization of paper documents, and environmental conservation activities.

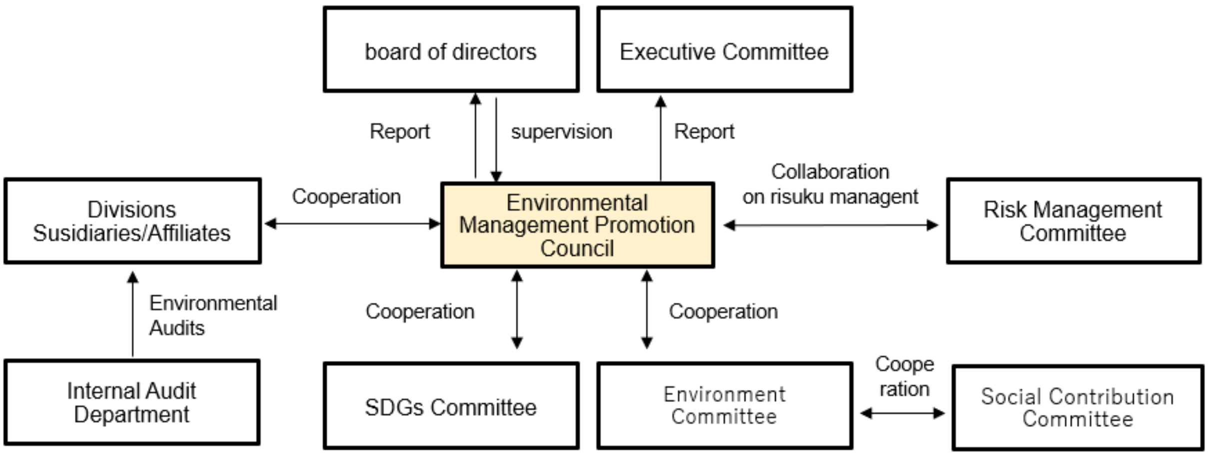
b. Environmental initiatives

We have conducted environmental education for all Officers and employees to raise awareness of environmental issues throughout the Group and to encourage changes in behavior. In total, 8,000 persons participated in the program during the year. In addition, as part of our environmental preservation efforts, we have been contributing to the prevention of global warming, planting trees, preserving *satoyama*, and beautifying the environment. In the fiscal year ended May 31, 2022, we conducted 245 such activities in Japan and overseas, with a total of 2,695 employees. We have also introduced composting, in which food waste is not thrown away but used as a recyclable resource, to our operations on Awaji Island, where it is turned into compost, converted into a resource, and used on farms. We also promote activities as part of environmental education for employees and provide opportunities for each household to work on environmental issues, such as in the new establishment of the Composting Department within the company.

c. Compliance with the Task Force on Climate-related Financial Disclosure (TCFD)

Governance

The Environmental Management Promotion Council has established a policy and action plan to identify and address the current status of climate change issues. The Risk Management Committee deliberates on matters related to climate change risk management, and the Internal Audit Department conducts environmental audits of each department and affiliated company. The Board of Directors monitors important matters related to climate change by receiving reports from the Environmental Management Promotion Council and providing appropriate advice.



Board of Directors	Oversight of climate change response	At least once a year
Environmental Management Promotion Council	Climate change response policy decisions Developing an Action Plan for Climate Change Response Executive Officer in Charge: Executive Officer & Vice President, General Manager of the Pasona Way Headquarters,	At least once a year

Strategies

The Group analyzed risks and opportunities for 2030 based on several climate change scenarios (1.5–2°C and 4°C global increases). The scenario analysis is based on reports issued by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and Japan's Ministry of the Environment, and other organizations. The process of analysis and the main risks and opportunities identified in the scenario analysis are as follows.

Aanalytical Pprocess

Materiality Assessment of Risks and Opportunities → Definition of scenario groups → Assessment o business impacf → Definition of response measures

Risk/Opportunity Items

Risks and opportunities from policy, legal, technological, and market changes associated with the transition to a low-carbon society aimed at mitigating climate change	Risks and opportunities manifested by disasters due to climate change, etc.
Transition risk 1 greenhouse gas emission regulations 2 higher carbon prices	**Physical Risk** 1 severe extreme weather eventssevere extreme weather events 2 increase in average temperature
Transition Opportunities 1 BPO projects related to CO2 emissions visualization 2 environmental education business	**Physical Opportunities** 1 administrative support to municipalities and insurance companies

For each risk and opportunity identified, we drew up specific scenarios and examined the financial impact on our business, quantitatively and qualitatively. As a result, the major risks and opportunities identified by the Group through this scenario analysis and our policy for dealing with them are as follows. No significant risks affecting the business were identified. We will continue to review our assessments and enhance information disclosure.

Risk/Opportunity Items			Potential Impact	Our Response Policy
Risk	Transition risk	greenhouse gas emission regulations	Increase in procurement costs of electricity, etc.	Promote use of renewable energy for office and facility electricity Realization of micro-grids at Awaji Island facilities
		higher carbon prices	・Increase in fossil fuel use costs ・Negative impact on our temporary staffing and BPO businesses due to deteriorating client performance	Monitor portfolio of client industries, as there may be transactional impact with customers that have little direct risk to the Company, but a high impact
	Physical Risk	severe extreme weather events	Awaji Island facilities cease operations	Continuation of BCP measures currently underway
		increase in average temperature	Increased heating and cooling costs	Greening of offices and creation of energy-efficient facilities Realization of microgrids at Awaji Island facilities
Opportunity	Transition Opportunities	CO2 emissions visualization	Increased demand for services related to CO2 emissions visualization	CO2 emissions visualization BPO services and CO2 emissions offsetting services for companies working on decarbonization management Development of digital solutions after visualization
		environmental education	Growing interest in environmental education programs	Developing environmental training programs for corporations and environmental human resource development programs utilizing fieldwork on Awaji Island, based on our own training programs
	Physical Opportunities	administrative support to municipalities and insurance companies	Increased demand for BPO business during natural disasters	Strengthen BPO business

Strategies (Opportunities)

As the movement toward decarbonization accelerates in Japan and overseas, listed companies in particular are required to disclose climate-related financial information and take measures to achieve carbon neutrality, including in their supply chains. However, many companies lack not only the know-how to visualize CO_2 emissions but also the resources to perform the complicated tasks associated with this process. In addition, educating employees about the SDGs is another challenge.

CAPLAN Corporation, a consolidated subsidiary of the Company, provides "BPO services" to support CO_2 emissions visualization and related operations, as well as "environmental training services" for employees.

Training for companies related to environmental issues and climate change

We provide “environmental training services” customized to meet the issues of each company by leveraging CAPLAN Corporation's extensive network of instructors and the environmental education know-how for more than 8,000 Executives and employees of Pasona Group companies. We will strive to raise awareness within the company and develop human resources to take on new challenges in the environmental field.

Visualization of CO_2 emissions

CAPLAN Corporation's "CO_2 Emissions Visualization BPO Service" supports the visualization of CO_2 emissions from both system and operational perspectives by combining the GHG (greenhouse gas) emissions calculation and visualization cloud service and the Group's BPO Service know-how.

Risk management

The Group has established Risk Management Regulations to prevent crises that could have serious impact on management and to minimize losses in the event that such crises should occur.

Risks due to climate change are identified by the Environmental Management Promotion Council, where relevant laws and regulations and natural disasters that can affect business are discussed.

In addition, the Board of Directors is regularly informed of the details of these measures, the status of response is monitored, and progress is managed and reviewed. We are building a management system for climate change risk.

2) Initiatives for Diversity/Commitment to Human Capital

Since our founding in 1976, we have worked to realize a society in which everyone, regardless of age, gender, nationality, or disability, can freely use their talents to fulfill their dreams and take pride in their work. We are committed to the sustainable development of the Group by proposing diverse work styles that maximize the abilities of each individual, supporting career development, and creating a safe working environment.

a. Diversity and Inclusion

All of our employees join our company as career-track employees, and we practice human resources development and placement of the right person in the right job without gender bias. The percentage of female employees in all employees is 63.0%, and the percentage of female managers in all management positions is 54.6%. We also offer flexible work systems such as "telecommuting," "short-time work," and "flextime" so that our employees can be active in their careers even when they reach milestones in their life stages such as childbirth, child rearing, and nursing care. The Company also has an onsite childcare center within the Group's headquarters, and the Pasona Family Office on Awaji Island provides childcare services for employees.

In terms of human resources development and career development support for female employees, two of those that completed the "Wonder Woman Training," a next-generation female leadership development program launched in 2014, were promoted to President of a group company, 22 to Executive Officer, nine to Deputy Executive Officer, and 33 to senior manager.

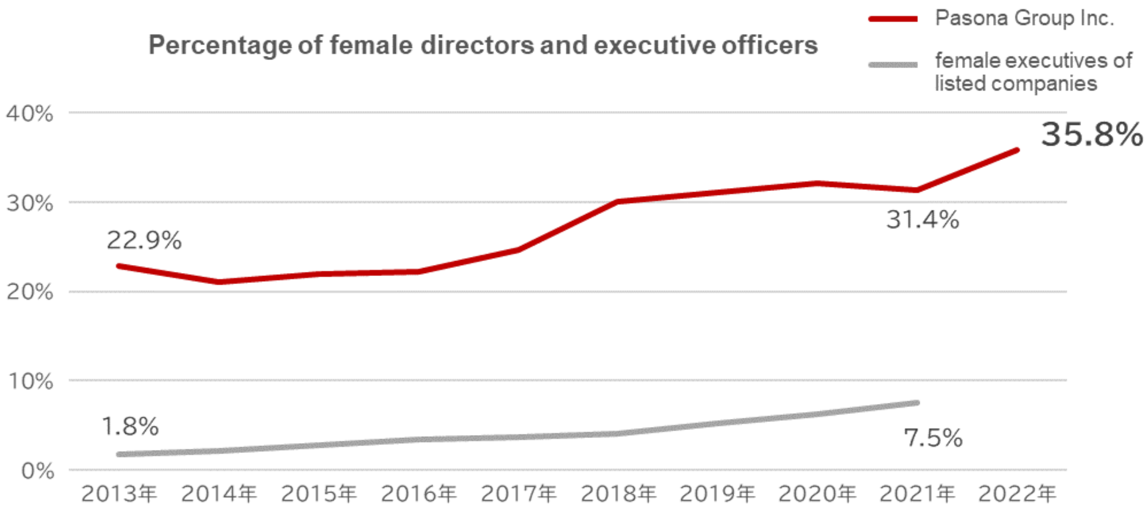
Utilizing the know-how cultivated by the Group, in 2021, we started offering the "Women's Advanced Program," a program to train female Executive candidates that can contribute not only to their own companies but also to society. To date, we have trained 35 female Executive candidates from 33 companies.

In recognition of these various efforts, we have been selected as one of the "Nadeshiko Distinguished Companies" for 2021, which selects listed companies that excel in promoting women's activities.

Percentage of female Directors and Executive Officers:	35.8%
Percentage of female managers among all managers:	54.6%
Percentage of female employees:	63.0%
Percentage of foreign personnel that are women:	72.7%
Percentage of women taking childcare leave:	100.0%
Percentage of male employees taking childcare leave:	15.6%

NADESHIKO BRAND 2022

Percentage of female employees returning to work after childbirth: 100.0% level every year.
*As of May 31, 2022, the combined total of Pasona Group Inc. and Pasona Inc.



*The percentage of female executives in the Pasona Group is the sum of Pasona Group Inc. and Pasona Inc.
* The percentage of female executives of listed companies was compiled from "Executive Quarterly" by Toyo Keizai Inc.

The Group actively recruits human resources regardless of nationality, and the percentage of non-Japanese employees in management positions, the core of business operations, is 1.0% (7.7% on a consolidated basis including overseas subsidiaries). Since 2017, we have accepted 76 talented young people and social entrepreneurs from 39 countries and regions around the world to join our human resources development program, the "Awaji Youth Federation," which aims to create new industries and realize local community development, and to foster young people with diverse values, knowledge, and experience. The percentage of mid-career hires in our management positions is 56.2%. We will continue to actively promote foreign nationals and mid-career hires to management positions and will focus on ensuring diversity.

We have also created an environment where people with disabilities that are willing to work but find it difficult to do so can work vigorously and a place of "symbiosis" where they can participate in society with able-bodied people, based on the concept of ""Disability is Individuality, and Talent Knows No Handicap!" In addition to office work, we have created an "art village," where artist employees work in order to expand the field of employment through "art," and we have also established a professional agriculture business that produces safe and assured vegetables (using no agricultural chemicals) and organics. "Yume Farm" grows safe and assured vegetables, rice, and herbs using organic and nonagricultural methods, and the "Bakery" produces and sells additive-free bread and baked goods under the guidance of top-class craftsmen. Pasona Heartful, a special subsidiary, and other Pasona Group companies provide a wide range of opportunities to make the most of their individual abilities. In addition, Pasona Group companies, including Pasona Heartful, a special subsidiary, are expanding the scope of their activities by taking advantage of their individual abilities. In addition, Pasona Group is also focusing on providing consulting services and support for CSR activities to companies that are proactive in employing people with disabilities.

Number of employees with disabilities
(total of Pasona Group companies): 560
For the fiscal year ended May 31, 2022

b. Human Resource Development

The Group is committed to supporting career development not only for employees' autonomous growth but also for expert staff (dispatched workers) and those that wish to work, in order to shift from a society that has been dependent on corporations to one in which everyone can make full use of their talents and abilities and become self-reliant individuals.

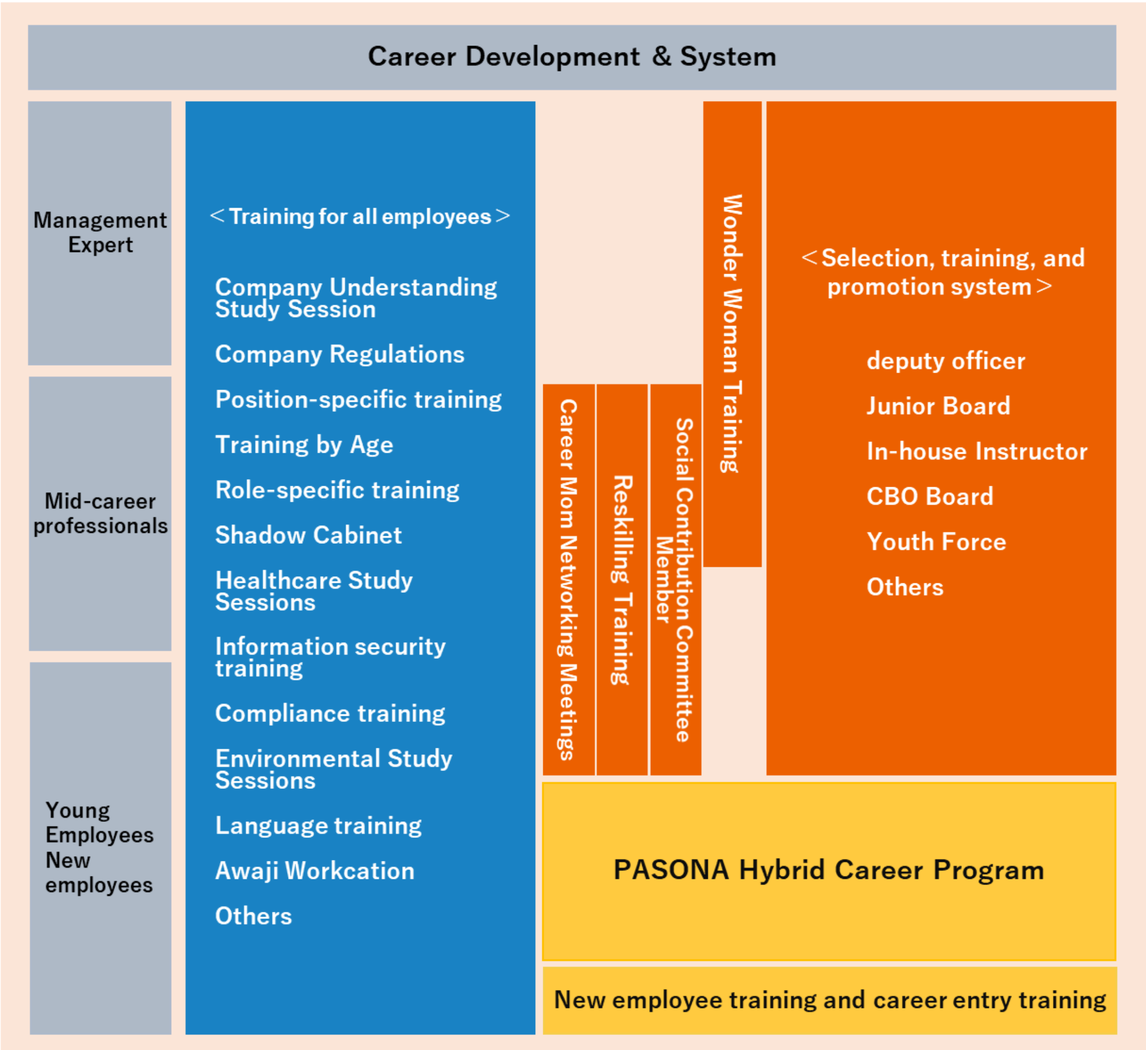
Supporting Employees' Autonomous Career Development

We have systematized and implemented a training and education program for all Pasona Group employees via the "Pasona 'Kokorozashi' University," an in-house university. We offer a variety of education and training programs to support the autonomous career development of each employee, including the acquisition of abilities and expertise required for each grade, position, and function, selective training to maximize the talents and potential of each individual, diverse training to acquire digital skills, and the development of management personnel that will lead the next generation of the Group.

Training cost per employee/person*1:	¥252 million/3,275 persons
Average training hours per employee*1:	69 hours
Number of participants in annual, position-, and function-specific training*2:	482 in total
Number of participants in the next senior management development program*3:	17 Deputy Board Members, 16 Junior Board Members, 21 CBO Board Members, and 13 Wonder Woman Trainings
Social Contribution Committee:	40 participants from domestic and overseas group companies to understand the corporate philosophy through hands-on experience

*1 Pasona Group Inc. and Pasona Inc. regular employees in the fiscal year ended May 31, 2022
*2 Training for regular employees of Pasona Group Inc. and Pasona Inc. for the fiscal year ended May 31, 2022
*3 Actual results for the fiscal year ended May 31, 2022

Pasona Kokorozashi University



Developing DX Human Resources to Create New Added Value

We are focusing on the development of DX human resources by establishing an education system by job level to improve the IT literacy of all Group employees, develop specialized human resources to promote DX, and develop new solutions utilizing data and digital technology. We have set a goal of developing approximately 3,000 DX human resources for the entire group by the end of May 2024, and we developed 500 DX human resources in the fiscal year ended May 2022.

Through the development of DX human resources, we will create new added value in our services and further improve customer satisfaction.

Digital Human Resource Development Program Overall Overview

Basics → Experts

course	Digital training for new employees	Digital academy employee system	Introduction to DX Training	Hybrid career program	Expert in RPA use	RPA Development Expert	Reskilling Initiative	Expert program
contnts	mprove data literacy and learn the basics of DX, which is essential for working professionals.	One-year education and training program for inexperienced IT professionals	Basic program to learn DX for the first time	Basic DX training for young employees, also aiming to pass IT Passport	Specific training programs to develop RPA safe operation skills	Six-month program to learn programming and RPA implementation skills to improve operational efficiency in the field.	Re-learning program for sales, headquarters, and IT departments to become DX human resources	Practical advanced programs for AI application and data utilization
target	New employees	Employees who join the company after meeting the requirements of the program (including foreign languages)	Group employees who have been with the company for at least two years	Group employees in their fourth or fifth year of employment after graduation	Preferred Division	Preferred Division	Group employees who have been with the company for 3-15 years	Managers of IT departments and business units that must utilize data, etc.
method	All eligible employees	All eligible employees	applicant	All eligible employees	Selection	Selection	Selection	Selection

Supporting Workers in Creating Their Careers

Our nationally certified career consultants carefully identify the abilities and strengths of people that wish to work, and they support the career development of 220,000 people per year. We also offer 2,300 specialized courses to help people improve their skills and acquire qualifications. Pasona Career College offers 2,300 specialized courses to help people improve their skills and acquire qualifications, and 110,000 people have taken these courses.

In April 2022, we established a private qualification for "work-life facilitators," professionals with expertise in various life events such as childcare & nursing care. We aim to train 650 people by May 2024.

- First-level career consulting technicians: 19
- Second-level career consulting technicians: 385
- National Qualified Career Consultants: 405
- Industrial counselor and other related qualifications: 314

Personnel employed by Pasona Group Inc. and Pasona Inc. as of May 31, 2022

Young People from Around the World Gathering to Create New Innovations

The "Awaji Youth Federation" has been held since 2017 with the aim of creating new industries and realizing regional development by bringing together talented young people and social entrepreneurs from all over the world. The first three terms have produced 76 Fellows from 39 countries and regions. After completing the program, the Fellows are working to solve various social issues in countries and regions around the world, including Japan. Some of them moved to Awaji Island and continue to take on the challenge of creating further innovations.

Employment Support for Single-parent Families

We launched a project in August 2020 on Awaji Island, Hyogo Prefecture, to provide total support for work, housing, and education for "single-parent families" facing difficulties in both employment and living conditions. The project provides an environment where they can work with peace of mind on Awaji Island, raise their children in the midst of nature, and receive a fulfilling education. As of the end of May 2022, 55 people in 24 households were living on Awaji Island. In addition, we provide single mothers with the opportunity to support for single mothers to create job opportunities by reskilling their education and to expand their career options. After completing the program, we provide employment support utilizing the nationwide network of our group companies. To date, 550 people have participated in the program and have taken on the challenge of a new career.

Fresh Career Up Program

In order to support the "maintenance of employment and career advancement of young employees" at companies for which business activities were affected by the COVID-19 pandemic, we accept employees that are forced to stay at home or take a leave of absence. In April 2021, we launched the "Fresh Career Up Program," which created job opportunities for employees that have been forced to stay at home or take leave from work. To date, 1,600 employees from 70 companies have been accepted.

Gap Year Program

We are implementing the "Gap Year Program" to support new graduates that have not yet entered the workforce and who face a difficult employment environment due to the COVID-19 pandemic. The program has so far attracted 30 participants, that have spent up to two years working as contract employees for the Group while acquiring the basics of business and social skills, and to challenge their own potential to achieve their dreams and goals.

c. Providing Diverse Career Paths and Employment Opportunities

Under the policy of "Create your career by yourself," we provide an environment in which employees can develop their careers autonomously, and we provide opportunities for each employee to pursue his or her own dreams and aspirations. We have established a system that supports the realization of each employee's "dreams" and "aspirations."

Supporting Employees' "Multilayered Career Development"

In order to develop human resources that can contribute to society by acquiring the human ability to adapt to changes in the social environment, we have started "Hybrid Career Program" for new graduates joining us in April 2022. New employees will be involved in the work of the department to which they are assigned and will have the opportunity to work in a variety of fields, such as "Sales x Agriculture," "Human Resources x New Business Startup," and "Corporate Planning x Entrepreneur," etc. We have established an environment in which employees can engage in multiple jobs within the company from their first year of employment. We also provide support for working outside the company (multiple jobs), and 240 employees are practicing hybrid careers. We also support employees to build a multilayered career that enables them to challenge their own dreams and aspirations and to envision a diverse future.

Supporting employees' career challenges

Since 1989, we have had an "Open Position System" that allows employees to raise their hands and take on the challenges for open positions within the company. In the fiscal year ended May 2022, 52 employees took advantage of this system to take on new career challenges. In addition, the "My Career Bank" program, which has been in place since 1993, allows employees to report their own career plans directly to the Human Resources Department each year. This system supports employees' autonomous career development.

In-house venture system: "Challenge Day"

Since 1995, we have designated February 16, the anniversary of our founding, as "Challenge Day" to encourage all employees to propose new businesses and improvements to our operations. We invite all employees to submit proposals for new businesses and operational improvements. We support the commercialization of outstanding proposals and create new businesses. The "Challenge Day" is a system that allows all employees to return to the spirit of the company's founding and realize the "dreams" and "aspirations" of each and every employee. In the fiscal year ended May 2022, we held study sessions to learn about new businesses by inviting experts from inside and outside the company and lectures on how to launch a new business. A total of 1,300 applications were received from diverse employees, from new recruits to employees of overseas subsidiaries.

d. Health Management Initiatives

The Group's top management has a policy of health management, and departments in charge of health management measures for the entire company, such as industrial physicians, the Health Promotion Office, and the Human Resources Department, conduct health management activities based on regular health checkup data and lifestyle surveys.

Under the top management's policy on health management, the divisions in charge of company-wide health management measures, such as industrial physicians, the Healthcare Support Room, and the Human Resources Division, promote health management that enables employees to be active and vigorous based on periodic health checkup data and lifestyle surveys. In addition, we have developed our own programs to support employees' mental and physical health and fitness together with our professional staff, including public health nurses, nutritionists, and sports trainers. In addition, health committee members stationed at our offices and areas nationwide take the lead in gathering feedback on the workplace environment in their respective regions, and this is used to formulate each policy.

2022
健康経営優良法人
Health and productivity
ホワイト500

The Company has been recognized as an "Excellent Corporation for Health Management (Large-scale Corporation Category) White 500" for six consecutive years under the certification system for excellent health management organized by the Japan Health Council and by Japan's Ministry of Economy, Trade and Industry.

Conducting Lifestyle Survey and Publication of Results

Once a year, we conduct a lifestyle survey of all employees. The results are scored in the categories of exercise, diet, sleep, and preferences (drinking, snacking, smoking) and are then fed back to the employees to help them review their lifestyles. The results are used to improve the health literacy of each employee by providing feedback on individual results and their own health position in the company as a whole. In the fiscal year ended May 31, 2022, 7,000 employees from 30 Group companies took the lifestyle survey.

Health Care Literacy Education

The Group, in which many women are active, holds "women's health lectures" for its employees (3,900 participants in the fiscal year ended May 31, 2022) to teach them about health issues specific to women so that they can be active in their own ways as their life stages change. The "Mental Health Training" was held for managers and for all employees by job level (three times, 10,700 participants in total).

Online Health and Wellness

We regularly hold online exercises that can be easily worked on while at work, along with "Health LIVE Seminars" where you can receive practical advice from experts during your lunch hour. We offer programs that employees nationwide and expert staff (temporary staff) can easily participate in from their homes or offices. In the fiscal year ended May 31, 2022, a total of 1,600 people participated in online programs. In addition, the Junior Board Members, that are candidates for the next generation of Executives, have devised their own original "Pasona Exercise" and encourage employees to move their bodies together during morning gatherings and before meetings. This exercise promotes communication that transcends the boundaries of Group companies and departments.

Establishment of a Consultation Desk

We have set up a consultation service for employees and expert staff (temporary staff) to discuss not only their careers but also their health, lifestyles, and other concerns. In addition to support by industrial physicians, the Health Promotion Office, and the Human Resources Department (Work-Life Facilitator*), we also provide consultation opportunities through information exchange among employees, such as roundtable discussions with senior mother employees. In August 2021, we established an "online consultation service" where employees can consult with a medical specialist regarding women's health issues and childcare and childbirth.

Note: A supporter that takes care of all health-related concerns of employees and their families, such as balancing career, work, family, nursing care, and childcare; the members are there for each and every employee. The members have established a support system to provide advice to each employee and have conducted 1,800 interviews in the fiscal year ending May 2022.

Providing Women's Health Support Programs

In 2021, we will launch "Kira+sup," which will provide companies with training programs on women's health promotion and an online consultation service to discuss women's health issues with medical specialists. In April 2022, in addition to private companies, we will provide services to a total of approximately 500,000 people in 62 health insurance associations of the Tokyo Federation of Health Insurance Associations. The company is supporting the creation of an environment in which workers can be physically and mentally healthy and vigorously active, along with the promotion of corporate health management.

(3) Inheritance of the Founding Spirit and Corporate Culture

Since its founding, the Group has upheld the corporate philosophy of "solving society's problems," and we will continue to carry on the founding spirit of working to solve social issues through our business activities. In order to continue to be a company that contributes to society, we provide all employees with opportunities to learn about our corporate culture.

a. Spreading the Philosophy

In order to clarify management policies and unify the vector of the entire group, a general meeting of employees is held once every half year. The top management of the group announces the strategy of the business and shares the management policy with employees. In 2018, we established the "Pasona Way" as a guideline for the actions of each employee. On February 16, the date of our founding, we look back on the history of the Group's business, hold discussions among employees on the theme of the philosophy, and set action goals, etc. All employees share the philosophy.

b. Fostering a Corporate Culture Toward Solving Social Issues

“Pasona Shadow Cabinet" to foster social activists

“Pasona Shadow Cabinet” was established in 2007 as an internal organization to enable Pasona Group Executives and employees to discuss "social issues" and propose concrete measures to society. The discussion is deepened on each theme, and the results are presented in the form of bills (new business proposals, social proposals, etc.). The participating employees vote on the bills. Twelve themes from eight ministries and agencies were discussed, and institutionalization and commercialization will be promoted. In the fiscal year ended May 31, 2022, we will launch three new businesses (Hybrid Career Association, Work-Life Facilitator Association, and Pasona Recurrent). The Group will continue to work toward the realization of a society in which individuals are self-reliant.

Social Contribution Activities Participated in by Group Employees Nationwide

In 2005, we established the Social Contribution Office to clarify the Group's corporate stance. As the leader of the Group's social contribution activities, the office appoints 40 "Social Contribution Committee Members" from each Group company in Japan and overseas to provide leadership for the Group's social contribution activities. Currently, in order to contribute to the creation of sustainable local communities, we have established six key themes: "Food Loss," "Environmental Conservation," "Community Contribution (Reconstruction)," "Sports/Health," "Diversity," and "Partnership." In the fiscal year ended May 31, 2022, approximately 14,000 employees participated in activities in various regions.

c. Governance

Strengthening Sustainability Management

In order to strengthen our sustainability management system, we established the Environmental Management Promotion Council in 2021. The Environmental Management Promotion Council is responsible for confirming the current status of climate change issues, along with the policies and actions to address them. The Internal Audit Department conducts environmental audits of each department and affiliated company. The Board of Directors monitors important matters related to climate change by receiving reports from the Environmental Management Promotion Council and providing appropriate advice.

In 2021, the SDGs Committee was established as an organization directly under the Executive Committee, and it met twice in the fiscal year ended May 31, 2022 to discuss initiatives to enhance the disclosure of sustainability information of the Group.

Implementation of Risk Management Education

The Group conducts "compliance training" for all Officers and employees to check their understanding of compliance issues, including the prohibition of insider trading, along with “personal information protection training” to ensure the safe management of personal information annually. In addition, “information security training” is held six times a year. Through these training sessions, the Company aims to foster awareness and promote understanding of risk management and compliance.

2. Risk of business, etc.

In order to prevent crises that could have serious impact on management and to minimize losses in the event that such crises should occur, the Group has established Risk Management Regulations and a Risk Management Committee as organizations that oversees risk. The Risk Management Committee is in charge of each major risk and of predicting crises, including new risks, through continuous monitoring during normal times, and has established a system to take appropriate measures on a daily basis and in the event of an emergency, based on the Crisis Management Manual. In addition, the status of major activities of the committee is regularly reported to the Board of Directors to enable them to appropriately monitor the status of the Group and its response. In addition, day-to-day risks arising in the course of business operations are properly handled by the department in charge of compliance and reported at management meetings as appropriate, while the CIU Office and the Group Internal Audit Office monitor the day-to-day risk management status of each department through internal audits.

In the course of such risk management, the following are the major risks that management identifies as having the potential to materially affect the financial position, operating results, and cash flows of the consolidated companies, among the matters related to business and accounting conditions, etc., as described in the Annual Securities Report.

In addition to the major crises and threats identified as important, risks as uncertainties related to the realization of management strategies and matters considered important for understanding the Group's business activities and management policies are also described.

Unless otherwise indicated, forward-looking statements in the text are based on our judgment as of the end of the current fiscal year and do not cover all risks associated with an investment in our shares.

(1) Impact of Economic Trends and Other Macroeconomic Conditions

The Group's businesses provide a variety of solution services related to the utilization of human resources by companies and organizations, as well as outsourcing services that contribute to improved productivity, and provide individuals with a work infrastructure that supports the way they work according to their individual lifestyles. These services are affected by changes in the business environment, such as economic fluctuations and technological innovations in Japan and overseas, as well as by regulations under labor-related laws and regulations.

The Group is building a business portfolio that is not biased toward any particular area by developing a comprehensive range of businesses, including temporary staffing, outsourcing, contracting, placement, outplacement, outsourcing, childcare & nursing care, and regional development, as well as expanding overseas. In addition, we have been actively engaged in the dissemination of information, proposals, and educational activities related to new work styles and work-life balance. However, should the market environment, employment situation, or customer demand change rapidly in the future due to various factors, the performance of each business and the earnings structure of our group could be affected.

In the long term, we anticipate further labor shortages or market contraction due to population changes in Japan. As part of efforts to achieve sustainable growth, the Group will continue to diversify risks by developing and expanding various new businesses and services based on its corporate philosophy of "solving society's problems," while constantly monitoring signs of social change and taking controllable risks. In addition, in order to maintain a structure and organization capable of constantly taking on such new business challenges, Pasona Way Headquarters has been established with the aim of further instilling the corporate philosophy in each and every employee of the Group and is working to develop the human resources that will lead the Pasona Group in the future, while realizing the creation of a strong organization and associates.

(2) Legal Regulations

The work style reform promoted by the Japanese government has brought about significant changes in the legal and labor environment for both indefinite and fixed-term employees, including for maximum overtime work restrictions and mandatory use of annual paid leave as stipulated in Japan’s revised Labor Standards Act, which took effect in April 2019, and in the clarification of equal and balanced treatment by employment category in the "equal pay for equal work" system, which took effect in April 2020, as well as in the obligation to correct any unreasonable differences in treatment if such differences exist. The laws and regulations surrounding both fixed-term and permanent employees and the labor environment are undergoing significant changes, such as in the introduction of a maximum overtime work regulation and an obligation to take annual paid leave. As a human resource services provider, our group employs a large number of indefinite and fixed-term workers, and there is a possibility that our cost-of-sales ratio and SG&A-expense ratio will increase or that our group will not be able to maintain and secure sufficient human resources due to changes in labor-related laws and regulations and in the labor environment.

Specifically, in our Expert Services business, for example, the Group is striving to conduct transactions at fair prices and to pay salaries at appropriate levels, and is negotiating with client companies to raise billing rates in response to increases in temporary staffing salary payments and social insurance premiums, but there is a possibility that the Group might be unable to maintain and recruit sufficient human resources due to changes in labor-related laws and regulations. However, there is the possibility that the increase in temporary staffing salaries and fees will not necessarily be synchronized with the increase in staffing salaries and fees due to the increase in staff salaries and other costs associated with welfare benefits such as the cost of paid leave and medical examinations in accordance with revisions to labor-related laws and regulations. The rapid increase in the number of such projects and the prolonged period of time during which they are not synchronized could result in an increase in the cost ratio or a decrease in the use of temporary staffing services by companies that do not want to pay the increased costs of temporary staffing fees.

In response to this situation, we are clarifying the duties of each worker with different employment statuses, providing detailed explanations to client companies regarding temporary staffing, and revising our staffing fee rates. In addition, we will continue to make efforts to absorb cost increases by improving productivity and efficiency in our overall business.

In addition, Japan’s Worker Dispatching Act and related laws and regulations are expected to be revised in the future in response to changes in the labor market, etc. Depending on the details of such changes and in the specific measures required by the law, the Group's business operations and performance could be affected to a considerable degree.

(3) Business Licensing and Continuation

The Group's Expert Services business is conducted mainly as a worker dispatching undertaking under a license obtained from Japan’s Ministry of Health, Labour and Welfare in accordance with the "Act for Securing Proper Operation of Worker Dispatching Undertakings and Protecting Dispatched Workers" ("Worker Dispatching Act"). In order to ensure the proper operation of worker dispatching undertakings, the Worker Dispatching Act stipulates that if a person carrying out a dispatching undertaking (dispatching business operator) falls under any of the disqualifications for being a dispatching business operator or violates any laws and regulations, the license for the undertaking shall be revoked or the undertaking suspended. The Pasona Group has established guidelines for appropriate temporary staffing transactions under the leadership of the Corporate Governance Headquarters of Pasona Group Inc. and strives to thoroughly educate its employees. However, in the unlikely event of a serious violation of laws and regulations by our group companies or their Officers and employees, this could result in the revocation of our business license or an order to suspend our business, so we will take appropriate measures to prevent such violations.

In addition, our staffing agency business is a fee-charging employment agency licensed by Japan’s Ministry of Health, Labour and Welfare under the Employment Security Act. Our placement & recruiting business is also a business that is licensed under the Employment Security Act. Similar to the temporary staffing business, if certain requirements are not met, measures such as revocation of the business license and suspension of the business could be taken.

The outplacement business is also a fee-charging employment placement business licensed by Japan’s Ministry of Health, Labour and Welfare under the Employment Security Act. Although its revenue structure and business model are different from those of our Placement/Recruiting business, it is similar to our aforementioned Placement/Recruiting business in that it introduces job seekers to companies seeking to fill positions.

In our BPO Services business, the Group provides services under contract to various clients, including private companies, public agencies, local governments, and various organizations, in such areas as general affairs, accounting and finance, reception, sales administration and order placement, and personnel and labor affairs. We provide services under contract to a variety of clients, including general affairs, accounting and finance, reception, sales administration, order receipt and placement, and personnel and labor affairs. In particular, in executing business entrusted by public agencies and local governments, we are required to conduct appropriate business operations in accordance with the instructions of the entrusted parties. However, in the event of a serious mistake, the Group's credibility could be damaged and its business performance and financial position could be adversely affected.

(4) Management of Personal Information and Confidential Information

In the course of operating each of its businesses, the Group holds a large amount of personal and confidential information of temporary staffing registrants, job seekers, users of each service, client companies, employees, and other related parties. The handling of personal information by the Group is governed not only by the "Act on the Protection of Personal Information" in Japan, but also by the "European Union General Data Protection Regulation (GDPR)," which came into effect in May 2018, and other laws regarding personal information in the relevant countries. These laws and regulations tend to be applied across borders, and this could increase the costs of compliance and business operations.

The Group has established a personal information protection policy that also complies with the GDPR to ensure the appropriate acquisition, use, and provision of personal information and has taken necessary and appropriate security control measures in terms of technology and organization to prevent the leakage or loss of personal information. All Directors, Officers, and employees are thoroughly trained in personal information protection and management.

In addition, the Company has established an information management system and management methods that should prevent the leakage of trade secrets and important information related to the Group and its business partners and strives to thoroughly disseminate and implement such information management systems and methods. Specifically, the aforementioned various confidentiality obligations are stipulated in respective employment regulations and confidential information retention rules, and we implement technical measures to protect against information security threats such as ransomware and targeted attacks, as well as periodic training and drills for employees.

Despite the Group's efforts, in the event that personal or confidential information is leaked to external parties due to the intentional or negligent actions of employees or unforeseen circumstances, the Group's financial position and business performance could be adversely affected due to claims for damages or loss of public trust.

(5) Risk of System Failures and Cyber-Attacks
Our group's business, both in Japan and overseas, relies heavily on computer systems and related communication networks. In addition, we recognize that these risks have become even more significant in recent years due to the expansion of our group's remote work. In addition, a portion of the system infrastructure and its maintenance, etc., is outsourced to external vendors, including cloud system vendors. With the expansion of the scope of system use and the diversification of operation styles, the Company has been preparing for unforeseen circumstances. In response to the expansion of the scope of system use and the diversification of operation modes, we are taking various measures to prepare for unforeseen events, including the development of a system for failure, the strengthening of system security, and the enhancement of communication lines and hardware. In particular, in order to further strengthen company-wide information security systems, we have established PASONA-CSIRT in accordance with the cybersecurity guidelines set by Japan’s Ministry of Economy, Trade and Industry. In spite of these measures, the Group's operations and services can be suspended due to the unavailability of computer systems and communication networks as a result of human error, cyber-attacks, extensive natural disasters, or problems with external vendors. If this situation persists for a prolonged period of time, it could have serious impact, such as a loss of confidence in our group.

(6). Business Investment

(i) Investment in Subsidiaries and Affiliates

The Group intends to continue to actively make business investments so as to expand its service areas to meet the diverse needs of companies and workers, as well as to solve social issues. New business investments might require a large amount of capital, and there is no guarantee that earnings will necessarily be as initially planned, and there is a possibility that the anticipated scale of earnings will not be secured. We are working to nurture the business in an early stage by monitoring its progress in a timely manner and utilizing our existing business infrastructure and sales network. However, if the business does not generate the expected earnings despite these efforts, our group's performance could be affected.

In addition, depending on market trends and the business environment, the shares of affiliated companies held by the Company could be revalued, and this could affect the business performance and the amount of assets in the Company's non-consolidated financial statements.

(ii) Commercial Facilities Related to Regional Revitalization Business

In the Group's Regional Revitalization business, we operate multiple commercial facilities as bases for revitalizing rural areas and developing human resources and creating jobs, and we anticipate the following inherent risks that differ from existing human resource services. Currently, the Regional Revitalization Solutions segment continues to incur operating losses.

・Large-scale commercial facilities require a large amount of capital to open. There are also many fixed costs such as personnel expenses. The cost burden tends to precede the opening of new facilities until the number of users reaches a certain level, and this could put pressure on the Group's profits in the short term.

・Weather, disasters, pandemics, and other factors could cause a decrease in the number of users or force the suspension of operations. In addition, if measures to increase the appeal to users are insufficient, or if the number of users does not reach the plan due to lack of user satisfaction, revenues could fall below the plan or additional investment might be required.

・We pay sufficient attention to the safety management of attractions at our facilities and to quality control and food hygiene in serving meals and selling food products. However, in the unlikely event of an accident, the Group's credibility could be damaged, and lawsuits could result.

(iii) Corporate Acquisitions

The Group sometimes acquires companies as an effective means of strengthening and reinforcing its business. Such acquisitions can require a large amount of capital and amortization of goodwill. However, these acquisitions might not necessarily contribute to consolidated earnings or generate synergies as anticipated by the Group, and the Group might not be able to achieve its respective operating results as anticipated due to significant changes in the business environment or business conditions. If the respective business results do not progress as expected due to significant changes in the business environment or business conditions, the Group's performance and financial position could be affected by impairment losses on goodwill or valuation losses on stocks.

(iv) Impairment Accounting

Our group owns tangible and intangible assets such as real estate, goodwill, and software for business use, including commercial facilities related to Regional Revitalization Solution projects, and these assets are recorded on the consolidated balance sheets. Such assets could be subject to impairment accounting depending on the future cash flows generated by such assets, and this could affect the financial position and operating results of the Group.

(7) Fund Procurement

The Group makes effective use of internal and external funds to secure stable funds necessary for the maintenance and expansion of business activities. Through the Group CMS (Cash Management System), the Company strives to effectively utilize funds among Group companies and to unify fund procurement and has established commitment lines with financial institutions. We hold a certain amount of cash and cash equivalents to balance our cost of capital with our ability to respond flexibly to capital needs. However, if the Group is unable to raise the necessary funds due to changes in business conditions, credit crunch, or financial conditions, the Group's business operations may be affected.

(8) Seasonal Fluctuations in Business Performance

In the Group's expert services business, profits tend to be concentrated in the second half of the year compared to the first half due to seasonal factors such as the number of temporary staff taking paid vacations and the number of work days. In the employee benefit outsourcing business, cost of sales tends to increase in the first half of the year due to an increase in subsidies paid to members each time they use lodging facilities, etc., as a result of summer vacation and other factors. In the health care business, the implementation and delivery of outsourced services such as health checkups are more likely to occur in the second half of the year. The Group's performance tends to be generally skewed toward the second half of the year due to these seasonal factors.

(9) Natural Disasters and Climate Change Risks

The Group has group companies and sales offices throughout Japan. In the event of a major natural disaster such as earthquake or flood, pandemic, incident, accident, or other event that threatens the survival of the company, the Group has established measures in its crisis management manual to confirm the safety of employees and temporary staff and to ensure their safety. In addition, as measures for business continuity, the Company has formulated a BCP manual and has established a BCP for business sites and information. In the event of a crisis, the Company responds promptly and appropriately. However, if a natural disaster were to occur on a scale that greatly exceeds our expectations, our group's business operations, financial condition, and business performance could be affected.

In addition, environmental issues, including climate change, are becoming more serious on a global scale. In 2005, we established the "Environmental Committee," comprised of Executives and employees from all Group companies, to provide not only environmental education to Executives and employees but also to create opportunities for each individual to become a "social activist" in order to leave a healthy and beautiful planet for future generations. In June 2021, Pasona Group formulated the Pasona Group Environmental Innovation Strategy to communicate the Group's vision of sustainable management and to continue to be a long-selling company that is trusted by society. In July of the same year, Pasona Group announced its support for the Task Force on Climate-related Financial Disclosure (TCFD). In 2021, Pasona Group established the Environmental Management Promotion Council to analyze climate change scenarios and clarify business impact in terms of climate change risks and opportunities.

For risks associated with climate change, please refer to “1. Management policies, management environment, changes to address, etc., (4) Promotion of sustainability management" on page 17.

(10) Risks Related to the Spread of COVID-19 Infections

It is difficult to accurately predict when COVID-19 infection will be contained, and therefore, we believe that the spread of infections will have certain impact on business activities and the hiring and demand for human resources.

In order to continue our business operations even under the expanding impact of infectious diseases, the Group is committed to reducing risk of infection among all employees, including contract workers and temporary staff, along with ensuring their safety and security. The Group will also take various measures, such as in securing liquidity on hand and promoting remote work, to ensure business stability. In addition to countermeasures against infectious diseases, as part of BCP measures to cope with risks such as natural disasters, the Group will decentralize its headquarters functions and relocate to Awaji Island, Hyogo Prefecture from September 2021.

In our Expert Services and BPO Services businesses, when a client or contractor company implements telecommuting or off-peak commuting, we encourage temporary staff and contract employees to do so as well. In this way, we are striving to reduce the risk of infection and ensure safety while working to provide services on a continuous basis. However, the spread of the infection could reduce demand for temporary staffing services and increase the number of temporary staff taking paid leave, which could affect the Group's business results.

(11) Risks in the Childcare and Nursing Care Business

The Group operates childcare facilities such as local childcare facilities, in-house childcare facilities, and children's clubs, as well as nursing care services such as in-home nursing care (day service) and home-visit nursing care. Although we take every possible measure to ensure safety management in the operation of our facilities and businesses, there is still a possibility of unforeseen accidents that are unique to our business. In the unlikely event of such an accident, the Group's credibility could be damaged, and its business performance and financial position could be affected.

(12) Litigation, Scandals, and Reputation Risk

Although the Group conducts its business activities in compliance with laws and regulations, it might not be able to eliminate the risk of becoming a party to various lawsuits, disputes, or claims for damages, as well as scandals, slander, and other risks. The occurrence of such events could damage the Group's social credibility and corporate image, which could lead to a decrease in sales or otherwise affect the Group's operating results.

3. Analysis of financial position, operating results, and cash flow status by the management

The following is a summary of the status of the Group's financial position, operating results, and cash flows (hereinafter "Operating Results, etc.") during the current consolidated fiscal year, as well as the recognition, analysis, and discussion of the Group's operating results, etc., from the management perspective. Matters regarding the future described in this report are assessments of the Group as of the end of the current consolidated fiscal year.

(1) Business Results

(i) Business Results for the Current Fiscal Year

During the consolidated fiscal year under review, the Japanese economy continued to face an uncertain outlook due to the repeated re-expansion of COVID-19 infections. However, the economy began to show signs of recovery, as the economy continued to move forward with ongoing social and economic activities.

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

As a result of the above, sales in all business segments increased from the previous fiscal year, and consolidated net sales for the current fiscal year totaled ¥366,096 million yen (up 9.4% from the previous fiscal year).

Gross profit was ¥89,671 million (up 8.1% year-on-year) due to the effect of increased revenue from BPO services despite a slight decline in gross profit margin from the previous period. SG&A expenses increased mainly in personnel costs due to business expansion. However, operating profit was ¥22,083 million (up 10.7% year-on-year).due to efforts to curb costs by improving operational efficiency,

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

(Consolidated performance)

	FY2020 (Previous consolidated FY)	FY2021 (Current consolidated FY)	Percentage increase/decrease
Sales	¥334,540 million	¥366,096 million	+9.4%
Operating profit	¥19,940 million	¥22,083 million	+10.7%
Ordinary profit	¥20,379 million	¥22,496 million	+10.4%
Profit attributable to owners of the parent	¥6,784 million	¥8,621 million	+27.1%

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

HR Solutions
Expert Services (Temporary Staffing), BPO Services (Contracting and outsourcing), Others
Net sales ¥308,093 million　Operating profit ¥18,793 million

Expert Services　　Net sales: ¥152,067 million
In this business, we provide a wide range of services, including office work, clerical work, highly specialized skilled personnel, engineers, sales and marketing personnel, and expert services (temporary staffing) for a wide range of generations and job categories, from recent graduates to senior citizens.

In the temporary staffing business, although some industries such as aviation and some occupations such as sales and marketing continued to decline from the previous year, the gradual recovery continued from the end of the previous fiscal year in a wide range of industries, mainly manufacturers and trading companies, as economic conditions recovered. In the consolidated fiscal year under review, demand from the corporate and public sectors increased for time-limited work related to COVID-19 countermeasures. In addition, the Company has been applying the "Accounting Standard for Revenue Recognition" since the beginning of the fiscal year, and the amount equivalent to commuting expenses paid to temporary staff received from clients is recorded as revenue.

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 provides BPO services by accepting contracts for general affairs, accounting and finance, reception, sales clerical work, order receipt and placement, and personnel and labor affairs. In addition, consolidated subsidiary Bewith, Inc. provides contact center BPO services that utilize self-developed digital technology.

In response to diverse demands from the corporate and public sectors, we have been able to expand our business steadily through active collaboration among group companies, taking advantage of our group's strength in being able to undertake all operations from business design and construction to center operation and staffing. As the social environment is shifting toward a "post-COVID-19" reality, demand from the public sector increased in line with the promotion of diverse work styles and support for securing human resources and finding employment. In the private sector, demand continued to increase in line with organizational restructuring and DX promotion in line with the business environment.

In addition, the year under review saw the emergence of work related to the Tokyo 2020 Olympic and Paralympic Games, as well as a rise in interest in employee health management due to COVID-19 pandemic.

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, we provide management support by professional human resources such as freelancers and former Executives of listed companies. The company also provides education and training services commissioned by companies and the public sector, as well as HR tech implementation support services such as talent management.

In the area of professional and advisory personnel, the advisory consulting business, which matches sales support personnel and Outside Directors, continued to expand. In addition, the work-style innovation business, in which freelance professional human resources work in a remote office setting, grew significantly amid the diversification of work styles amid the COVID-19 pandemic. In the education and training business, the overall recovery trend continued with an increase in training in the area of management, such as in training for promoting women's success, as part of efforts to strengthen management. The HR tech implementation support business grew by expanding its service lineup to include 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 profit: ¥447 million
This segment provides a full line of human resource-related services overseas, including placement & recruiting, temporary staffing and outsourcing, payroll processing, and education and training.

In the North America region, with economic activity after COVID-19 increasing, the placement & recruiting, temporary staffing, and BPO businesses all exceeded the previous consolidated fiscal year's results. In the Asian region, although there are some country-by-country shades of gray in the stagnation of socioeconomic activities due to COVID-19 infections, the trend toward gradual easing continues. In Taiwan, the staffing services, temporary staffing, and BPO businesses all grew from the previous fiscal year, as did the temporary staffing services in Indonesia. However, as business activities are returning to normal, sales-related expenses, such as business travel, increased from the previous fiscal year, in addition to hiring and system-related investments.

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

Net sales in the segment consisting of the above businesses amounted to ¥308,093 million (up 10.9% year-on-year). Operating profit increased 7.1% to ¥18,793 million due to an increase in revenue from BPO services, despite a slight decline in gross profit margin compared with the previous fiscal year.

Career Solutions (Placement & Outplacement)

Net sales: ¥14,700 million　Operating profit: ¥4,470 million

This business provides support for companies' mid-career recruitment activities and matches job seekers with job seekers, as well as outplacement services that support job transfers based on companies' personnel strategies. In the placement & recruiting business, the willingness of companies to hire talented personnel recovered to the level before the spread of COVID-19 infection. In this market environment, the Company focused on placement business for administrative and specialized positions in companies that are relatively less affected by the economy. As a result, the unit price per contract rose continuously from the previous fiscal year. In addition, due to the revision of the Corporate Governance Code, needs for female managers, an area in which we excel, have become stronger, and our services in this area have expanded.

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

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

Outsourcing Net sales　　¥38,359 million　Operating profit ¥12,765 million

In this business, Benefit One Inc., a consolidated subsidiary of the Company, provides services on behalf of companies, government agencies, and municipalities in the area of employee benefit programs.

In the welfare and benefit business, the number of members remained flat during the period, while the use of services by members began to recover after Japan's state of emergency was lifted in October last year and subsidy expenditures have increased accordingly. In addition, JTB BENEFIT SERVICE, Inc. (merged with JTB BENEFIT SERVICE, Inc. on April 1, 2022), which became a subsidiary through acquisition of shares during the period, has contributed to the expansion of business results since the fourth quarter of the current fiscal year.

In the healthcare business, we focused on the development of new health support services in response to social and economic demands, such as support for vaccination against new strains of COVID-19. As a result, the business achieved better results than expected, contributing to the increase in profit.

As a result of the above, net sales amounted to ¥38,359 million (up 1.4% year-on-year) despite of sales decrease by ¥7,682 million compared with 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 period. Operating profit was ¥12,765 million (up 30.3% year-on-year).

Life Solutions　　Net sales ¥7,158 million　Operating profit ¥232 million

This segment includes the childcare business, which operates licensed and certified childcare centers, in-house childcare facilities, and childcare for school-aged children; the nursing care business, which provides daycare services and home-visit nursing care; and the life support business, which handles housework.

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

As a result, sales amounted to ¥7,158 million (up 9.0% year-on-year), and operating profit was ¥232 million (up 14,2% year-on-year).

Regional Revitalization Solutions **Net sales ¥4,426 million Operating Income ¥(2,612) million**

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

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. 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 profit was ¥(2,612) million (operating profit of ¥(2,327) million year-on-year) due to expenses incurred from the opening of new facilities.

Elimination/Corporate **Net sales ¥(6,642) million Operating profit ¥(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, while 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 profit 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)" on page 88.

Performance by Segment

Net sales

			FY May 2021	FY May 2022	Percentage change
HR Solutions			¥329,572 million	¥361,154 million	+9.6 %
	Expert Services (Temporary Staffing) BPO Services (Contracting & Outsourcing) and others		¥277,864 million	¥308,093 million	+10.9 %
		Expert Services (Temporary Staffing)	¥149,133 million	¥152,067 million	+2.0 %
		BPO Services (Contracting & Outsourcing)	¥114,055 million	¥139,272 million	+22.1 %
		HR Consulting, Education & Training, Others	¥7,613 million	¥8,418 million	+10.6 %
		Global Sourcing (Overseas staffing services)	¥7,061 million	¥8,335 million	+18.0 %
	Career Solutions (Placement & Outplacement)		¥13,863 million	¥14,700 million	+6.0 %
	Outsourcing		¥37,844 million	¥38,359 million	+1.4 %
Life Solutions			¥6,570 million	¥7,158 million	+9.0 %
Regional Revitalization Solutions			¥3,244 million	¥4,426 million	+36.4 %
Elimination/Corporate			¥(4,846) million	¥(6,642) million	-
Total			¥334,540 million	¥366,096 million	+9.4 %

Operating profit

			FY May 2021	FY May 2022	Percentage change
HR Solutions			¥31,256 million	¥36,030 million	+15,3 %
	Expert Services (Temporary Staffing) BPO Services (Outsourcing & Contracting) and others		¥17,543 million	¥18,793 million	+7.1 %
		Expert Services (Temporary Staffing) BPO Services (Contracting & Outsourcing) HR Consulting, Education & Training, Others	¥17,427 million	¥18,345 million	+5.3 %
		Global Sourcing (Overseas staffing services)	¥116 million	¥447 million	+285.6 %
	Career Solutions (Placement & Outplacement)		¥3,919 million	¥4,470 million	+14.1 %
	Outsourcing		¥9,794 million	¥12,765 million	+30.3 %
Life Solutions (Placement & Outplacement)			¥203 million	¥232 million	+14.2 %
Regional Revitalization Solutions			¥(2,327) million	¥(2,612) million	-
Elimination/Corporate			¥(9,191) million	¥(11,566) million	-
Total			¥19,940 million	¥22,083 million	+10.7 %

(2) Status of production, orders, and sales

(i) Production results

The Group is engaged in temporary staffing, outsourcing & contracting, placement & recruiting, outplacement, outsourcing, childcare & nursing care, and regional development, etc. Due to the nature of the services it provides, it is not appropriate to state production performance, and therefore such information is not provided.

(ii) Orders received

For the same reason as production, this item is omitted.

(iii) Sales

Sales results by segment for the current consolidated fiscal year are as follows.

Segment	Fiscal year ended May 31, 2022		
	Sales (millions of yen)	Composition (%)	Year-on-year change (%)
HR Solutions	355,771	97.2	109.3
Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing) others	304,064	83.1	110.6
Expert Services (Temporary Staffing)	151,520	41.4	102.0
BPO Services (Contracting & Outsourcing)	137,319	37.5	121.5
HR Consulting, Education & Training, Others	7,181	2.0	108.3
Global Sourcing (Overseas human resources services)	8,043	2.2	119.1
Career Solutions (Placement & Outplacement)	14,665	4.0	106.0
Outsourcing	37,040	10.1	100.8
Life Solutions	6,686	1.8	106.9
Regional Revitalization Solutions	3,639	1.0	132.6
Total	366,096	100.0	109.4

(Notes) Inter-segment transactions were offset and eliminated.

The table below shows net sales by region for the consolidated fiscal year under review as indicated above.

Classification	Fiscal year ended May 31, 2022		
	Sales (millions of yen)	Composition ratio (%)	Year-on-year change (%)
Hokkaido/Tohoku	14,812	4.0	99.6
Kanto (outside Tokyo)	40,080	10.9	109.1
Tokyo	171,320	46.8	112.2
Tokai/Hokushinetsu	21,288	5.8	94.5
Kansai	73,837	20.2	111.0
Chugoku/Shikoku/Kyushu	36,061	9.9	106.6
Overseas	8,695	2.4	118.1
Total	366,096	100.0	109.4

(3) Financial position

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."

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.

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 borrowings 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 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.

(4) Cash flows

The balance of cash and cash equivalents (hereinafter, “Funds”) increased by ¥4,279 million from the end of the previous fiscal year to ¥56,578 million in the current fiscal year.

(Cash flows from operating activities)

Funds provided by operating activities totaled ¥10,115 million (¥18,868 million increase in the previous fiscal year), a decrease of ¥8,753 million from the previous fiscal year.

The increase in funds was mainly due to profit before income taxes and minority interests of ¥22,290 million (¥16,706 million in the previous fiscal year), depreciation of ¥4,419 million (¥3,794 million in the previous fiscal year), and an increase in operating debt of ¥2,823 million (a decrease of ¥845 million in the previous fiscal year) due to an increase in projects under contract, etc.

The decrease in funds was mainly due to an increase in notes and accounts receivable-trade and contract assets of ¥6,112 million (an increase of ¥1,422 million in the previous fiscal year) resulting from an increase in the number of projects under contract, and income taxes paid of ¥8,084 million (¥7,820 million in the previous fiscal year),etc.

(Cash flows from Investing activities)

Net cash used in investing activities totaled ¥29,624 million (¥9,665 million decrease in the previous fiscal year), an increase of ¥19,959 million from the previous fiscal year.

The decrease in funds mainly consisted of ¥11,632 million (¥7,031 million in the previous fiscal year) for the purchase of property, plants, and equipment associated with the opening of commercial facilities in the regional revitalization business and the construction of new offices and other facilities in the corporate segment, ¥10,451 million (¥183 million in the previous fiscal year) for the purchase of shares of subsidiaries resulting in change in scope of consolidation due to acquisition of shares of JTB BENEFIT SERVICE, Inc., ¥4,683 million (¥1,721 million in the previous fiscal year) for the purchase of intangible assets associated with system investments, and ¥2,493 million (¥1,592 million in the previous fiscal year) for payments for lease and guarantee deposits, etc.

(Cash flows from financing activities)

Net cash obtained in financing activities totaled ¥23,543 million (¥5,147 million decrease in the previous fiscal year), an increase of ¥28,690 million from the previous fiscal year.

The increase in funds was mainly due to proceeds from long-term borrowings of ¥29,129 million (¥7,511 million in the previous fiscal year), which were used to secure long-term working capital and funds for capital investment, and proceeds from sales of shares of subsidiaries without a change in the scope of consolidation of ¥6,523 million (¥0 million in the previous fiscal year) due to the sale of shares in connection with the initial public offering of Bewith, Inc., etc.

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

(Reference) Trends in cash flow-related indicators

Item	May 2018	May 2019	May 2020	May 2021	May 2022
Capital adequacy ratio	21.0%	23.7%	22.7%	25.2%	24.5%
Equity ratio based on market value	58.9%	54.8%	35.7%	49.0%	40.3%
Cash flow to debt ratio	2.5 years	2.7 years	3.2 years	1.8 years	5.3years
Interest coverage ratio	51.1	41.9	57.9	64.5	35.4

Note 1: Shareholders' equity ratio: Shareholders' equity / Total assets
Equity ratio based on market value: Market capitalization / Total assets
Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flows / Interest payments
Note 2: All figures are calculated based on consolidated financial figures.
Note 3: Market capitalization is calculated based on the number of shares issued excluding treasury stock.
Note 4: Cash flow is based on operating cash flow.
Note 5: Interest-bearing debt includes all liabilities on the consolidated balance sheets for which interest is paid.

(5) An analysis of the financial resources for capital and the liquidity of funds

(i) Approach to Financial Strategy

The basic policy of the Group's financial strategy is to appropriately procure and allocate funds to enhance corporate value while strengthening its financial position and improving capital efficiency. The Group's priority strategies include capital investment in regional revitalization projects, IT-related investment to promote digitalization in the HR solutions area, and investments related to business locations. The Company efficiently secures funds necessary for the Group's growth and enhancement of corporate value, as well as recurring working capital. Furthermore, the Company has introduced a cash management system (CMS) with its group companies to effectively utilize surplus funds at each group company.

(ii) Basic Fund Procurement Policy

In order to secure stable and flexible funds necessary for the maintenance and expansion of the Group's business activities, the Company strives to effectively utilize internal and external funds. For short-term working capital needs during the month, we flexibly utilize commitment lines and overdraft facilities that we have established with financial institutions. For long-term borrowings, the Company formulates a funding plan for the fiscal year and procures funds from correspondent financial institutions, while taking into consideration contractual repayment amounts and investment plans. In procuring funds, we determine whether or not to do so while also paying attention to our financial strength and cost of capital. We strive to reduce the cost of capital and improve capital efficiency by effectively utilizing bank loans, bonds, and other liabilities, while keeping an eye on the capital adequacy ratio, EBITDA-to-debt ratio, and other factors.

(iii) Approach to fund allocation

Funds obtained by the Group as a whole are allocated to growth investments, shareholder returns, and cash-on-hand. With regard to growth investments, the Company makes decisions on whether or not to invest by examining the significance of the investment as a group in light of management strategies, the possibility of recovering invested funds, and the expected returns. Our basic policy is to return profits to shareholders in line with business performance, and our dividend policy is to maintain a consolidated dividend payout ratio of around 30%, while striving to maintain continuous and stable dividends. Regarding cash-on-hand, we are striving to improve the capital efficiency of the Group as a whole by utilizing commitment lines and other arrangements with financial institutions to keep it at an appropriate level.

(6) Material Accounting Estimates and Assumptions Used in Making Such Estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. The accounting policies used in the preparation of these consolidated financial statements are described in "I-5.Status of accounting, 1. Consolidated financial statements, etc., (1) Consolidated financial statements, Note to Material Matters, which serve as the basis for preparing consolidated financial statements," on page 83.

In preparing these consolidated financial statements, it is necessary to make estimates and judgments that affect the reported values of assets and liabilities at the balance sheet date and the reported values of revenues and expenses during the reporting period. Estimates and judgments are made based on various factors that are considered reasonable in light of past experience and current conditions. However, because of the uncertainties inherent in estimates, actual results might differ from these estimates.

Significant accounting estimates and assumptions used in the preparation of the consolidated financial statements are described in "I-5.Status of accounting, 1. Consolidated financial statements, etc., (1) Consolidated financial statements, Note to Material accounting estimates," on page 87.

4.Important business contracts, etc.

(Syndicate loan agreements)

At the meeting of the Board of Directors held on March 31, 2022, the Company resolved to enter into a syndicated loan agreement with The Bank of Mitsubishi UFJ, Ltd. as the arranger, and the agreement was executed on the same date.

1.Purpose of the Syndicated Loan Agreement

The Company has obtained a rating of "Particularly Advanced (Rank A)" in the MUFG ESG evaluation by Mitsubishi UFJ Research and Consulting Corporation (Supporting Company: Japan Credit Rating Agency, Ltd.) for the "ESG Management Support Private Placement Bonds" concluded in March 2020 with The Bank of Mitsubishi UFJ, Ltd.

The "Syndicated Loan for ESG Management Support" is a syndicated loan facility consisting of 25 regional banks throughout Japan that have endorsed the Company's business activities that contribute to ESG and SDGs.

2.Outline of Syndicated Loan Agreement

(1) Arranger and agent: Bank of Mitsubishi UFJ, Ltd.
(2) Date of agreement: March 31, 2022
(3) Eligible period: March 31, 2022 to June 30, 2023 (Split execution possible)
(4) Origination amount: ¥21,700 million
(5) Borrowing rate: Fixed interest rate
(6) Maturity date: March 31, 2032
(7) Repayment method: Equal repayment of principal
(8) Use of funds: Business funds
(9) Participating financial institutions: 25 financial institutions in total
(10) Collateral: None

(Benefit One Inc. is to acquire shares in and merge with JTB BENEFIT SERVICE, Inc. and form a business alliance with JTB Inc.)

Benefit One Inc. (hereinafter, "Benefit One"), a consolidated subsidiary of the Company, resolved at a meeting of its Board of Directors held on August 30, 2021 to acquire all shares of JTB BENEFIT SERVICE, Inc. (hereinafter “JTB Benefit”). The Company entered into a share transfer agreement on the same date. The Board of Directors also resolved at its meeting held on December 23, 2022, to conduct an absorption-type merger with Benefit One as the surviving company and JTB Benefit as the dissolving company, effective April 1, 2022, and concluded an absorption-type merger agreement as of December 23, 2021. The merger agreement was executed on December 23, 2021. For details, please refer to "I-5. Status of accounting, 1. Consolidated financial statements, etc. (1) Consolidated financial statements, Note: Matters related to business relations, etc."

Benefit One, taking the opportunity of the acquisition of JTB Benefit, concluded a business alliance agreement with JTB Corporation on August 30, 2021, and started collaboration on April 1, 2022, utilizing each other's services and customer networks. The collaboration started on April 1, 2022, utilizing each other's services and customer networks.

(Syndicated loan agreement by Benefit One Inc.)

Benefit One Inc. resolved at a meeting of its Board of Directors held on September 30, 2021 to enter into a syndicated loan agreement with Sumitomo Mitsui Banking Corporation as the arranger, and the agreement was signed on October 18, 2021.

1. Purpose of the Syndicated Loan Agreement

The purpose of the Syndicated Loan Agreement is to provide funds for the acquisition of shares of JTB BENEFIT SERVICE, Inc. and for the payment of related expenses.

2. Outline of the Syndicated Loan Agreement

(1) Arranger and agent: Sumitomo Mitsui Banking Corporation
(2) Drawdown date: October 29, 2021
(3) Origination amount: ¥10,000 million
(4) Borrowing rate: Fixed interest rate
(5) Repayment date: September 30, 2031
(6) Repayment method: Equal repayment of principal
(7) Participating financial institutions: Sumitomo Mitsui Banking Corporation, others (Totaling five financial institutions)
(8) Collateral: Yes (shares of JTB BENEFIT SERVICE, Inc.)

Note: Collateral will be extinguished after April 2022 due to the merger of Benefit One Inc. and JTB BENEFIT SERVICE, Inc.

5. R&D activities

There were no significant matters to be noted during the current fiscal year.

I-3. Status of equipment

1. Outline of capital investment, etc.

Capital expenditures totaled ¥16,856 million in the current fiscal year, which included commercial facilities in the Regional Revitalization Solutions segment, new offices in the Corporate segment, and the development of business systems in each business.

(Millions of yen)

Segment	Buildings, Structure Lease assets	Land	Software	Total
Expert Services, BPO Services, etc.	445	-	597	1,043
Career Solutions	-	-	57	57
Outsourcing	46	-	3,500	3,546
Life Solutions	2	-	0	3
Regional Revitalization Solutions	4,204	5	345	4,556
Corporate	3,307	4,072	269	7,648
Total	8,006	4,077	4,772	16,856

2. Status of major equipment

Major equipment and employees of the Company as of May 31, 2022 are as follows:

(1) Reporting company

Business site (Location)	Segment	Equipment	Book value (millions of yen)						Number of employees (persons)
			Buildings & structures	Land	Leased assets	Software	Other	Total	
JOB HUB SQUARE Tokyo and 1 other office (Chiyoda-ku, Tokyo)	Corporate	Business site equipment	37	-	98	526	54	717	314 (127)
JOB HUB SQUARE Osaka and 3 other offices (Osaka City, Osaka)	Corporate	Business site equipment	136	-	7	19	68	232	47 (88)
Yumebutai Office and 7 other offices (Awaji City, Hyogo Prefecture)	Corporate	Business site equipment	2,072	65	-	1	265	2,404	295 (55)
Seikaiha and 7 other offices (Awaji City, Hyogo Prefecture)	Regional Revitalization Solution	Commercial facilities	3,617	149	-	5	616	4,388	-

Note 1: "Other" in book value includes structures, tools, furniture and fixtures, etc.

Note 2: The above amounts do not include consumption tax, etc.

Note 3: Currently, there is no idle equipment.

Note 4: The number in parentheses in the “Number of employees” column represents the average number of contract employees and part-timers during the year.

Note 5: In addition to the above table, there is a security deposit and guarantee money of ¥3,824 million.

(2) Subsidiaries in Japan

Company name (location)	Segment	Equipment	Book value (millions of yen)						Number of employees (persons)
			Buildings & structures	Land	Leased assets	Software	Other	Total	
Nijigennomori Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solution	Commercial facilities, etc.	2,123	-	230	287	3,559	6,200	24 (11)
Benefit One Inc. (Chiyoda-ku, Tokyo)	Outsourcing	Business systems, etc.	388	602	111	4,915	84	6,103	1,087 (178)
Pasona Inc. (Chiyoda-ku, Tokyo)	Expert Services, BPO Services, etc. Career Solution	Business-related systems, etc.	345	1	6	978	101	1,432	3,567 (5,556)
Pasona Smiles Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solution	Commercial facilities, etc.	997	28	13	41	112	1,194	11 (18)
Bewith, Inc. (Shinjuku-ku, Tokyo)	Expert Services, BPO Services, etc.	Office facilities, etc.	604	-	-	113	214	933	747 (4,823)
Pasona Panasonic Corporation Business Service Co. (Osaka City, Osaka)	BPO services	Office facilities	345	65	73	117	76	678	897 (707)
GoTop Corporation (Matsuzaka City, Mie Prefecture)	BPO Services	Office facilities, etc.	0	259	-	1	1	263	159 (26)
Pasona Foster Inc. (Chiyoda-ku, Tokyo)	Life Solution	Office facilities, etc.	223	-	-	9	20	253	408 (317)
Pasona Tech, Inc. (Chiyoda-ku, Tokyo)	Expert Services, BPO Services, etc.	Office facilities, etc.	18	-	-	210	13	242	789 (158)
Pasona Noentai Inc. (Chiyoda-ku, Tokyo)	Regional Revitalization Solution	Commercial facilities, etc.	170	-	-	2	14	187	19 (15)

Note 1:"Other" in book value includes structures, vehicles, tools, furniture, and fixtures, telephone subscription rights, and construction in progress.

Note 2: Of the book value of Pasona Inc., ¥62 million is related to office facilities leased to the Company and its consolidated subsidiaries.

Note 3: In addition to the above table, there are lease and guarantee deposits totaling 4,951 million.

Note 4: The above amounts do not include consumption tax, etc.

Note 5: Currently, there is no idle equipment.

Note 6:The number in parentheses in the "Number of employees" column represents the average number of contract employees and part-timers during the year.

(3) Overseas subsidiaries

Company name (location)	Segment	Equipment	Book value (millions of yen)						Number of employees (persons)
			Buildings & structures	Land (Area in m²)	Leased assets	Software	Other	Total	
REWARDZ PRIVATE LIMITED (Vertex, Singapore)	Outsourcing	Business systems, etc.	-	-	3	163	-	167	9 (-)
PT. Dutagriya Sarana (Jakarta, Indonesia)	Global Sourcing	Office facilities, etc.	16	90	16	-	15	138	35 (33)

Note 1: "Other" in book value includes vehicles, tools, and other intangible assets.

Note 2: The above amounts do not include consumption tax, etc.

Note 3: Currently, there is no idle equipment.

Note 4: The number in parentheses in the “Number of employees” column represents the average number of contract employees and part-timers during the year.

3. Plans for new equipment, equipment retirement, etc.

(1) Important new equipment, etc.

Company name (location)	Segment	Equipment	Investment plan amount		Financing method
			Total amount (millions of yen)	Paid amount (millions of yen)	
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solutions	Commercial facilities	2,300	89	Funds on hand
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Corporate	Company housing	1,500	911	Funds on hand
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solutions	Commercial facilities	900	32	Funds on hand
Pasona Group Inc. (Awaji City, Hyogo Prefecture)	Regional Revitalization Solutions	Commercial facilities	700	11	Funds on hand
Benefit One Inc. (Chiyoda-ku, Tokyo)	Outsourcing	Business systems (Note 2)	6,400	4,200	Funds on hand

Note 1: The above amounts do not include consumption tax, etc.

Note 2: This includes hardware investment and long-term prepaid expenses related to business systems.

Note 3: The above investment plan amount includes a part of the amount that is not included in assets and will possibly be processed as an expense.

(2) Retirement of important equipment, etc.

There are no plans for retirement of important facilities, except for retirement related to the relocation of offices and layout changes.

I-4. Status of the reporting company

1. Status of shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of authorized shares
Common shares	150,000,000
Total	150,000,000

(ii) Issued shares

Class	Number of issued shares as of the end of the fiscal year (March 31, 2022)	Number of issued shares as of the date of submission (June 25, 2021)	Financial instruments exchange on which the shares are listed or the association of authorized financial instruments firms to which the shares are registered	Information on shares
Common shares	41,690,300	41,690,300	Prime Market, Tokyo Stock Exchange	The number of shares constituting one unit is 100 shares.
Total	41,690,300	41,690,300	-	-

(2) Status of share options, etc.

(i) Stock option plan

Not applicable

(ii) Rights plan

Not applicable

(iii) Status of other share options, etc.

Not applicable

(3) Status of exercise, etc., of corporate bond certificates, etc., with share options subject to exercise value change

Not applicable

(4) Transition of the total number of issued shares, share capital, etc.

Date	Increase/ decrease in the total number of issued shares	Balance of the total number of issued shares	Increase/ decrease in share capital (millions of yen)	Balance of share capital (millions of yen)	Increase/ decrease in legal capital surplus (millions of yen)	Legal capital surplus balance (millions of yen)
December 1, 2013 (Note 1)	41,273,397	41,690,300	-	5,000	-	5,000

Note 1: One share was split into 100 shares for shareholders registered in the shareholder register as of December 1, 2013.

(5) Status of shares by shareholder

As of May 31, 2022

Category	Status of shares (1 unit = 100 shares)								Status of shares less than one unit (shares)
	Government and local public bodies	Financial institution	Financial instruments business operator	Other corporations	Foreign corporation, etc.		Individual & other	Total	
					Non-individual	Individual			
Number of shareholders (persons)	-	24	26	86	163	15	7,939	8,253	-
Number of shares held (unit)	-	48,273	5,425	47,880	100,427	26	214,728	416,759	14.400
Percentage of shares held (%)	-	11.58	1.30	11.49	24.10	0.01	51.52	100.00	-

Note 1: Of 1,793,118 treasury shares, 17,931 units are included in “Individual & other,” while 18 shares are included in “Status of shares less than one unit.”

Note 2: Of the 424,862 shares of the Company held by the Stock Benefit Trust (BBT), 424,800 shares (4,248 units) are included in "Financial Institutions," and 62 shares are included in "Status of Odd-lot Shares.
Of the 298,114 shares of the Company held by the Stock Benefit Trust (J-ESOP) 298,100 shares (2,981 units) are included in "Financial Institutions," and 14 shares are included in "Status of Odd-lot Shares."

(6) Status of major shareholders

As of May 31,2022

Name	Address	Number of shares held	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
Yasuyuki Nambu	Awaji City, Hyogo Prefecture	14,763,200	37.00
Nambu Enterprise Co.	6-2, 2-chome, Otemachi, Chiyoda-ku, Tokyo	3,738,500	9.37
Master Trust Bank of Japan Ltd. (Trust account)	11-3, 2-chome, Hamamatsucho, Minato-ku, Tokyo	2,867,800	7.19
THE BANK OF NEW YORK MELON, 140040 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	240 Greenwich Street, New York, New York, 10286, USA (Shinagawa Intercity Tower A, 15-1, 2-chome, Konan, Minato-ku, Tokyo)	2,332,200	5.85
INDUS SELECT MASTER FUND, LTD. (Standing proxy: Custody Business Department, Tokyo Branch, The Hong Kong and Shanghai Banking Corporation)	240 Greenwich Street, New York, New York, 10286, USA (11-1, 3-chome, Nihonbashi, Chiyoda-ku, Tokyo)	1,123,200	2.82
AVI GLOBAL. TRUST PLC (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	51 New North Road, Exeter Devon, EX4 4EP, United Kingdom (Shinagawa Intercity Tower A, 15-1, 2-chome, Konan, Minato-ku, Tokyo)	895,300	2.24
CREDIT SUISSE AG HONG KONG TRUST ACCOUNT CLIENT (Standing proxy: MUFG Bank, Ltd.)	Level 88, International Commerce Center, 1 Austin Road, Kowloon, Hong Kong (7-1, 2-chome, Marunouchi, Chiyoda-ku, Tokyo)	782,800	1.96
Custody Bank of Japan, Ltd. (Trust E account)	8-12, 1-chome, Harumi, Chuo-ku, Tokyo	722,976	1.81
Custody Bank of Japan, Ltd. (Trust account)	8-12, 1-chome, Harumi, Chuo-ku, Tokyo	619,100	1.55
JP MORGAN CHASE BANK 385632 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (Shinagawa Intercity Tower A, 15-1, 2-chome, Konan, Minato-ku, Tokyo)	608,288	1.52
Total	-	28,453,364	71.32

Note 1: In addition to the above, there are 1,793,118 shares of treasury stock in the name of the submitting company, but these shares do not have voting rights pursuant to Article 308, Paragraph 2 of Japan’s *Companies Act*.

Note 2: The Company has introduced a stock benefit trust (BBT) and a stock benefit trust (J-ESOP), and the Custody Bank of Japan, Ltd. (Trust E account) ("Trust E account") holds 722,976 shares of the Company's shares. The Company shares held by Trust E account are not included in treasury stock.

Note 3: In a change report of the large-shareholding report made available for public inspection on January 18, 2022, Tempered Investment Management LTD. is stated to own the following shares as of January 11, 2022. Although Tempered Investment Management LTD. is listed as owning the following shares as of October 1, 2019, the Company is unable to confirm the actual number of shares owned as of May 31, 2022, and thus is not included in the above list of major shareholders.

The details of the change report of the large shareholding report are as follows.

Name or designation	Address	Number of shares held (shares)	Percentage of shares held (%)
Tempered Investment Management LTD.	Chadwick Court, North Vancouver, BC, Canada	2,406,300	5.77

(7) Status of voting rights

(i) Issued shares

As of May 31, 2022

Category	Number of shares	Number of voting rights	Information
Non-voting shares	-	-	-
Shares with restricted voting right (treasury shares, etc.)	-	-	-
Shares with restricted voting right (Other)	-	-	-
Shares with voting rights (treasury shares, etc.)	(Shares owned by the Company) Common shares 1,793,000	-	-
Shares with voting rights (Other)	Common shares 39,882,800	398,828	—
Shares less than one unit	Common shares 14,400	-	-
Total number of issued shares	41,690,300	-	-
Voting rights of all shareholders	-	398,828	-

Note 1: Common shares in the “Shares with voting rights (Other)” column include 424,862 shares of the Company (the number of voting rights: 4,248) held by the Board Benefit Trust (BBT) and 298,114 shares of the Company (the number of voting rights: 2,981) held by the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 2: Common shares in the "shares less than one unit" column includes 18 shares of treasury stock held by the Company, 62 shares held by the Stock Benefit Trust (BBT), and 14 shares held by the Stock Benefit Trust (J-ESOP).

(ii) Treasury shares, etc.

As of May 31, 2022

Name of the shareholder	Address of the shareholder	Number of treasury shares held	Number of non-treasury shares held	Total number of shares held	Percentage of shares held to the total number of issued shares (%)
Pasona Group Inc. (shares owned by the Company)	5-1, 1-chome, Marunouchi, Chiyoda-ku, Tokyo	1,793,100	-	1,793,100	4.30
Total	-	1,793,100	-	1,793,100	4.30

Note 1: 424,862 shares of the Company (1.02%) held by the Board Benefit Trust (BBT) and 298,114 shares of the Company (0.72%) held by the Japanese version of the Employee Stock Ownership Plan (J-ESOP) are not included in the above treasury shares.

Note 2: Other than the above, the Company holds 18 shares as treasury shares less than one unit.

(8) Information on the Officer/employee stock ownership plan

(i) Introduction of the Board Benefit Trust (BBT) for Directors

Based on the resolution at the General Meeting of Shareholders held on August 19, 2015, the Company introduced the Board Benefit Trust (BBT) (hereinafter, the “BBT scheme”) on October 26, 2015, as a performance-linked stock-based remuneration system for Directors (excluding Directors that are members of the Audit Committee, Outside Directors, and non-Executive Directors) and Executive Officers with Executive titles (limited to those that were Directors immediately prior to the transition to a company with an audit committee system) as of September 1 of the fiscal year subject to evaluation.

a. Outline of the BBT scheme
The Company established the Officer Stock Benefit Regulations when it introduced the BBT scheme. Based on the Officer Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire, in advance, shares to be allocated in the future, and trust banks acquired the Company's shares using the entrusted money.

In the BBT scheme, the Company grants points to Directors and Executive Officers and allocates shares to Directors and Executive Officers according to points as based on the Officer Stock Benefit Regulations.

b. Total number of shares to be allocated to Directors
424,862 shares

c Scope of persons that are entitled to beneficiary rights and other rights under the BBT scheme
Of those that have resigned from a Director or Executive Officer position, persons that satisfy the beneficiary requirements as specified in the Officer Stock Benefit Regulations

(ii) Introduction of the Japanese version of the Employee Stock Ownership Plan (J-ESOP) for employees
The Company introduced an incentive plan, the Japanese version of the Employee Stock Ownership Plan (J-ESOP) (hereinafter, the "J-ESOP scheme"), on October 26, 2015, for the purpose of enhancing employee motivation and morale for higher stock price and performance. In this scheme, treasury shares are allocated to employees of the Company and Officers and employees of the Company's subsidiaries (hereinafter, "Employees, etc.").

a. Outline of the J-ESOP scheme
The Company established the Stock Benefit Regulations when it introduced the J-ESOP scheme. Based on the Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire, in advance, shares to be allocated in the future, and trust banks acquired the Company's shares using the entrusted money.

In the J-ESOP scheme, the Company grants points to Employees, etc., and allocates shares to Employees, etc., according to points as based on the Stock Benefit Regulations.

b. Total number of shares to be allocated to Employees, etc.
298,114 shares

c. Scope of persons that are entitled to beneficiary rights and other rights under the J-ESOP scheme
Persons that satisfy the beneficiary requirements specified in the Stock Benefit Regulations

2. Status of the acquisition of treasury shares, etc.

Class of shares, etc.: Acquisition of common stock pursuant to Article 155-7 of the Companies Act

(1) Status of acquisition based on a resolution of the General Meeting of Shareholders
Not applicable

(2) Status of acquisition based on a resolution of the Board of Directors
Not applicable

(3) Acquisitions that are not based on a resolution of the General Meeting of Shareholders or the Board of Directors

Category	Number of shares (shares)	Total value (millions of yen)
Treasury stock acquired during the current fiscal year	71	0
Treasury stock acquired during the period	-	-

Note: Treasury stock acquired during the period does not include shares less than one unit purchased from August 1, 2022 to the date of submission of the Annual Securities Report.

(4) Status of disposal and holding of acquired treasury shares

Category	Current fiscal year		Current period	
	Number of shares (shares)	Total amount of disposal value (millions of yen)	Number of shares (shares)	Total amount of disposal value (millions of yen)
Acquired treasury shares offered to subscribers	-	-	-	-
Acquired treasury shares disposed of by amortization	-	-	-	-
Acquired treasury shares through mergers, share exchanges, and corporate divestitures	-	-	-	-
Other	-	-	-	-
Number of treasury shares held	1,793,118	-	1,793,118	-

Note 1: The 424,862 shares held by the Stock Benefit Trust (BBT) and the 298,114 shares held by the Stock Benefit Trust (J-ESOP) are not included in the number of treasury stock held above.

Note 2: The number of shares of treasury stock held during the period does not include the number of shares purchased from August 1, 2022 to the filing date of the securities report.

3. Dividend policy

In order to play a sufficient role as a company with sustainable growth, we aim to increase shareholder returns by improving corporate value while securing funds for growth, such as in new business investment and capital investment, and we are strengthening our management base and profitability. In line with our basic policy of returning profits to shareholders in line with business performance, we aim for a consolidated dividend payout ratio of 30% and strive to maintain continuous and stable dividends.

The year-end dividend for the current consolidated fiscal year was approved at the Board of Directors meeting held on May 25, 2022, taking into consideration the current business performance and other factors, as well as the fact that consolidated subsidiary, Bewith, Inc., was listed on the Prime Market of Tokyo Stock Exchange on March 2, 2022. The Company has decided to pay a special dividend of 5 yen per share to express its gratitude to shareholders for their continued support.

As a result, the Board of Directors resolved on July 15 to pay a year-end dividend of 35 yen per share, consisting of an ordinary dividend of 30 yen per share and a special dividend of 5 yen per share. In addition, the start date of dividend payment (effective date) will be August 5, 2022—the same as last year and earlier than before.

Dividends of surplus for which the record date belongs to the current fiscal year are as follows.

Resolution date	Total amount of dividend (millions of yen)	Dividend per share (yen)
July 15, 2022: Resolution by the Board of Directors	1,396	35.0

4. Status of corporate governance, etc.

(1) Outline of corporate governance

(i) Basic policy on corporate governance

Based on our corporate philosophy of "solving society's problems," which has remained unchanged since our founding, we, as a social solutions company, are committed to administering to all aspects of life for all those involved with us, as well as contributing to a sustainable society. We are working toward a society that can realize the "Smart Life Initiative," which aims to create a life that is rich in spirit and contentment for people.

It is our basic mission as a company to realize continuous enhancement of corporate value for our stakeholders, including our shareholders, who share our corporate philosophy and social mission as a company.

Our group must always be "a company that is needed" by society, "a company that proposes a true 'social work-life balance'" to its workers, "a company that earns the trust and confidence" of its clients, and "a company that allows its employees to take on challenges with confidence and pride." We must continue to be "a company that offers a true 'social work-life balance'" to our workers, "a company that our clients can trust and rely on," and "a company whose employees can take on challenges with confidence and pride."

To this end, we will promote the strengthening of corporate governance, and we are always aware of and implement management based on a spirit of legal compliance and high ethical standards.

We are convinced that our awareness as a leading company in the industry and our continued efforts to enhance the social credibility of our Group and the industry as a whole will fulfill our responsibilities to our stakeholders, while at the same time strengthening our business foundation and increasing our corporate value.

With regard to the status of corporate governance, the "Report on Corporate Governance" is posted on the listed stock exchange and on the Company's website for public disclosure, and the Company updates the contents of the report as needed.

(ii) Outline of the corporate governance system and reasons for adopting the system

The Company is a Company with an Audit and Supervisory Committee, aiming to strengthen the audit and supervisory functions of the Board of Directors, further increase the effectiveness of corporate governance, and improve the management efficiency by promoting prompt decision-making through authority delegation to Executive Directors.

Major internal control-related organizations of the Company are as follows:

a. Board of Directors

The Board of Directors makes decisions on important management matters of the Company and supervises the Directors' execution of their duties. As of the date of submission of the Annual Securities Report, there are five Directors (three male and two female) that are not members of the Audit Committee and four Directors (all male) that are members of the Audit Committee, of which three are Independent Outside Directors. The Company has strengthened the oversight function of the Board of Directors by having one-third of the Board of Directors composed of Independent Outside Directors. The names of the Directors are listed in "(2) Directors and Corporate Auditors."

The Board of Directors is chaired by the President and Representative Director.

b. Audit Committee

The Audit Committee conducts audits of the execution of duties by Directors and works with the Accounting Auditors and the internal audit division to ensure that audits are conducted effectively. As of the date of submission of the Annual Securities Report, the committee consists of one Full-time Internal Director and three Outside Directors, and all three Outside Directors are designated as Independent Directors. The names of the Audit Committee Members are listed in "(2) Directors and Corporate Auditors on page 56.

The Audit Committee is chaired by a Full-time Audit Committee Member.

c. Management Committee

The Management Committee meets twice a month in principle in order to make prompt and efficient decisions on important matters affecting the entire Company. As of the date of submission of the Annual Securities Report, the Executive Committee consists of five Directors that are not members of the Audit Committee, one Full-time Audit Committee Member, and 14 Executive Officers.

The Management Committee is chaired by the President and Representative Director.

d. Internal Control Committee, etc.

The following seven committees, which are subordinate to the Executive Committee and directly supervised by the Representative Director, have been established across divisions to implement specific measures for internal control, risk management, and improvement of customer satisfaction.

(i) Internal Control Committee (ii) Compliance Committee (iii) Risk Management Committee

(vi) SDGs Committee (v) Environmental Committee (iv) CS/ES Committee (vii) DX Promotion Committee

e. Nomination and Compensation Committee

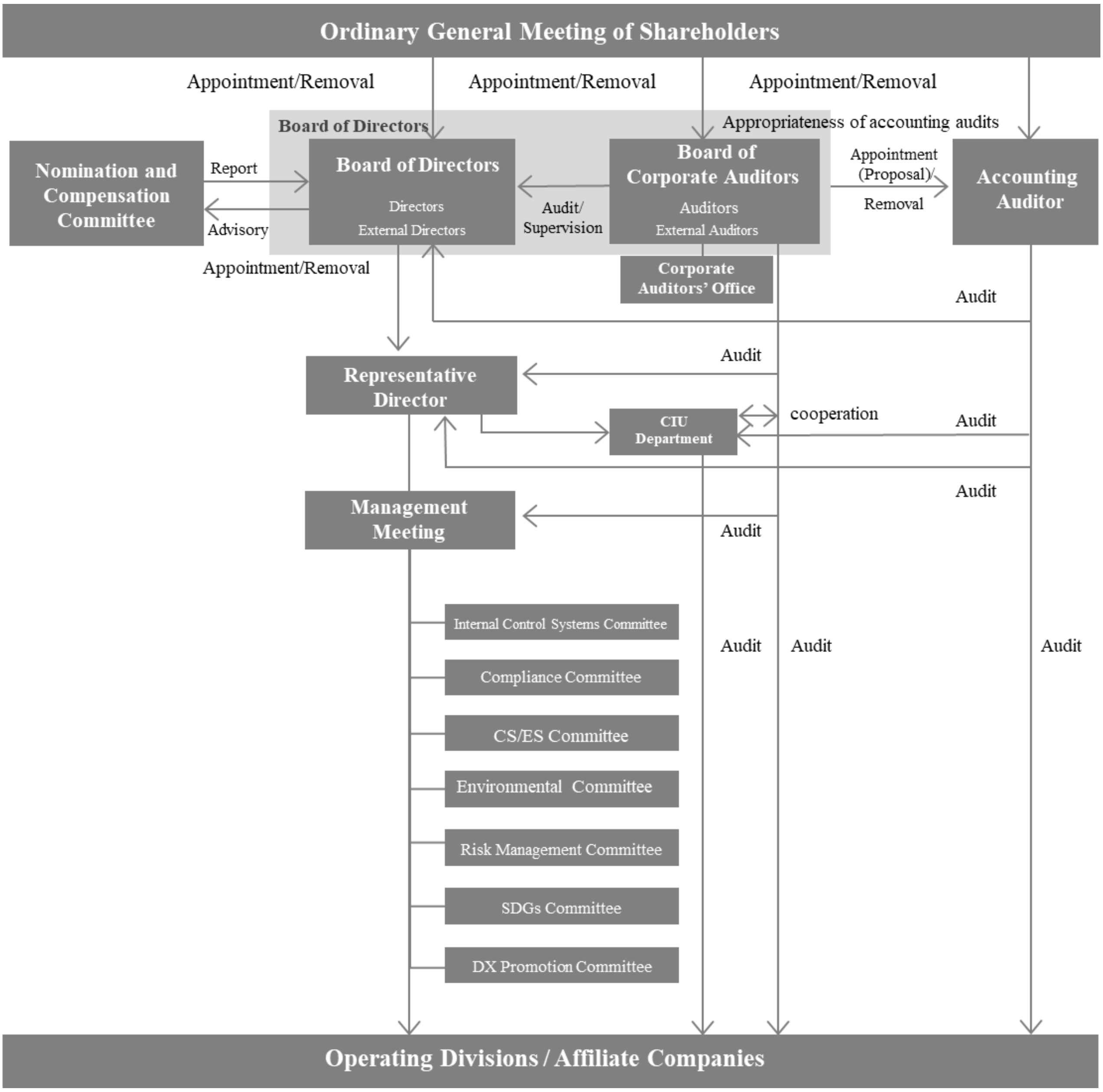
The Nomination and Compensation Committee was established for the purpose of enhancing corporate governance by strengthening the fairness, transparency, and objectivity of procedures related to the nomination and compensation of Directors, etc. The committee deliberates on matters related to the election and dismissal of Directors, the selection and dismissal of Representative Directors, and the selection and dismissal of Directors in office, and reports to the Board of Directors. The Nomination and Compensation Committee deliberates and reports to the Board of Directors on matters relating to the election and dismissal of Directors, the selection and dismissal of Representative Directors, the selection and dismissal of Executive Directors, and decides on matters relating to individual fixed compensation for Directors that are not Audit Committee Members. The Nomination and Compensation Committee is composed of a majority of Independent Outside Directors that meet the Company's criteria for independence and consists of the following three members as of the date of submission of the Annual Securities Report.

Name	Position and responsibility
Yutaka Hori	Expert (Attorney-at-law)
Haruo Funabashi	Audit & Supervisory Board Member (Independent Outside Director)
Kazuo Furukawa	Audit & Supervisory Board Member (Independent Outside Director)

The Nomination and Compensation Committee is chaired by Yutaka Hori.

The Company’s corporate governance chart is shown below.

Corporate Governance Structure



(iii) Other Matters Related to Corporate Governance

a. Status of internal control systems

(a) Systems to ensure that the execution of duties by Directors and employees of the Company and its subsidiaries is in compliance with laws, regulations, and the Articles of Incorporation

1) The Company shall establish a Charter of Corporate Behavior and ensure that the Officers and employees of the Company and its subsidiaries fully understand the fundamental principles of corporate activities as stipulated in the Charter of Corporate Behavior, thereby ensuring thorough awareness of the need to comply with laws and regulations, etc.

2) The Directors of the Company and its subsidiaries shall monitor and ensure, through the Board of Directors meetings and management meetings of each company, that the Directors of the Company and its subsidiaries comply with laws, regulations, and the Articles of Incorporation, and that they act in accordance with the corporate philosophy.

3) The Company shall establish basic standards of conduct to be observed by the Directors and employees of the Company and its subsidiaries in the course of their daily operations, and shall establish a Compliance Committee as an organization to carry out activities and controls to promote compliance by the Company and its subsidiaries. In addition, a summary of the activities of the Compliance Committee shall be regularly reported to the Board of Directors.

4) The Company shall establish a whistleblowing system covering the entire Pasona Group and shall establish internal

and external contact points for whistleblowing to prevent and quickly identify material facts that may violate laws and regulations, either organizationally or individually, as reported by Pasona Group employees and other parties.

5) The CIU Office and the Group Internal Audit Office shall conduct internal audits of each Pasona Group company to audit the appropriateness, validity and legality of business execution and improve internal controls.
6) In accordance with the Charter of Corporate Behavior, Pasona Group shall take a resolute stance against antisocial forces and shall sever all relationships with them. In addition, the Company shall establish a department in charge of responding to unjustified demands, etc., and shall prepare rules and regulations concerning reporting and response in the event of an incident, and shall respond resolutely in cooperation with the police and other relevant organizations.
7) Ensure legality by appointing Outside Directors that have no vested interest in the Company and by strengthening the mutual monitoring and supervision of Directors.
8) Monitoring shall be conducted by Full-time Audit & Supervisory Board Members and Outside Directors that are Audit & Supervisory Board Members and have no vested interest in the Company.

(b) Systems for the storage and management of information related to the execution of duties by Directors
The Company shall ensure that important documents used for decision-making by Directors or reporting to Directors are prepared, stored, and disposed of in accordance with the established Document Management Regulations.

(c) Regulations and other systems for managing the risk of loss of the Company and its subsidiaries
1) The Company and its major subsidiaries shall manage risk management in accordance with the Risk Management Regulations, which stipulate risk management, and shall distribute a summary of the Risk Management Manual to all Officers and employees to ensure thorough implementation.
2) The Group Representative shall be the Chief Executive Officer of the risk management system. The Risk Management Committee established within the Company and major subsidiaries shall be responsible for the overall management of risks, and the Executive Officer in charge of the Corporate Governance Division shall be designated as the person responsible for overall risk management.
3) The Risk Management Committee shall assume and categorize specific risks in advance based on the Crisis Management Manual and shall maintain a system to ensure prompt and appropriate communication of information in case of emergency.
4) The Company's CIU Office and the Group Internal Audit Office shall conduct audits of the daily risk management status of each department of the Company and its subsidiaries.

(d) Systems to ensure that the Directors of the Company and its subsidiaries execute their duties efficiently
1) With respect to the execution of duties by the Directors of the Company and its subsidiaries, each company shall establish the division of duties and authority in accordance with its organizational rules, thereby clarifying their responsibilities and ensuring efficient execution of duties.
2) The Company shall hold a regular meeting of the Board of Directors once a month and extraordinary meetings of the Board of Directors as necessary. In addition, management issues related to business execution are deliberated at management meetings attended by Directors that are not members of the Audit Committee, Full-time Audit Committee Members, and Executive Officers.
3) The Board of Directors Regulations require subsidiaries to hold regular meetings of the Board of Directors at least once a month or at least once a quarter, depending on the size of the company, and the Company's Corporate Planning Department shall periodically confirm the status of such meetings. In addition, subsidiaries shall hold extraordinary meetings of the Board of Directors, as necessary.
4) The Board of Directors of the Company and its subsidiaries shall make decisions on management execution policies, matters stipulated by laws and regulations, and other important management matters, and supervise the execution of business operations.

(e) Systems to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries, in addition to the matters listed in (a) through (d) above
1) The Company shall dispatch Directors or Corporate Auditors of subsidiaries to the subsidiaries to monitor and supervise the management status through their attendance at Board of Directors meetings and audits by Corporate Auditors.
2) The Company shall enter into group management agreements with subsidiaries and shall establish a system under which the Company receives reports on important matters related to the execution of duties by directors and others.
3) The CIU Office and the Group Internal Audit Office of the Company shall conduct internal audits of the Company

and its subsidiaries and report the results to the Internal Audit Report Meeting attended by Full-time Directors, Audit Committee Members, and Executive Officers, and conduct necessary management depending on the situation.

4) To ensure the appropriateness of financial reporting, the Internal Control Committee of the Company shall formulate an internal control evaluation plan, monitor the internal control evaluation conducted by the Group Internal Audit Office, prepare an internal control report, and submit it to the Board of Directors in accordance with the Internal Control Committee Rules.

(f) Matters concerning Directors and employees assisting the Audit Committee

The Audit Committee Office shall be established, and the personnel of the Audit Committee Office shall assist the duties of the Audit Committee as full-time assistant employees.

(g) Matters concerning the independence of the Directors and employees mentioned in the preceding item from other Directors (excluding Directors that are members of the Audit Committee) and the securing of the effectiveness of the Audit Committee's instructions to such Directors and employees

1) Employees assisting the Audit Committee shall not concurrently hold positions related to the execution of the Company's business, and shall perform their duties under the direction and orders of the Audit Committee.
2) Personnel transfers, evaluations, and disciplinary actions of employees assisting the Audit Committee shall be approved in advance by the Audit Committee.

(h) Systems for reporting to the Audit Committee by Directors and employees of the Company and its subsidiaries, and systems to ensure that those that report to the Audit Committee of the Company or the Corporate Auditors of its subsidiaries will not be disadvantaged for making such reports.

1) Directors and employees of the Company and its subsidiaries shall promptly report to the Audit Committee or Corporate Auditor of the company to which they belong if they discover any matter that could seriously damage the Company's credibility or significantly deteriorate its performance or any illegal or improper act by an Officer or employee. The Company shall ensure that such reporting is thoroughly implemented. When Auditors receive such reports from subsidiaries, they shall immediately report them to the Audit Committee of the Company. In addition, any report received by the Company or its subsidiaries through the internal reporting system shall be immediately reported to the Audit Committee of the Company.
2) The Compliance Hotline Regulations of the Company and its subsidiaries shall stipulate that no disadvantageous treatment will be accorded to any person that makes a report under the preceding paragraph for the reason of such report.

(i) Policies for handling expenses incurred in the performance of duties by Audit Committee Members and other systems to ensure the effective performance of audits by the Audit Committee

1) Procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Audit Committee Members and other expenses or liabilities incurred in the execution of such duties shall be appropriately handled based on applications from Audit Committee Members.
2) The Audit Committee shall strengthen cooperation with the President and Representative Director, the Accounting Auditor, the CIU Office, the Group Internal Audit Office, the Audit Committee Office, and the Auditors of subsidiaries, and shall hold meetings to exchange opinions as necessary from time to time.

b. Status of risk management systems

The Company has established the system described above in "a. Status of internal control systems" and in "c. Regulations and other systems for managing the risk of loss of the Company and its subsidiaries."

c. Exemption of Directors from liability

In accordance with Article 426, Paragraph 1, of the *Companies Act* of Japan, the Company has adopted a policy to exempt Directors (including those that were previously Directors) from liability for damages under Article 423, Paragraph 1, of the *Companies Act* of Japan, in order to enable them to fully fulfill the roles expected of them in the performance of their duties.

d. Outline of the contents of the liability limitation agreement

The Company has established provisions in its Articles of Incorporation regarding liability limitation contracts for Directors (excluding those that are Executive Directors, etc.).

Under such agreements, with respect to the liability stipulated in Article 423, Paragraph 1 of the Companies Act, if the Director has performed his duties in good faith and without gross negligence, the liability for damages shall be limited to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

e. Summary of the contents of the Directors' and Officers' liability insurance contract

Pasona Group has concluded a Directors' and Officers' liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the *Companies Act* of Japan, which insures Directors, Executive Officers, and Department Managers of Pasona Group Inc. and Directors, Corporate Auditors, and Executive Officers of Pasona Group subsidiaries.

In addition, as of May 31, 2022, overseas subsidiaries (with some exceptions) were added to the list of insureds.

Under the policy, in addition to the cost of compensation for securities damages, litigation costs, and internal investigation costs in the event of misconduct for which the Company is liable, the policy also provides that the insured shall be liable for any claims for damages arising from acts (including omissions) committed by the insured in their capacity as Directors, Corporate Auditors, or Executive Officers of the Company. In addition, the Company will be covered for damages and dispute expenses incurred by the insured due to claims for damages arising out of acts (including omissions) committed by the insured in his/her capacity as a Director, Officer, or other employee of the Company. However, there are certain exclusions, such as the insured being not covered for damages caused by an act committed with the insured's knowledge that the act was in violation of the law.

The premiums are borne entirely by the company, and there is virtually no premium burden on the insured.

f. Resolution requirements for the appointment of Directors

The Company's Articles of Incorporation stipulate that resolutions for the election of Directors shall be adopted by a majority of the votes of shareholders present at a meeting where shareholders holding one-third or more of the voting rights of shareholders that are entitled to exercise their voting rights are present. The Articles of Incorporation also stipulate that the election of Directors shall not be decided by cumulative voting.

g. Number of Directors

The Company's Articles of Incorporation stipulate that the Company shall have no more than 15 Directors that are not Audit Committee Members and no more than five Directors that are Audit Committee Members.

h. Special resolutions of the General Meeting of Shareholders

In order to ensure the smooth operation of the General Meeting of Shareholders, the Company stipulates in Article 309, Paragraph 2 of the *Companies Act* that resolutions of the General Meeting of Shareholders shall be adopted by two-thirds or more of the voting rights of shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders that are entitled to exercise their voting rights are present.

i. Organ to determine dividends from surplus, etc.

The Company's Articles of Incorporation stipulate that matters stipulated in Article 459, Paragraph 1 of the *Companies Act*, such as the distribution of surplus, shall be determined by a resolution of the Board of Directors, except as otherwise provided by law, so that the Company can implement a flexible capital and dividend policy.

(2) Officers

(i) List of Officers

Seven males and two females (Female officers: 22.0%)

Position	Name	Birth date	Biography		Term of office	Number of shares of the Company held
Group CEO & President, Pasona Group Inc.	Yasuyuki Nambu	Jan 5, 1952	Feb. 1976 Apr. 1991 Mar. 1992 Mar. 1996 Apr. 1999 Jun. 2000 Aug. 2004 Dec. 2007 Jun. 2010 Aug. 2011	Established Man Power Center Inc. (currently Nambu Enterprise Inc.), Senior Managing Director Representative Director, Man Power Center Inc. Representative Director, Temporary Sunrise Inc. (currently Pasona Inc.) Director, Business Coop Inc. (currently Benefit One Inc.) President & CEO, Pasona Inc. (currently Nambu Enterprise Inc.) Group CEO, Pasona Inc. Group CEO & President, General Manager of the Sales and Marketing Headquarters, Pasona Inc. Representative Director, Pasona Inc. Group CEO & President, Pasona Group Inc. (to present) Chairman & Director, Benefit One Inc. Chairman & Representative Director, Pasona Inc. (to present)	(Note3)	14,763,200
Executive Officer & Vice President, General Manager of the Pasona Way Headquarters, responsible for the Social Contribution Department, Pasona Group Inc.	Junko Fukasawa	May 28, 1953	Apr. 1974 Jul. 1978 Sep. 1981 Jan. 1990 Jun. 2000 Apr. 2003 Dec. 2007 Jun. 2015 Jun. 2017 Aug. 2017 Aug. 2018	Joined Mitsui Toatsu Chemicals Inc. (currently Mitsui Chemicals, Inc.) Joined DENTSU INC (currently Dentsu Group Inc.) Joined Temporary Center Inc. (currently Nambu Enterprise Inc.) Director, General Manager of the Public Relations Department, Temporary Center Inc. Senior Managing Executive Officer, General Manager of the Human Resources & Planning Headquarters, Pasona Inc. President & COO, Pasona Heartful Inc. (to present) Senior Managing Director, responsible for the Human Resources Division, Public Relations and Advertising Department, General Manager of the Social Contribution Department, Pasona Group Inc. Senior Managing Director, General Manager of the Human Resources & Planning Headquarters, responsible for the Social Contribution Department, Pasona Group Inc. Chairman & Director, Benefit One Inc. (to present) Executive Officer & Vice President, General Manager of the Human Resources & Planning Headquarters, responsible for the Social Contribution Department, Pasona Group Inc. Executive Officer & Vice President, General Manager of the Pasona Way Headquarters, responsible for the Social Contribution Department, Pasona Group Inc. (to present)	(Note 3)	193,900

Executive Officer & Vice President, General Manager of the New Business Development Headquarters,	Kinuko Yamamoto	Nov 5, 1955	Feb. 1979 Jan. 1990 Jun. 2000 Jun. 2005 Dec. 2007 Sep. 2012 Jun. 2015 Dec. 2016 Aug. 2017 Sep. 2018 Apr. 2020	Joined Man Power Center Inc. (currently Nambu Enterprise Inc.) Director, responsible for the Osaka Sales Headquarters, Man Power Center Inc. Managing Executive Officer, General Manager of the Employment Development Department, Pasona Inc. President & COO, Kansai Employment Creation Organization Inc. (currently Pasona Masters Inc.) Executive Officer, responsible for Corporate Senior Managing Director, responsible for the New Business Development Division, Pasona Group Inc. President & COO, Pasona Furusato Incubation Inc. Senior Managing Director, General Manager of the New Business Development Headquarters, Pasona Group Inc. President & COO, Nijigennomori Inc. Executive Officer & Vice President, General Manager of the New Business Development Headquarters, General Manager of the Smart Life Initiative Headquarters, Pasona Group Inc. Executive Officer & Vice President, General Manager of the New Business Development Headquarters, Pasona Group Inc. (to present) President & COO, Pasona Smile Inc. (to present)	(Note 3)	141,500
Executive Officer & Vice President, General Manager of the Corporate Planning Headquarters,	Hirotaka Wakamoto	Nov 2, 1960	Apr. 1984 Jun. 1989 Sep. 2006 Dec. 2007 Jun. 2010 Jul. 2012 Aug. 2017 Aug. 2018 Jun. 2019 Aug. 2020 Dec. 2021	Joined Saitama Bank, Limited (currently Resona Bank, Limited, Saitama Resona Bank, Limited) Joined Temporary Center Inc. (currently Nambu Enterprise Inc.) Managing Director, responsible for the Legal Department, Affiliated Company Department, and International Business Department, General Manager of the Corporate Planning Department, Pasona Inc. Managing Director, responsible for the CMO Department and the International Business Department, General Manager of the Corporate Planning Division, Pasona Group Inc. Director, Benefit One Inc. Senior Managing Director, responsible for the Corporate Planning Division, Pasona Group Inc. Senior Managing Director, General Manager of the Corporate Planning & Administration Headquarters, Pasona Group Inc. Executive Officer & Vice President, General Manager of the Corporate Planning & Administration Headquarters, Pasona Group Inc. President & CEO, Pasona Knowledge Partner Inc. (to present) Director. Bewith, Inc. (to present) Executive Officer & Vice President. General Manager of the Corporate Planning & the Growth Strategy Headquarters.	(Note 3)	43,500
Managing Executive Officer & General Manager of the International Business Headquarters & Deputy General Manager of the Corporate Planning Headquarters,	Makiya Nambu	Jul 31, 1984	Apr. 2008 Jun. 2013 Sep. 2018 Dec. 2018 Sep. 2021 Aug. 2022	Joined Mitsubishi Corporation Joined Pasona Inc. Executive Officer, General Manager of the Global Business Division, Pasona Inc. General Manager of the International Business Division, Pasona Group Inc. (to present) Managing Executive Officer, General Manager of the Global Business Division, Pasona Inc Managing Director & the General Manager of the Global Business Division, Pasona Inc. (to present) Managing Executive Officer & General Manager of the International Business Headquarters & Deputy General Manager of the Corporate Planning Headquarters,(to present)	(Note 3)	0

Outside Director (Full-time Audit and Supervisory Committee Member)	Kazufumi Nomura	Mar 15, 1955	Apr. 1977 Apr. 1985 Jun. 2000 Jun. 2001 Apr. 2010 May 2013 Aug. 2013 Aug. 2019	Joined Man Power Center Inc. (currently Nambu Enterprise Inc.) Director, Man Power Center Inc. Managing Executive Officer, General Manager of Kanto Sales & Marketing Division, Pasona Inc. President & COO, NS Personnel Service Co., Ltd. Chairman & Representative Director, NS Personnel Service Co., Ltd. Senior Advisor, Pasona Inc. Full-time Audit & Supervisory Board Member, Pasona Inc Aug. 2019 Director & Full-time Audit and Supervisory Committee Member, Pasona Group Inc. (to present)	(Note 4)	45,600
Outside Director (Full-time Audit and Supervisory Committee Member)	Haruo Funabashi	Sep 19, 1946	Jul. 1969 Jun. 1988 May 1989 Jul. 1994 Mar. 1995 Jun. 1998 Jun. 2000 Jul. 2001 Jul. 2002 Feb. 2003 Mar. 2005 Jun. 2006 Dec 2007 Dec. 2011 Aug. 2019 Dec. 2019	Joined the Ministry of Finance Head of the International Tax Division, Tax Bureau, Ministry of Finance Councilor, Embassy of Japan in France, Ministry of Foreign Affairs Deputy Vice Minister of Finance, Ministry of Finance Tokyo Directors-General of Custom-Houses, Ministry of Finance Secretary-General, Securities and Exchange Surveillance Commission Director General & Chief Cabinet Secretary, National Land Agency (currently the Ministry of Land, Infrastructure and Transport) Deputy Director-General of Land, Infrastructure and Transport, Ministry of Land, Infrastructure and Transport Resigned from the Ministry of Land, Infrastructure and Transport Representative Director, Sirius Institute Ltd. (to present) Outside Audit & Supervisory Board Member, Kenedix, Inc. (to present) Outside Audit & Supervisory Board Member, Konoike Transport Co., Ltd. (to present) Outside Audit & Supervisory Board Member, Pasona Group Inc, Outside Audit & Supervisory Board Member, EPS Corporation (currently EPS Holdings, Inc.) (to present) Outside Director & Audit and Supervisory Committee Member, Pasona Group Inc, (to present) Outside Director, EPS Holdings, Inc. (to present)	(Note 4)	13,800
Outside Director (Audit and Supervisory Committee Member)	Kazuo Furukawa	Nov 3, 1946	Apr. 1971 Apr. 2005 Apr. 2006 Jun. 2006 May 2007 Apr. 2009 Jun. 2009 Jun. 2011 Oct. 2011 Jun. 2019 Aug. 2019	Joined Hitachi, Ltd. Representative Executive Officer, Executive Vice President, General Manager and CEO of the Telecommunications Group, General Manager of Export Control, Hitachi, Ltd. Representative Executive Officer and President, Hitachi, Ltd. Director, Representative Executive Officer and President, Hitachi, Ltd. Vice President, Incorporated association Japan Business Federation (currently General incorporated association Japan Business Federation) Director, Representative Executive Officer and Vice Chairman of the Board, Hitachi, Ltd. Special Advisor, Hitachi, Ltd. Chairman, Information Processing Society of Japan Chairman, New Energy and Industrial Technology Development Organization (currently New Energy and Industrial Technology Development Organization, Japan) Outside Director of Nippon Insulators, Ltd. Outside Director and Audit Committee Member of the Company (to present)	(Note 4)	8,400
Outside Director (Audit and Supervisory Committee Member)	Ryohei Miyata	Jun 8, 1945	Apr. 1997 Apr. 2004 Dec. 2005 Feb. 2016 Apr. 2016	Professor, Faculty of Fine Arts, Tokyo University of the Arts Director & Vice-President, Tokyo University of the Arts President, Tokyo University of the Arts Commissioner, Agency of Cultural Affairs, Ministry of Education, Culture, Sports, Science and Technology Professor Emeritus & Advisor, Tokyo University of the Arts (to present)	(Note 4)	0

			Jul. 2021 Aug. 2021 May 2022	Guest Professor, Nagaoka Institute of Design (to present) Outside Director and Audit Committee Menbaer Pasona Group Inc. (to present) Chairman of the Board of Directors, Public Interest Incorporated Association: Nitten (to present)		
Total						15,209,900

Note 1: Directors Haruo Funabashi, Kazuo Furukawa and Ryohei Miyata are Outside Directors.

Note 2: The Company has submitted a Notice of Independent Director to Tokyo Stock Exchange, Inc., stating that Mr. Haruo Funabashi, Mr. Kazuo Furukawa, and Mr. Ryohei Miyata as Independent Directors.

Note 3: The term of office of Directors that are not members of the Audit Committee starts at the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended May 31, 2022 and will expire at the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending May 31, 2023.

Note 4: The term of office of Directors that are members of the Audit and Supervisory Committee started at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending May 31, 2021 and will expire at the close of the Ordinary General Meeting of Shareholders for the fiscal year ending May 31, 2023.

Note 5: Makiya Nambu, Director and Managing Executive Officer, is the eldest son of Yasuyuki Nambu, Group CEO and President.

Note 6: The Company has introduced an Executive Officer system to respond to changes in the business environment promptly and appropriately and to accelerate and strengthen the function of the execution of operations.

(ii) Status of Outside Directors

As of the date of submission, the Company has three Outside Directors, and one-third of the Board of Directors consists of Outside Directors.

There are no personal, capital, business, or other interests between the Outside Directors and the Company. All of them are appointed as members of the Audit Committee in order to conduct appropriate audits and supervision of business execution from an independent standpoint based on an objective viewpoint that differs from that of Directors from within the Company.

The Company's Outside Directors and candidates for Outside Directors satisfy the following criteria for independence as determined by the Company, and Mr. Haruo Funabashi, Mr. Kazuo Furukawa, and Mr. Ryohei Miyata are Independent Directors.

・Relatives within the second degree of kinship must not currently or in the past be an Executive Director of the Company or its subsidiaries.

・In the event that the Company's group has transactions with a company in which they are currently employed as Executive Officers or employees, the amount of such transactions must not have exceeded 2% of the Company's consolidated net sales in the past three fiscal years.

・In the past three fiscal years, the Outside Director must not have received remuneration exceeding ¥10 million per year directly from the Company or its subsidiaries as a legal, accounting, or tax specialist or consultant (excluding remuneration as an Officer of the Company and remuneration paid to the organization or firm to which the Outside Director belongs).

・The Outside Director must not be an executive of an organization that has received donations, etc., exceeding ¥10 million per year from the Company or its subsidiaries in the past three fiscal years.

(iii) Mutual coordination among supervision or audit by Outside Directors, internal audit, audit by the Audit and Supervisory Committee, and accounting audit, and the relationship with the internal control department

In principle, the Company's Outside Directors monitor the Company's overall internal control system and provide advice on more-efficient operation through the monthly meetings of the Audit Committee and through interactive information exchange with the Accounting Auditor, CIU Office, Group Internal Audit Office, and other internal control-related organizations, as necessary. The Company monitors the Company's internal control system in general and provides advice on more-efficient operation of the system.

(3) Status of audit

(i) Status of audit by the Audit and Supervisory Committee

The Company's Audit Committee consists of four members: one Full-time Internal Director and three External Directors. In addition, in order to enhance the effectiveness of audits by the Audit Committee, the Company has established an Audit Committee Office (number of employees: two).

Haruo Funabashi, an Outside Director, has considerable knowledge of finance and accounting, having worked for the Ministry of Finance and the National Tax Agency, as well as for many years as an auditor at several companies.

In principle, the Audit Committee meetings were held once a month during the fiscal year under review, and the meetings were held 14 times during the year. The attendance status of each member is shown below.

Name	Number of meetings	Attendance
Kazufumi Nomura	14	14
Haruo Funaashi	14	14
Kazuo Furukawa	14	14
Ryohei Miyata	12	12

Note: Mr. Ryohei Miyata attended all of the 12 meetings of the Audit Committee held since his appointment on August 20, 2021.

At the meetings, the Audit Committee mainly discusses the formulation of audit plans, preparation of audit reports, evaluation and reappointment of Accounting Auditors, agreement on compensation for Accounting Auditors, establishment and operation of internal control systems, and risk management systems for the entire Group.

Each Audit Committee Member attends meetings of the Board of Directors, receives business reports from Directors, audits the content of resolutions and other matters, and expresses opinions, as necessary. In addition to the above, the Full-time Audit & Supervisory Board Member audits the overall status of business execution by attending important meetings such as the Management Committee and Compliance Committee, visiting affiliated companies, inspecting important approval documents, and exchanging opinions regularly with the Accounting Auditors, CIU Office, and Group Internal Audit Office. The Audit Committee reports audit results to the Board of Directors orally or in writing and provides advice, as necessary.

(ii) Status of internal audits

The CIU Office (three staff members) and the Group Internal Audit Office (nine staff members) monitor compliance with laws, regulations, and internal company rules in accordance with the Internal Audit Regulations and the Internal Audit Regulations of Affiliated Companies, preventing unforeseen situations due to operational irregularities and errors and improving operations and management efficiency. The Company conducts internal audits for the purpose of preventing the occurrence of unforeseen events due to operational irregularities and errors, improving operations, and enhancing management efficiency. In addition, the Group Internal Audit Office and the Internal Control Committee check the establishment and operation of the internal control system.

The Full-time Audit & Supervisory Board Members receive reports on the results of internal audits in the form of individual internal audit reports, attend internal audit report meetings held quarterly (in principle) to receive reports from the General Manager of the CIU Office and the General Manager of the Group Internal Audit Office, and separately hold a regular monthly information exchange meeting with the General Manager of the CIU Office and the General Manager of the Group Internal Audit Office. In addition, a regular information exchange meeting is held once a month with the General Manager of the CIU Office and the General Manager of the Group Internal Audit Office to confirm the appropriateness of internal operations and compliance status, to improve operations, and to share matters requiring guidance. In addition, the Company closely exchanges information on the Audit Committee's audit policy plan and internal audit policy, etc.

(iii) Status of accounting audit

a. Name of the auditing firm

Deloitte Touche Tohmatsu LLC

b. Continuous audit period

15 years

c. Name of the certified public accountants that performed the duties

Designated limited liability partner, engagement partner: Takuya Nagashima, Yoshihiro Ishida

d. Assistants for audit operations, etc.

The composition of assistants for auditing services is determined in accordance with the audit plan of the audit corporation, which consists of 12 certified public accountants and 20 other audit personnel.

e. Policies and reasons for choosing the auditing firm

The Company’s Audit and Supervisory Committee confirms, based on the Practical Guidelines for Company Auditors, etc., on the Evaluation of Financial Auditors and the Development of Selection Criteria published by the Japan Audit & Supervisory Board Members Association, the status of quality management by Financial Auditors, independence and expertise, properly developed audit systems, and the reasonableness and suitability of the specific audit plan and audit fees. The committee comprehensively assesses Financial Auditors based on their audit performance in the past, etc., and makes a judgment on the selection.

If Financial Auditors are recognized as falling under any item of Article 340, Paragraph 1 of the *Companies Act*, the Audit and Supervisory Committee will dismiss them with the consent of all members of the committee. If there is any problem in the execution of the duties of Financial Auditors or if it is judged as necessary, the Audit and Supervisory Committee will propose the dismissal or refusal of re-election of Financial Auditors to the General Meeting of Shareholders.

f. Assessment of the auditing firm by the Audit and Supervisory Committee

As a result of assessing Financial Auditors based on the Company's selection policy items, including the quality management system, independence, and communication with the management, Audit and Supervisory Committee Members, and the finance and accounting department, the Company's Audit and Supervisory Committee made a comprehensive judgment that the accounting audit was properly conducted.

(iv) Audit fees, etc.

a. Remuneration for certified public accountants, etc., involved in audits (Millions of yen)

Category	Previous consolidated FY		Current consolidated FY	
	Remuneration based on audit and attestation services	Remuneration based on non-audit operations	Remuneration based on audit and attestation services	Remuneration based on non-audit operations
Reporting company	74	-	69	-
Consolidated subsidiary	87	6	108	3
Total	161	6	177	3

Non-audit services of consolidated subsidiaries in the previous fiscal year consisted of various advisory and other services.
Non-audit services of consolidated subsidiaries in the current consolidated fiscal year consisted of comfort letter preparation services for a new listing.

b. Remuneration for organizations that belong to the same network as the certified public accountants, etc., involved in the audit (excluding 1) (Millions of yen)

Category	Previous consolidated FY		Current consolidated FY	
	Remuneration based on audit and attestation services	Remuneration based on non-audit operations	Remuneration based on audit and attestation services	Remuneration based on non-audit operations
Reporting company	-	-	-	-
Consolidated subsidiary	1	83	1	-
Total	1	83	1	-

Non-audit services of consolidated subsidiaries in the previous fiscal year consisted of advisory services for business strategies.

c. Remuneration based on other important audit and attestation services

Previous consolidated fiscal year

There are no notable matters.

Current consolidated fiscal year

There are no notable matters.

d. Policy for deciding audit fees

The Company appropriately decides the amount of audit fees in sufficient consideration of the audit plan and audit details of the certified public accountant, etc., time required for the audit, etc.

e. Reasons why the Audit and Supervisory Committee agreed on the remuneration for Financial Auditors, etc.

The Company's Audit and Supervisory Committee confirmed the audit time by audit item, the transition of audit fees, and the audit plan and results in past years and examined the adequacy of the audit time and remuneration estimates for the current fiscal year based on the Practical Guidelines on the Collaboration with Financial Auditors published by the Japan Audit & Supervisory Board Members Association. As a result, the committee gave the consent specified in Article 399, Paragraphs 1 and 3 of the *Companies Act* regarding the remuneration, etc., for Financial Auditors.

(4) Remuneration for Officers, etc.

(i) Matters regarding the policy on the decision of the amount of remuneration, etc., for Officers or the method used to calculate the amount

a. Method of determining the policy for determining the details of compensation, etc., for each Individual Director

At a meeting of the Board of Directors held on February 26, 2021, the Company resolved to adopt a policy for determining the content of remuneration, etc., for each individual Director (hereinafter referred to as the "Determination Policy"). At the Board of Directors meeting held on June 30, 2021, the Company resolved to revise said Determination Policy in accordance with the establishment of the Nomination and Compensation Committee.

b. Summary of decision-making policy

The maximum amount of remuneration for Directors was determined by a resolution of the 10th Annual General Meeting of Shareholders held on August 18, 2017.

Remuneration for Directors (excluding Directors that are members of the Audit Committee, Outside Directors, and Non-Executive Directors)

The compensation for Directors (excluding members of the Audit Committee, Outside Directors, and non-Executive Directors) consists of base compensation, which is fixed compensation, and performance-linked stock compensation, which is designed to raise awareness of the need to contribute to medium- to long-term business performance and the enhancement of corporate value. In principle, the ratio of performance-linked stock compensation to total compensation is designed to be approximately 0% to 30% when the performance targets are achieved. On the other hand, remuneration for other Directors consists only of fixed remuneration, taking into consideration that they are in a position to supervise Directors that execute business operations.

Fixed remuneration for Directors that are not members of the Audit Committee is determined within the total amount of remuneration for Directors approved at the General Meeting of Shareholders by the Nomination and Compensation Committee, which is composed of a majority of Independent Outside Directors that meet the Company's criteria for independence, taking into consideration their position, position, role, contribution to the Company, and other factors. On the other hand, fixed remuneration for Directors that are members of the Audit and Supervisory Committee is determined through discussions among the Directors that are members of the Audit and Supervisory Committee within the total amount of remuneration approved at the General Meeting of Shareholders.

Performance-linked stock compensation is provided through a stock benefit trust (BBT) and is determined based on the achievement of performance targets for each fiscal year and other factors based on the basic coefficient for each Director (excluding Directors that are members of the Audit Committee, Outside Directors, and non-Executive Directors) according to his or her position in the Company. The evaluation index is determined by a method determined by the Board of Directors based on the basic coefficient in accordance with the position of each Director (excluding members of the Audit Committee, Outside Directors, and non-Executive Directors). The Company uses consolidated operating profit and profit attributable to shareholders of the parent company, which are the results of business activities, as the evaluation indexes, and sets specific maximum amounts to enhance transparency and objectivity.

Fixed remuneration is determined as an annual amount, one-twelfth of which is given monthly starting in September, and shares related to the performance-linked stock-based remuneration, the Stock Benefit Trust (BBT), are in principle delivered upon retirement.

c. Reasons why the Board of Directors determined that the details of individual remuneration, etc., of Directors for the current fiscal year are in line with the decision-making policy

In determining the content of individual fixed remuneration, etc., for each Director for the current fiscal year, prior to the establishment of the Nomination and Compensation Committee, a voluntary remuneration meeting consisting of Internal Directors explained the specific calculation method of total remuneration, etc., to Outside Directors in advance, and after considering their opinions and conducting a multifaceted review, fixed remuneration for Directors was determined. The Company believes that this policy is in line with the Company's decision-making policy.

Performance-linked stock compensation is determined in accordance with the Directors' Stock Benefit Regulations established by the Board of Directors and is judged to be in line with the decision-making policy.

(ii) Matters regarding the General Meeting of Shareholders' resolution on Directors' remuneration, etc.

The amount of monetary compensation for the Company's Directors (excluding Directors that are members of the Audit Committee) was approved at the 10th Ordinary General Meeting of Shareholders held on August 18, 2017 as an annual amount of ¥600 million (including an amount of ¥50 million or less per year for Outside Directors). The number of Directors (excluding Directors that are members of the Audit and Supervisory Committee) as of the conclusion of said Annual General Meeting of Shareholders was five (of which zero are Outside Directors).

In 2015, the Company introduced a performance-linked stock compensation plan for Directors separate from said monetary compensation, and at said Ordinary General Meeting of Shareholders, the maximum amount of compensation for Directors (excluding Directors that are Audit & Supervisory Committee Members and Outside Directors) was approved as the amount of compensation for Directors (excluding Directors that are Audit & Supervisory Committee Members and Outside Directors) when the Company changed from a company with a Board of Corporate Auditors to a company with an Audit & Supervisory Committee. At said Ordinary General Meeting of Shareholders, the Company decided to limit the amount of compensation to Directors (excluding Directors that are members of the Audit Committee and Outside Directors) to ¥800 million over five fiscal years (the amount of money to be contributed to the Trust as a source of funds for share acquisition) and the number of points to be granted (converted into one share/point in principle at the time of payment). The maximum number of points to be granted is 260,000 points per fiscal year. The number of Directors (excluding Directors that are members of the Audit and Supervisory Committee) as of the conclusion of the Ordinary General Meeting of Shareholders is five.

The amount of monetary remuneration for Directors that are members of the Audit Committee was approved at the Ordinary General Meeting of Shareholders as an annual amount not exceeding ¥100 million. The number of Directors that are members of the Audit Committee as of the conclusion of the Ordinary General Meeting of Shareholders is four.

(iii) Matters regarding delegation related to the decision on the remuneration, etc., of individual Directors

With respect to fixed remuneration for Directors, prior to the establishment of the Nomination and Remuneration Committee on June 30, 2021, the Company passed a resolution delegating the determination of the specific details of the amount of remuneration for each individual Director to a voluntary remuneration committee composed of Internal Directors (Yasuyuki Nambu, Junko Fukazawa, and Hirotaka Wakamoto). The content of such authority is the amount of fixed remuneration for each Director within the scope approved by the General Meeting of Shareholders. To ensure that such authority can be exercised appropriately, the Compensation Committee explains the specific method of calculating the total amount of compensation to the Outside Directors in advance and takes their opinions into consideration in making its decision. For the positions and responsibilities of the members of the Compensation Committee, please refer to "(2) (i) List of Directors" on page 50.

After the establishment of the Nomination and Compensation Committee, the Company passed a resolution to delegate the authority to determine the specific details of the amount of compensation for each individual director to the Nomination and Compensation Committee, which is composed of a majority of Independent Outside Directors that meet the criteria for independence of the Company. To ensure that this authority is properly exercised, the Nomination and Compensation Committee is composed of a majority of Independent Outside Directors that meet the Company's criteria for independence. The Company has delegated this authority to the Nomination and Compensation Committee because it believes that decisions made by the Nomination and Compensation Committee will be more fair, transparent, and objective. The positions and responsibilities of the members of the Nomination and Compensation Committee are as follows.

Name	Position and responsibility
Yutaka Hori	Expert (Attorney-at-law)
Haruo Funabashi	Audit & Supervisory Board Member (Independent Outside Director)
Kazuo Furukawa	Audit & Supervisory Board Member (Independent Outside Director)

The activities of the Board of Directors and the relevant Nominating and Compensation Committee in the process of determining the amount of remuneration, etc., of Directors for the current fiscal year are as follows.

a. Board of Directors
June 30, 2021: Policy for Determining Individual Remuneration, etc., of Directors

b. Nomination and Compensation Committee
July 6, 2021: To determine the remuneration of Directors after the conclusion of the 14th Annual General Meeting of Shareholders

(iv) Matters regarding performance-linked remuneration, etc., in the current fiscal year

The Company has adopted a stock benefit trust (BBT) as performance-linked stock-linked compensation in order to clarify the linkage between the compensation of Directors and the Company's business performance and shares, as well as to raise their awareness of their contribution to the Company's medium- to long-term performance and improvement of corporate value.

The performance-linked share remuneration is based on a basic coefficient according to the position of each director (excluding Directors that are members of the Audit and Supervisory Committee and non-Executive Directors) in accordance with the degree of achievement of performance targets, etc., for each fiscal year. The performance-linked stock compensation is determined by a method determined by the Board of Directors based on the basic coefficient in accordance with the position of each Director (excluding Directors that are members of the Audit Committee and non-Executive Directors) according to the degree of achievement of performance targets for each fiscal year. The Company uses consolidated operating profit and profit attributable to shareholders of the parent company as the evaluation indexes and sets specific maximum amounts to enhance transparency and objectivity. The specific calculation method is as follows.

The reason for selecting these performance indicators is that the Company believes it is appropriate to use consolidated operating profit and profit attributable to shareholders of the parent company, as the profit/loss figures are clear in considering the contribution of a single fiscal year to the Company's performance.

a. Target
As of September 1 of the fiscal year under evaluation, Directors (excluding Directors that are members of the Audit and Supervisory Committee, Outside Directors, and non-Executive Directors) and Executive Officers (limited to those that were Directors immediately prior to the transition to a company with an audit committee system) ("Directors, etc.").

b. Assets to be paid as performance-linked stock-based compensation
Common stock of the Company

c. Calculation method for the total number of points to be paid as stock-based compensation
Smallest of the following amounts x 30% / Accounting book value per share in the trust of the Company's shares scheduled to be granted
i) Excess of consolidated operating profit target
ii) Excess of profit attributable to shareholders of the parent company over target
iii) ¥400 million

d. Calculation method of the number of points to be paid individually
Total number of points paid x (Basic coefficient by individual / Total basic coefficient)

e. List of basic coefficients by position

Role	Basic factor per capita	Year ended May 31, 2022		Year ending May 31, 2023 (planned)	
		Number of persons	Maximum points per person	Number of persons	Maximum points per person
Group Representative and President	300	1	102,600	1	95,100
Executive Vice Presidents	80	3	27,300	3	25,300
Senior Managing Executive Officers	80	2	27,300	2	25,300
Managing Executive Officers	60	1	20,500	2	19,000
Total	-	7	-	8	-

Note 1: Directors, etc., subject to performance-based stock compensation are "Executive Officers" as defined in Article 34, Paragraph 1, Item 3 of the *Corporation Tax Act*.

Note 2: i) and ii) above are calculated by subtracting "the target value of consolidated business performance (operating profit or profit attributable to owners of the parent company) disclosed in the financial statements for the previous fiscal year, which is disclosed at the beginning of the fiscal year subject to evaluation," from "consolidated business performance (operating profit or profit attributable to owners of the parent company) for the fiscal year subject to evaluation. If the target value of consolidated performance was not disclosed in the relevant financial report, the amount in excess of the target shall be ¥0.

Note 3: "Consolidated business results (operating profit or profit attributable to owners of the parent) for the fiscal year subject to evaluation" shall be the amount before subtracting "expenses (stock benefit expenses)" to be recorded in accordance with the provisions of the stock benefit regulations stipulated for the relevant performance-linked stock compensation plan and stock benefit trust for employees.

Note 4: The amount obtained by multiplying the smallest of i) through iii) above by 30% shall be rounded down to the nearest ¥1 million.

Note 5: Points will not be granted if the smallest amount of i) through iii) above is less than ¥20 million.

Note 6: The annual limit on the total number of points to be granted is 260,000 points.

Note 7: Each point will be converted into one share when the Company's shares are delivered.

f. Reference: Targets and results of indicators related to performance-linked stock compensation in the current fiscal year:

Indicators	Fiscal year ended May 31, 2022 Target	Fiscal year ended May 31. 2022 Actual (before subtraction)	Fiscal year ended May 31. 2022 Actual	Reference: Fiscal year ending May 31, 2023 Target
Consolidated operating profit	¥20,000 million	¥22,283 million	¥22,083 million	¥22,300 million
Profit attributable to owners of the parent	¥7,500 million	¥8,821 million	¥8,621 million	¥8,700 million

Note: The consolidated operating profit and profit attributable to owners of the parent for the fiscal year ended May 31, 2022 (before subtraction) represent the amounts before subtracting "expenses (stock benefit expenses)" to be recorded in accordance with the provisions of the stock benefit regulations stipulated for such performance-based stock compensation plans and stock benefit trusts for employees.

g. Reference: Resolutions of the 10th Ordinary General Meeting of Shareholders (held on August 18, 2017)

(a Overview

The performance-linked stock compensation plan (hereinafter referred to as the "Plan") is a performance-linked stock compensation plan under which the Company contributes cash (hereinafter referred to as "Stock Benefit Expense"). The Company's shares will be acquired through a Trust funded by money to be contributed by the Company (the maximum amount is as described in "b." below) and will be distributed to Directors (excluding Directors that are members of the Audit Committee, Outside Directors, and non-Executive Directors; the same shall apply in "g." below). The Company's shares shall be acquired through the Trust. The Company's shares and money equivalent to the amount obtained by converting the Company's shares to market value (hereinafter referred to as the "Company's shares, etc.") are delivered to the Directors (excluding Directors that are members of the Audit Committee, Outside Directors, and non-Executive Directors) through the Trust in accordance with the Directors' Share Payment Regulations as established by the Board of Directors. The Company's Directors are entitled to receive the Company's shares and money equivalent to the market value of the Company's shares ("the Company's shares, etc.") through the Trust in accordance with the Directors' Share Benefit Regulations as established by the Board of Directors. In principle, the Company's Directors will receive the Company's shares, etc., at the time of their retirement.

As of the date of the resolution of said General Meeting of Shareholders, the number of Directors pertaining to this provision is five.

(b) Maximum amount of contributions by the Company (amount of compensation, etc.)

The Company has adopted this plan (hereinafter referred to as the “Plan”) for the five (5) fiscal years ending May 31, 2016 through the fiscal year ending May 31, 2020 and each subsequent covered period. The initial eligibility period of such five (5) fiscal years and the period for each of the five (5) fiscal years commencing after the expiration of such five (5) fiscal years are each referred to as the "Relevant Period". As funds for the acquisition of shares to be delivered to the Company's Directors under the Plan with respect to the initial Relevant Period, the Company has contributed up to 800 million yen and established a trust (hereinafter referred to as the "Trust"), the beneficiaries of which are Directors who satisfy the requirements for beneficiaries. Upon the transition to a company with an Audit Committee, the Trust will continue to exist as a trust whose beneficiaries will be those who have retired as Directors and meet the requirements for beneficiaries.

Even after the elapse of the applicable period, the Company will make additional contributions of up to 800 million yen for each applicable period until the termination of the Plan. However, in the event of such additional contribution, if there are any shares (Company's shares equivalent to the number of points described in "c" below that have been granted to Directors, excluding shares that have not yet been delivered to Directors.) of the Company's shares or money (hereinafter referred to as the "Residual Shares, etc.") remaining in the trust assets at the end of the Relevant Period immediately preceding the Relevant Period during which such additional contribution is to be made, the total amount of the Residual Shares, etc. (for the Company's shares, it shall be the book value as of the end of the immediately preceding subject period) and the additional money to be contributed shall be within the maximum amount approved at such annual shareholders meeting. If the Company decides to make an additional contribution, it will be disclosed in a timely and appropriate manner.

(c) Specific details of the Company's shares to be delivered to Directors
With respect to each fiscal year, the Company shall grant to each Director a number of points calculated by taking into consideration the degree of achievement of consolidated performance targets based on a basic coefficient to be granted in accordance with the duties and responsibilities of each Director. The total number of points to be granted to Directors per fiscal year shall be up to 260,000 points (equivalent to 260,000 shares of common stock of the Company).

Each point granted to a director will be converted into one share of the Company's common stock when the Company's shares, etc., are delivered as described in "d." below. (However, in the event of a stock split, the gratis allotment of shares or reverse stock split of the Company's shares, the conversion ratio will be reasonably adjusted in accordance with the ratio, etc.)

(d) Timing of Delivery to Directors
In the event that a Director retires and satisfies the requirements for beneficiaries as stipulated in the Regulations on Directors' Share Benefits, such Director shall, in principle, receive from the Trust the Company shares corresponding to the accumulated number of points granted by the time of his/her retirement by completing the prescribed procedures to determine beneficiaries. However, if the requirements stipulated in the Rules on Directors' Stock Benefits are met, a certain percentage of shares of the Company may be delivered in cash at market value instead of shares of the Company.

In some cases, the Trust may sell the Company's shares in order to deliver cash.

(e). Voting rights pertaining to shares in the Trust
Voting rights pertaining to the Company's shares in the Trust shall not be exercised uniformly in accordance with the instructions of the Trust Manager. By using this method, the Company intends to ensure neutrality toward the Company's management with respect to the exercise of voting rights pertaining to the Company's shares in the Trust.

(v) Details of non-monetary compensation, etc.
The Company has adopted a stock benefit trust (BBT). Details are described in "(4) (iv) Matters related to performance-linked compensation, etc.," on page 56.

(vi) Total amount of remuneration, etc., by Officer category, total amount of remuneration, etc., by type of remuneration, and the number of eligible Directors

Executive classification	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc. By type (millions of yen)		Number of eligible Officers (persons)
		Fixed remuneration	Performance-linked remuneration	
Directors not serving as Audit and Supervisory Committee Members (excluding Outside Directors)	359	274	85	5
Directors serving as Audit and Supervisory Committee Members (excluding Outside Directors)	16	16	0	1
Outside Officers	33	33	0	3

Notes 1: The maximum amount of remuneration for Directors that are not members of the Audit Committee was resolved at the 10th Ordinary General Meeting of Shareholders held on August 18, 2017 to be no more than 600 million yen per year (of which, the amount for Outside Directors is no more than 50 million yen per year). As of the date of the resolution, the number of Directors related to this provision was five. In addition, a separate resolution was passed on August 18, 2017, such that the number of Directors (excluding Directors that are members of the Audit and Supervisory Committee, Outside Directors, and non-Executive Directors) shall be limited to five. With respect to the above, a stock benefit trust (BBT) was resolved as a performance-linked stock compensation plan at the 10th Ordinary General Meeting of Shareholders held on August 18, 2017, and the amount of provision for stock benefit reserve recorded for the current fiscal year is shown above.

Note 2: The maximum amount of remuneration for Directors that are members of the Audit Committee was resolved at the 10th Ordinary General Meeting of Shareholders held on August 18, 2017 to be no more than ¥100 million per year. As of the date of such resolution, the number of Directors pertaining to such stipulation was four (including three Outside Directors).

Note 3: As of the end of the current fiscal year, the number of Directors is five Directors that are not Audit Committee Members and four Directors that are Audit Committee Members (including three Outside Directors).

(vii) Total amount of consolidated remuneration, etc., for each Director/Officer

Name	Total amount of Amount Consolidated remuneration (millions of yen)	Classification of Officers	Classification of company	Consolidated remuneration, etc., by type (millions of yen)	
				Fixed remuneration	Performance-linked remuneration
Yasuyuki Nambu	219	Representative Director	Submitting company	120	47
		Representative Director	Pasona Inc.	51	-

(Note) The above figures are limited to those in which the total amount of consolidated remuneration, etc., is ¥100 million or more.

(viii) Employee salaries of Directors and Corporate Auditors concurrently serving as employees

Not applicable

(5) Status of shareholding

(i) Criteria and Policy for Classification of Investment Stocks

The Company classifies investment shares held for purposes other than pure investment into those held exclusively for the purpose of receiving profits from changes in the value of the shares or dividends related to the shares and those held for purposes other than pure investment into those held for the purpose of contributing to the Company's medium- to long-term growth and improvement of corporate value, in addition to those purposes. Investment shares for purposes other than pure investment are classified as shares held for the purpose of contributing to the medium- to long-term growth of the Company and improvement of its corporate value, in addition to those purposes.

(ii) Status of Shareholdings in the Submitting Company

The following is a summary of the Company's shareholdings in the Submitting Company.

a. Shares held by the Company for purposes other than pure investment

(a). Method of verifying holding policy and rationality of holding, and the details of verification by the Board of Directors, etc., regarding appropriateness of holding individual stocks

The Company holds investment shares for purposes other than pure investment when it is possible to judge that business benefits can be obtained through the expansion of transactions and collaboration with customers and business partners, while strengthening and maintaining relationships of trust with them in order to enhance the Company's corporate value from a medium- to long-term perspective.

In addition, we will hold investment shares for purposes other than pure investment (however, limited to listed shares). The Board of Directors will determine the appropriateness of continuing to hold the shares after examining whether these purposes have been achieved and whether the business benefits can be obtained. If it is determined that the holding is no longer reasonable, the shares will be sold.

In exercising voting rights for shares held by the Company, the Board of Directors will determine whether the proposals are in line with the Company's holding policy and whether they contribute to the development of the issuing company, the enhancement of shareholder profits, and the interests of the Company's shareholders and investors, before exercising voting rights in an appropriate manner.

(b) Number of issues and balance sheet amount

	Number of stocks (issue)	Total amount on balance sheet (millions of yen)
Unlisted stocks	9	1,165
Stocks other than unlisted stocks	2	2

(Issues for which the number of shares increased in the current fiscal year)

	Number of stocks (issue)	Total acquisition cost related to increase in number of shares (millions of yen)	Reason for increase in number of shares
Unlisted stocks	5	675	Strengthening product capabilities and expanding the client base through capital and business alliance Investment in funds
Stock other than unlisted stocks	-	-	-

(Issues for which the number of shares decreased in the current fiscal year)

	Number of stocks (issue)	Total sales price related to the decrease in the number of shares (millions of yen)
Unlisted stocks	-	-
Stock other than unlisted stocks	-	-

(c) Information on the number of shares, balance sheet amount, etc., of specified investment shares and deemed investment shares by issue

Specified investment stocks

Issue	Current fiscal year Number of shares Balance sheet amount (millions of yen)	Previous fiscal year Number of shares Balance sheet amount (millions of yen)	Purpose of holding, quantitative effect of holding, and reasons for increase in number of shares	Number of shares of the company's stock shareholding
Recruit Holdings Co.	300	300	(Purpose of holding) Business research and information gathering (Note)	None
	1	1		
Persol Holding Co.	300	300	(Purpose of holding) Business research and information gathering (Note)	None
	0	0		

Note: Quantitative holding effects are not measured because the purpose of holding is to gather information. The Company judges the reasonableness of its holdings after verifying that the risks and costs associated with the holdings are not material.

Deemed holding shares
Not applicable

b. Investment stocks held for pure investment purposes
Not applicable

c. Investment stocks for which the purpose of holding changed from pure investment to other than pure investment during the current fiscal year
Not applicable

d. Investment stocks for which the purpose of holding was changed from pure investment to other than pure investment during the fiscal year
Not applicable

(iii) Shareholdings in Benefit One Inc.

The Company and its consolidated subsidiaries hold the largest amount of investment shares on the balance sheet (investment shares) of Benefit One Inc. The following is a summary of the Company's holdings of investment securities.

a. Investment shares held for purposes other than pure investment

(a) Method to verify the shareholding policy and the rationality of holding, along with the content of verification of the appropriateness of holding individual stock names by the Board of Directors, etc.

The Company holds investment shares for purposes other than pure investment (hereinafter, “Strategic Shares”) to complement its services more efficiently than building a business on its own by collaborating with companies having business assets that the Company does not and to enhance the medium- to long-term corporate value such as via maintaining and strengthening the relationship of trust with customers and business partners and expanding business through business alliance.

Of the Strategic Shares, listed shares are verified every year regarding matters such as whether the purpose of holding each stock name is appropriate and whether the benefits and risk of holding the shares are worth the cost of capital, and the Board of Directors judges the appropriateness of continuously holding the shares. In the current fiscal year, the Company’s Board of Directors meeting held in March 2021 comprehensively verified the results of collaboration in sales activities, outlook for the future, etc., in addition to industry trends, performance trends, and financial position, and judged that continuous holding is reasonable.

(b) Number of stock names and the amount reported in the balance sheet

	Number of stock names	Total amount reported in the balance sheet (millions of yen)
Unlisted shares	6	118
Shares other than unlisted shares	4	3,289

Note: The number of stocks other than unlisted stocks and the amount on the balance sheet increased, and the number of unlisted stocks and the amount on the balance sheet decreased, respectively, as one of the unlisted stocks held in the previous fiscal year was newly listed during the current fiscal year.

(Stock names of which number of shares increased in the current fiscal year)

	Number of stock names	Total acquisition value resulted from the increase in the number of shares (millions of yen)	Reason for the increase in the number of shares
Unlisted shares	-	-	-
Shares other than unlisted shares	2	-	Increase due to stock split

(Stock names of which the number of shares decreased in the current fiscal year)

Not applicable

(c) Number of specified equity securities held and deemed holdings of equity securities by stock name, along with information on the amount reported in the balance sheet, etc.

Specified equity securities held

Stock name	Current FY	Previous FY	Purpose of holding, quantitative effect of holding, and reason for the increased number of shares	Holding of Company's shares
	Number of shares	Number of shares		
	Amount reported in the balance sheet (millions of yen)	Amount reported in the balance sheet (millions of yen)		
Data Horizon Corporation (Note 1)	750,000	250,000	(Purpose of holding shares) The Company intends to improve/expand its BPO service menu and expects the successful results of collaboration in sales activities through business alliance in the field close to the Company's Healthcare business. (Quantitative effect of holding) The Company verifies annual results of collaboration in sales activities, such as the status of joint proposal, the status of customer introduction, and the effectiveness of alliance in the industry, as well as outlook for the future, and judges the rationality of holding. (Reason for increase in number of shares) Increase due to stock split	No
	1,489	1,056		
SUNNEXTA GROUP Inc. (Note)	778,000	778,000	(Purpose of holding shares) The Company intends to improve/expand its BPO service menu and expects the successful results of collaboration in sales activities through business alliance in the field close to the Company's Employee Benefit Service business. (Quantitative effect of holding) The Company verifies annual results of collaboration in sales activities, such as the status of joint proposal, the status of customer introduction, and the effectiveness of alliance in the industry, as well as outlook for the future, and judges the rationality of holding.	Yes
	869	793		
LIBERO Corporation (Note 2)	455,000	-	(Purpose of holding shares) The Company intends to improve/expand its BPO service menu and expects the successful results of collaboration in sales activities through business alliance in the field close to the Company's Employee Benefit Service business. (Quantitative effect of holding) The Company verifies annual results of collaboration in sales activities, such as the status of joint proposal, the status of customer introduction, and the effectiveness of alliance in the industry, as well as outlook for the future, and judges the rationality of holding. (Reason for increase in number of shares) Increase due to stock split	No
	926	-		
Relo Group, Inc.	2,000	2,000	(Purpose of holding shares) Collecting information on industry trends (Quantitative effect of holding) The Company holds the shares to collect industry information. The Company verifies that the risk and cost of holding is less important and judges the rationality of holding.	Yes
	3	4		

Note 1: The Company sold 313,100 shares on August 4, 2022 in response to a request to tender shares in a tender offer (TOB).

Note 2: Since LIBERO Corporation was newly listed on the Mothers market of the Tokyo Stock Exchange (currently Growth market) on September 2021, the information is presented from the current fiscal year.

Deemed holdings of equity securities

Not applicable

b. Investment shares held for the purpose of pure investment

Not applicable

c. Investment shares of which the purpose of holding was changed from pure investment to purposes other than pure investment during the current fiscal year

Not applicable

d. Investment shares of which the purpose of holding was changed from purposes other than pure investment to pure investment during the current fiscal year

Not applicable

I-5. Status of accounting

1. Method to prepare consolidated financial statements and financial statements

(1) The Company's consolidated financial statements are prepared based on the *Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements* (Law number: Ministry of Finance Order No. 28 of 1976).

(2) The Company's financial statements are prepared based on the *Regulation on Terminology, Forms, and Preparation Methods of Financial Statements* (Law number: Ministry of Finance Order No. 59 of 1963; hereinafter, the "Regulation on Financial Statements, etc.").

The Company is a special company submitting financial statements and prepares its financial statements based on the provisions of Article 127 of the *Regulation on Financial Statements*, etc.

2. Special efforts for ensuring the appropriateness of consolidated financial statements

The Company takes special measures to ensure the appropriateness of its consolidated financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation (FASF) in order to appropriately understand the content of accounting standards, etc., and to develop a system that can accurately respond to changes in accounting standards, etc. In addition, the Company participates in training sessions conducted by the organization, collects information in a timely and appropriate manner, and shares it with its Group companies.

1. Consolidated financial statements., etc.

(1) Consolidated financial statements

(i) Consolidated balance sheet

(Millions of yen)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Assets		
Current assets		
Cash and deposits	*1 54,533	*1 66,951
Notes and accounts receivable - trade	44,267	-
Note	-	*2 101
Accounts receivable - trade	-	*2 40,872
Contract assets	-	10,008
Inventories	*3 2,717	*3 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	*4.5 13,479	*4.5 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	*5 3,234	*5 7,308
Leased assets	2,982	3,256
Accumulated depreciation	(2,092)	(2,505)
Leased assets (net)	890	751
Construction in progress	2,683	1,605
Other	*4 6,962	*4 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 4,104	*4 7,644
Leased assets	58	18
Customer relationship asset	434	8,581
Other	119	116
Total intangible assets	6,361	23,195
Investments and other assets		
Investment securities	*6 4,966	*6 6,938
Long-term loans receivable	39	39
Assets for retirement benefits	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)
Total investments and other assets	17,681	21,941
Total non-current assets	42,610	72,473

(Millions of yen)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Deferred assets		
Bond issuance costs	168	149
Total deferred assets	168	149
Total assets	151,641	203,746

(Millions of yen)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	6,377	8,735
Short-term borrowings	*5 9,433	*5 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 tax	7,187	5,250
Contract liabilities	-	8,453
Unearned revenue	3,362	-
Deposits received	*1 5,518	*1 13,051
Provision for employee’s bonuses	4,580	4,741
Provision for Directors’ bonuses	17	19
Assets 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 borrowings	*5 20,990	*5 38,779
Lease obligations	562	554
Provision for share awards for Directors (and other Officers)	457	598
Provision for employee stock ownership plan	438	571
Liabilities for retirement benefits	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		
Share capital	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
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	694	1,131
Foreign currency translation adjustment	10	197
	36	10
Total accumulated other comprehensive income	741	1,339
Share warrant	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

(ii) Consolidated profit and loss statement and consolidated statement of comprehensive income

Consolidated profit & loss statement

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to March 31, 2022)
Sales	334,540	366,096
Cost of sales	251,570	276,424
Gross profit	82,969	89,671
Selling, general, and administrative expenses	*2 63,028	*2 67,588
Operating profit	19,940	22,083
Non-operating profit		
Interest income	40	28
Equity in earnings of affiliates	-	142
Subsidy income	636	720
Real estate rent	743	735
Other	283	363
Total non-operating profit	1,704	1,991
Non-operating expenses		
Interest expenses	290	293
Share of loss of entities accounted for using equity method	110	-
Commitment fee	56	460
Real estate rental expense	635	611
Other	171	212
Total non-operating expenses	1,265	1,578
Ordinary profit	20,379	22,496
Extraordinary profit		
Gain on sales of non-current assets	*3 0	*3 4
Gain on sales of investment securities	4	-
Gain on sales of shares of subsidiaries and associates	0	24
Total extraordinary profit	5	28
Extraordinary losses		
Loss on retirement of non-current assets	*4 367	*4 80
Impairment loss	*5 3,238	*5 132
Loss on sales of investment securities	0	2
Loss on valuation of shares of investment securities	14	19
Loss on valuation of shares of subsidiaries and associates	56	0
Total extraordinary losses	3,678	234
Profit before income taxes	16,706	22,290
Income taxes - current	7,939	8,826
Income taxes - deferred	(915)	69
Total income taxes	7,024	8,895
Profit	9,682	13,394
Profit attributable to non-controlling interests (△)	2,898	4,773
Profit income attributable to owners of parent	6,784	8,621

Consolidated statement of comprehensive income

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Profit	9,682	13,394
Other comprehensive income		
Valuation difference on available-for-sale securities	449	867
Foreign currency translation adjustment	117	198
Adjustment for retirement benefits	2	(28)
Share of other comprehensive income of affiliates accounted for by the equity method	-	(0)
Total other comprehensive income	*1 569	*1 1,038
Comprehensive income	10,251	14,433
(Breakdown)		
Comprehensive income attributable to owners of parent	7,074	9,219
Comprehensive income attributable to non-controlling interests	3,177	5,213

(iii) Consolidated statements of changes in net assets

Previous consolidated fiscal year (June 1, 2020 to May 31, 2021)

(Millions of yen)

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

	Accumulated other comprehensive income				Subscription warrant	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated retirement benefits	Total accumulated other comprehensive income			
Balance, beginning of period	499	(90)	41	451	-	10,504	42,316
Changes during the period							
Dividends of surplus				-			(758)
Profit attributable to owners of the parent				-			6,784
Disposal of treasury stock by stock benefit trust							24
Changes in the scope of consolidation				-			0
Changes in the scope of the equity method				-			(0)
Changes in the parent company's interest in transactions with non-controlling shareholders				-			3
Changes in equity due to the capita increase of consolidated subsidiaries				-			(0)
Net changes of items other than	194	100	(5)	290	4	1,114	1,410

shareholders' equity							
Total changes during the period	194	100	(5)	290	4	1,114	7,462
Balance, end of period	694	10	36	741	4	11,619	49,779

Current consolidated fiscal year (June 1, 2021 to May 31, 2022)

(Millions of yen)

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

	Accumulated other comprehensive income				Subscription warrant	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated retirement benefits	Total accumulated other comprehensive income			
Balance, beginning of period	694	10	36	741	4	11,619	49,779
Cumulative effect of a change in accounting policy							12
Balance, beginning of the year reflecting change in accounting policy	694	10	36	741	4	11,619	49,792
Changes during the period							
Dividends of surplus				-			(1,196)
Profit attributable to owners of the parent				-			8,621
Acquisition of treasury stock				-			(0)
Disposal of treasury stock by stock benefit trust				-			39
Changes in the parent company's interest in transactions with non-controlling shareholders				-			2,993

Changes in equity due to capital increase of consolidated subsidiaries				-			763
Net changes of items other than shareholders' equity	436	187	(26)	597	-	5,535	6,133
Total changes during the period	436	187	(26)	597	-	5,535	17,354
Balance, end of period	1,131	197	10	1,339	4	17,155	67,146

(iv) Consolidated statements of cash flows

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Cash flows from operating activities		
Profit before income taxes	16,706	22,290
Depreciation	3,794	4,419
Impairment loss	3,238	132
Amortization of goodwill	662	709
Increase (decrease) in allowance for doubtful accounts () indicates decrease	(106)	20
Increase (decrease) in provision for bonuses	464	153
Increase (decrease) in net defined benefit liability () indicates decrease	128	(41)
Decrease (increase) in net defined benefit asset () indicates increase	(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 Loss on valuation of shares of subsidiaries and associates	(75)	(71)
Interest expenses Loss (gain) on sales of shares of subsidiaries and associates	290	293
Subsidy income	(636)	(720)
Share of loss (profit) of entities accounted for using equity method	110	(142)
Loss on sale and retirement of non-current assets	367	76
Loss (gain) on sales of investment securities () indicates gain	(3)	2
Loss (gain) on valuation of investment securities	71	19
Decrease (increase) in notes and accounts receivable-trade () indicates increase	(1,422)	-
Decrease (increase) in notes, accounts receivable-trade and contract assets () indicates increase	-	(6,112)
Decrease (increase) in inventories () indicates increase	(458)	(315)
Decrease (increase) in other assets () indicates increase	975	(1,907)
Increase (decrease) in operating debt () indicates decrease	(845)	2,823
Increase (decrease) in accrued consumption tax () indicates decrease	527	(862)
Increase (decrease) in deposits received () indicates decrease	(886)	(1,201)
Increase (decrease) in other liabilities () indicates decrease	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)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
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 subsidiaries resulting in charge in scope of consolidation	*2 (183)	*2 (10,451)
Payments of loans receivable	(59)	(7)
Collection of loans receivable	61	11
Payments of 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)
Payment 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 borrowings () indicates decrease	5	(61)
Proceeds from long-term borrowings	7,511	29,129
Repayments of long-term borrowings	(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 non-controlling 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 (△ indicates a decrease.)	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	*1 52,298	*1 56,578

Notes

(Matters regarding going concern assumptions)

Not applicable

(Material matters that serve as the basis for preparing consolidated financial statements)

1. Matters regarding the scope of consolidation

(1) Consolidated subsidiary

(i) Number of consolidated subsidiaries

66 companies

(ii) Names of major consolidated subsidiaries

Pasona Inc.
Benefit One Inc.
Bewith, Inc.
Pasona Tech, Inc.
Pasona Panasonic Business Solution Inc.
Nijigennomori Inc.

(iii) Newly consolidated subsidiaries

Six companies
Establishment:
Pasona HR HUB Inc.
Kosyunoya Inc.
Awajishima resort Inc.
All Japan Tourism Alliance Inc.
Share acquisition:
JTB BENEFIT SERVICE, Inc. (Note 1)
Change from equity method affiliates:
Takumi Sousei Inc. (Note 2)

(iv) Subsidiaries excluded from consolidation

Two companies
DG1 Inc. (Note 3)
More-Selections Inc. (Note 4)

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

Note 2:Transferred from an affiliated company accounted for via the equity method due to an increase in materiality

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

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

(2) Non-consolidated subsidiaries

(i) Number of non-consolidated subsidiaries

12 companies

(ii) Names of major non-consolidated subsidiaries

Pasona Force Inc.

(iii) Reasons for excluding a subsidiary from the scope of consolidation

A non-consolidated subsidiary can be excluded from the scope of consolidation because it is a small-sized company and because its total assets, net sales, profit/loss (the amount corresponding to equity), and retained earnings (the amount corresponding to equity), etc., do not have significant impact on the Company’s consolidated financial statements.

2. Matters regarding the application of the equity method

(1) Equity method affiliates

(i) Number of affiliated companies to which the equity method has been applied

Nine companies

(ii) Names of major companies to which the equity method has been applied

e-staffing Co., Ltd.
National Examination Center Inc.

circlace Inc.

(iii) Excluded affiliated companies to which the equity method has been applied

One company

Takumi Sousei Inc. (Note)

Note: Transferred to consolidated subsidiary due to an increase in materiality

(2) Names, etc., of non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

(i) Number of non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

Nine companies

(ii) Names of major non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

Pasona Force Inc.

(iii) Reason for not applying the equity method

The companies to which the equity method is not applied are excluded from the scope of the application of the equity method because they have only a minor impact on the Company's consolidated financial statements if they are excluded from the scope of the equity method in terms of profit/loss (the amount corresponding to equity), retained earnings (the amount corresponding to equity), etc., and because they are less important as a whole.

3. Matters regarding the consolidated subsidiaries' fiscal years, etc.

The fiscal year end of Pasona Inc., Pasona Tech Inc. and 15 other companies is the same as the consolidated fiscal year end.

The fiscal year end of Pasona Human Resources (Shanghai) Co., Ltd., PT. Dutagriya Sarana and 9 other companies is December 31. In preparing the consolidated financial statements, the Company uses financial statements based on a provisional settlement of accounts conducted as of the end of March.

The fiscal year end of 38 other consolidated subsidiaries is March 31, and their financial statements as of that date are used in preparing the consolidated financial statements.

For significant transactions that occurred between the end of the fiscal year of these subsidiaries and the end of the consolidated fiscal year, necessary adjustments have been made in the consolidated financial statements.

4. Matters regarding accounting policies

(1) Valuation criteria and valuation method for material assets

(i) Valuation criteria and valuation method for securities

Other securities

Stocks and other securities without market quotations:　Market value method

(Unrealized gains or losses are directly charged or credited to net assets, and cost of sales is determined by the moving-average method.)

Non-marketable equity securities, etc.: Cost method based on the moving average method

For investments in limited liability investment partnerships and similar partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the most recent financial statements available as of the reporting date stipulated in the partnership agreement are used as the basis for calculating the net amount of the Company's equity interest. The net amount equivalent to the Company's equity interest in the partnership is taken into account in the financial statements.

(ii) Valuation standards and methods for derivatives

Market value method

(iii) Valuation criteria and method for Inventories

The valuation criteria are based on the cost method. (Balance sheet amounts are calculated by the book value devaluation method due to a decline in profitability.)

Merchandise: Moving average method

Supplies: Last purchase price method

(2) Method of depreciation of material depreciable assets

(i) Property, plants, and equipment (excluding leased assets)

Buildings (including facilities attached to buildings) and structures: Straight-line method

(However, the Company uses the declining balance method for facilities attached to buildings and structures acquired on or before March 31, 2016.)

Other property, plants, and equipment : mainly Declining balance method

(ii) Intangible assets (excluding leased assets)

Software: Straight-line method based on the usable period in the Company (within five years)

Customer relationship asset : Straight-line method based on the period over which the effect is realized (within nine to Twenty-two years)

(iii) Leased assets

Leased assets related to finance lease transactions that transfer ownership

Depreciation is computed by the same method as that applied to non-current assets owned by the Company.

Leased assets related to non-ownership-transfer lease transactions

Depreciated using the straight-line method regarding the lease period as the useful life and assuming the residual value as zero.

(3) Treatment of material deferred assets

Bond issuance cost: Amortized by the straight-line method over the period until redemption of bonds.

(4) Recording criteria for important allowances

(i) Allowance for doubtful accounts

To prepare for losses due to bad debts, the Company reports the expected non-collectable amount using the loan loss ratio for general claims and individually examining the collectability of claims with a possibility of default and bankruptcy or reorganization claims.

(ii) Provision for bonuses

To provide for the payment of bonuses to employees based on the estimated amount of payment.

(iii) Provision for bonuses to Directors and Corporate Auditors

To provide for the payment of bonuses for Directors and Corporate Auditors based on the estimated amount of bonus payments to Directors and Corporate Auditors.

(iv) Provision for share awards for Directors (and other Officers)

To prepare for the provision of the Company’s shares to Directors based on the Officer Stock Benefit Regulations, etc., the Company recorded the provision based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

(v) Provision for employee stock ownership plan

To prepare for the provision of the Company’s shares to employees, etc., based on the Stock Benefit Regulations, the Company recorded the provision based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

(5) Basis for Recognition of Significant Revenue and Expense

The Company and its consolidated subsidiaries recognize revenue from contracts with customers based on the following five-step approach.

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the performance obligation is satisfied.

The details of the main performance obligations in the Group's main businesses related to revenue from contracts with customers and the usual time at which these performance obligations are described in "Notes (Revenue recognition related)” on page 116.

(6) Accounting for Retirement Benefits

To provide for the payment of retirement benefits to employees, the Company records an amount based on projected benefit obligations and pension assets at the end of the current fiscal year.

(i) Method of attributing estimated retirement benefits to periods

The estimated amount of retirement benefits is attributed to the period until the end of the current consolidated fiscal year based on the benefit calculation method.

(ii) Method of amortizing actuarial gains and losses

Actuarial gains and losses are charged to income in a lump sum in the fiscal year following the year in which they arise.

(iii) Adoption of the simplified method for small companies, etc.

Certain consolidated subsidiaries apply the simplified method to calculate liabilities for retirement benefits and retirement benefit expenses, using the amount payable at the end of the fiscal year as the liability for retirement benefits.

(7) Matters regarding the amortization method and period of goodwill

Goodwill is amortized over an estimated period (3 to 20 years) in which its effects will be realized, using the straight-line method. Goodwill that is immaterial in amount is amortized at once when it arises.

(8) Scope of funds in the consolidated statements of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows consist of cash-on-hand, deposits that can be withdrawn at any time, and short-term investments that are easily converted into cash, risk averse to value fluctuations, and redeemable within three months from the date of acquisition.

(9) Other material matters for preparing consolidated financial statements

(i) Material hedge accounting methods

a. Hedge accounting method

In principle, deferred hedge accounting is applied. Interest rate swaps that meet the requirements for special treatment are accounted for using the special treatment.

b. Hedging instruments and hedged items

Hedging instrument: Interest rate swaps

Hedged items: Borrowings

c. Hedging policy

The Company enters into derivatives transactions to reduce the risk of market fluctuations in interest rates, etc., reduce financing costs, or optimize future cash flows. The Company's policy is not to enter into derivatives transactions for the purpose of earning short-term trading margins or for speculative purposes.

d. Evaluation of hedge effectiveness

The Company compares the market fluctuations of hedged items and hedging instruments semiannually and evaluates the effectiveness of hedging based on the amount of fluctuation of both. The assessment of hedge effectiveness is omitted because the interest rate swaps meet the requirements for special treatment.

(ii) Application of Consolidated Tax Payment System

The Company and some of its consolidated subsidiaries apply the consolidated tax payment system.

(iii) Application of tax effect accounting for the transition from the consolidated tax payment system to the group totalization system

The Company and some of its domestic consolidated subsidiaries will shift from a consolidated tax payment system to a group totalization system from the following fiscal year. However, the Company and some of its domestic consolidated subsidiaries will be subject to the group taxation system established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020). The items that have been revised in conjunction with the transition to the group-totaling system and the transition to the group-totaling system are described in "Treatment of Application of Tax Effect Accounting for Transition from Consolidated Taxation System to Group Taxation System" (PITF No. 39, March 2020). The provisions of Paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) are not applied, and the amounts of deferred tax assets and liabilities are calculated based on the tax law before the revision.

In addition, from the beginning of the next consolidated fiscal year, the accounting treatment of corporate and local income taxes and the tax effect accounting in the case where the group totalization system is applied, as well as the accounting treatment of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision. The Company plans to apply the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 42, August 12, 2021).

(Material accounting estimates)

1. Valuation of non-current assets belonging to the Regional Revitalization Solution segment

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

(Millions of yen)

	Account title	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Property, plants, and equipment	Buildings (net)	3,111	6,936
	Structures (net)	3,000	3,433
	Land	141	183
	Leased assets (net)	75	247
	Construction in progress	1,759	23
	Other (net)	535	857
Total property, plants, and equipment		8,624	11,682
Intangible assets	Software	74	337
	Leased assets	14	4
	Other	4	4
Total intangible assets		92	347
Investments and other assets	Other	95	92
Total investments and other assets		95	92
Total non-current assets		8,812	12,121
Impairment loss		2,502	132

(2) Information that contributes to an understanding of the nature of material accounting estimates related to the identified items

Of the total ¥51,260 million of property, plants, and equipment and intangible assets, etc., recorded in the consolidated financial statements for the current consolidated fiscal year, ¥12,121 million are non-current assets related to several commercial facility operation businesses belonging to the Regional Revitalization Solutions segment, for which an impairment loss of ¥132 million was recorded during the current consolidated fiscal year. The main circumstances that led to the impairment loss are described in "Notes (Matters related to the consolidated profit and loss statement)" on page 93.

For the Regional Revitalization Solutions segment, each commercial facility is mainly treated as an asset grouping unit. In determining whether to recognize impairment losses on non-current assets, the Company calculates undiscounted future cash flows based on the business plan for each cash-generating unit approved by management and uses the weighted average cost of capital as the discount rate to determine the recoverable amount.

The key assumptions in estimating undiscounted future cash flows and value in use are growth in the number of users in the business plan and the discount rate.

This segment is in a situation where operating losses continue to be incurred due to a large number of fixed costs such as personnel expenses and other expenses that are incurred upfront during the period after the opening of a commercial facility until the number of users reaches a certain level. In addition, the number of users may fall below expectations due to the possibility of a decrease in the number of users caused by weather, disasters, or other factors, or in the event that measures to increase the appeal to users are inadequate or fail to achieve a high level of user satisfaction.

Due to COVID-19 infection, the segment, which operates in the food & beverages, amusement, and lodging businesses in particular, was affected by the suspension of operations and shortened operating hours, while each facility took measures to prevent the spread of infection, but the Group is aggressively opening new facilities in anticipation of the after Corona. Since March of this year, when the priority measures to prevent the spread of the disease were lifted, the number of domestic tourists has been increasing, and it is expected that inbound demand will gradually recover as a result of easing of entry restrictions from other countries. Accounting estimates, such as impairment accounting for non-current assets, are based on current business conditions and information available at the time of preparation of the consolidated financial statements, and are estimated based on the assumption that the number of domestic tourists is expected to increase further and that the number of overseas tourists is also expected to increase in the medium term.

Because accounting estimates, including forecasts of the future impact of COVID-19 infections, are subject to uncertainty, changes in assumptions related to accounting for impairment of non-current assets, such as the prolonged impact of COVID-19 infections, may require the recognition of impairment losses on non-current assets in the next consolidated fiscal year.

2. Measurement of intangible assets and goodwill arising from the acquisition of JTB BENEFIT SERVICE, Inc.

Benefit One Inc. ("Benefit One"), a consolidated subsidiary of the Company, acquired 100% of the shares of JTB BENEFIT SERVICE, Inc. ("JTB Benefit") as of October 29, 2021 and made it a consolidated subsidiary. In the current fiscal year, the Company recognized and measured the identifiable assets acquired and liabilities assumed from JTB Benefit, resulting in the recognition of intangible assets (customer related assets) of ¥8,441 million and the excess of the purchase price over the net amount of identifiable assets and liabilities assumed was recorded as goodwill of ¥5,898 million. Benefit One used an outside valuation expert to determine the purchase price of JTB Benefit's shares and used a discounted cash flow method, but this valuation model was based on future cash flow projections from JTB Benefit's business plan as determined by management. Benefit One also uses an income approach (excess earning capacity) in the identification and calculation of intangible assets, using an external valuation expert, which is also based on the future cash flow projections mentioned above. In both valuation models, the Company considers the discount rate and the decay rate of existing customers in the forecast of future cash flows to be key estimating factors.

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard") and others are applied from the beginning of the current fiscal year, 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 customers, the Company now recognizes as revenue the net amount of consideration received from customers less the amount paid to the service provider for transactions in which the role of the consolidated subsidiary in providing services to customers is determined to be that of an agent.

In the Expert Services business, the Company previously recognized revenue on a net basis by deducting the amount paid to temporary staff from the consideration received from the client for the amount equivalent to commuting and transportation expenses related to temporary staff, but changed the method of recognizing revenue on a gross basis because it is part of the consideration for providing services related to temporary staffing services and the consolidated subsidiary. 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 retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from such beginning balance. The new accounting policy is applied from the balance at the beginning of the current fiscal year. 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 current fiscal year by applying the method prescribed in Paragraph 86 of the Revenue Recognition Accounting Standard. In addition, the Company has applied the method prescribed in proviso (1) to Paragraph 86 (1) of the Revenue Recognition Accounting Standard and has accounted for contract modifications made prior to the beginning of the current fiscal year based on the contract terms after reflecting all contract modifications, and has added or subtracted the cumulative effect of such modifications to or removed from retained earnings at the beginning of the current fiscal year.

Due to the adoption 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 consolidated fiscal year, is presented separately from "notes receivable - trade ," "accounts receivable - trade " and "contract assets" in this consolidated fiscal year, and "unearned revenue" related to revenue, which was presented in "current liabilities" in this consolidated fiscal year, is “unearned revenue" related to revenue, which had been presented in "current liabilities" is included in "contract liabilities" from the current fiscal year. In addition, "decrease (increase) in trade receivables," 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 trade receivables and contract assets" from the current fiscal year. 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 consolidated fiscal year using the new presentation.

As a result, compared to the consolidated balance sheet before the application of the Revenue Recognition Accounting Standard, non-current liabilities decreased ¥647 million and current liabilities increased ¥647 million in the consolidated balance sheet for the current fiscal year. In the consolidated statement of income for the current consolidated fiscal year, net sales decreased by ¥5,046 million, cost of sales decreased by ¥5,175 million, selling, general and administrative expenses increased by ¥160 million, and operating profit, ordinary profit and profit before income taxes and minority interests each decreased by ¥31 million.

In the consolidated statement of cash flows for the current fiscal year, profit before income taxes decreased ¥31 million, "decrease (increase) in trade receivables and contract assets" decreased ¥18 million, and "increase (decrease) in other liabilities" increased ¥49 million.

The balance of retained earnings in the consolidated statement of changes in net assets at the beginning of the period increased by ¥12 million due to the cumulative effect reflected in net assets in the current fiscal year.
The impact on per share information is stated in “Notes (Per share information)” on page 126.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes related to revenue recognition for the previous fiscal year are not presented.

(Application of Accounting Standard for Fair Value Measurement)
The Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and others are applied from the beginning of the current fiscal year, in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement 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.

In addition, in the "Notes on Financial Instruments," the Company will provide notes on items such as the breakdown of the fair value of financial instruments by level of fair value. However, in accordance with the transitional treatment prescribed in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), the notes are not presented.

(Unapplied Accounting Standards, etc.)
"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview
The new standard establishes the treatment of calculation of fair value of investment trusts and notes to the fair value of investments in partnerships, etc., in which the net amount equivalent to the equity interest is recorded on the balance sheet.

(2) Scheduled effective date
It will be applied from the beginning of the fiscal year ending May 31, 2023.

(3) Effect of adoption of this accounting standard
The impact of the application of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" on the consolidated financial statements is currently under evaluation.

(Change of the presentation method)
“Deposits received," which was included in "other" under "current liabilities" in the previous consolidated 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 consolidated 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)

1. The Company's Stock Benefit Trust

(1) Board Benefit Trust (BBT)

Based on the resolution at the General Meeting of Shareholders held on August 19, 2015, the Company introduced the Board Benefit Trust (BBT) (hereinafter, the "BBT scheme") on October 26, 2015 as a performance-linked stock-based remuneration system for Directors (excluding Directors that are members of the audit committee, Outside Directors, and non-Executive Directors) and Executive Officers with Executive titles (limited to those that were Directors immediately prior to the transition to a company with an audit committee system) as of September 1 of the fiscal year subject to evaluation (hereinafter "Directors, etc.").

(i) Outline of transactions

The Company established the Officer Stock Benefit Regulations when it introduced the BBT scheme. Based on the Officer Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire, in advance, shares to be allocated in the future, and trust banks acquired the Company's shares using the entrusted money.

In the BBT scheme, the Company grants points to Directors, etc., and allocates shares to Directors, etc., according to their points based on the Officer Stock Benefit Regulations.

In reference to the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc., through Trust (PITF No. 30, March 26, 2015) published by the Accounting Standards Board of Japan, the Company applies the practical solution to Directors, etc., and uses the gross price method in which trust assets and liabilities are recorded as the enterprise's assets and liabilities on the balance sheet as accounts processing related to the BBT scheme.

To prepare for the provision of the Company's shares to Directors, etc., based on the Officer Stock Benefit Regulations, the Company recorded "Provision for share awards for Directors (and other Officers)" based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

(ii) Treasury shares remaining in trust

The Company recorded its treasury shares remaining in trust as treasury shares under net assets, using the book value in trust (excluding the amount of incidental costs). The book value and the number of these treasury shares were ¥544 million and 424,862 shares at the end of the current consolidated fiscal year.

(iii) Book value of the borrowings recorded by applying the gross price method

Not applicable.

(2) Japanese version of Employee Stock Ownership Plan (J-ESOP)

The Company introduced an incentive plan, the Japanese version of the Employee Stock Ownership Plan (J-ESOP) (hereinafter, the "J-ESOP scheme"), on October 26, 2015 for the purpose of enhancing employees' motivation and morale for higher stock price and performance. In this scheme, treasury shares are allocated to employees of the Company and Officers and employees of the Company's subsidiaries (hereinafter, "Employees, etc.").

(i) Outline of transactions

The Company established the Stock Benefit Regulations when it introduced the J-ESOP scheme. Based on the Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire, in advance, shares to be allocated in the future, and trust banks acquired the Company's shares using the entrusted money.

In the J-ESOP scheme, the Company grants points to Employees, etc., and allocates shares to Employees, etc., according to points as based on the Stock Benefit Regulations.

Applying the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc., through Trust (Practical Issue Task Force (PITF) No. 30, March 26, 2015) published by the Accounting Standards Board of Japan (ASBJ), the Company uses the gross price method in which trust assets and liabilities are recorded as the enterprise's assets and liabilities on the balance sheet as accounts processing related to the J-ESOP scheme.

To prepare for the provision of the Company's shares to employees, etc., based on the Stock Benefit Regulations, the Company recorded "Provision for employee stock ownership plan" based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

(ii) Treasury shares remaining in trust

The Company recorded its treasury shares remaining in trust as treasury shares under net assets, using the book value in trust (excluding the amount of incidental costs). The book value and the number of these treasury shares were ¥379 million and 298,114 shares at the end of the current consolidated fiscal year.

(iii) Book value of the borrowings recorded by applying the gross price method

Not applicable.

2. Stock Benefit Trust of Consolidated Subsidiaries

(1) Board Benefit Trust (BBT)

Based on the resolution at the General Meeting of Shareholders held on June 29, 2016, the Company's consolidated subsidiary Benefit One, Inc. (hereinafter "Benefit One") introduced the Board Benefit Trust (BBT) (hereinafter, the "BBT scheme") on September 2, 2016 as a performance-linked stock-based remuneration system for Directors (limited to Executive Directors, the same applies hereinafter).

In addition, Benefit One, at the General Meeting of Shareholders to be held on June 25, 2019, will abolish the previous compensation quota for the BBT system for Directors in a company with a Board of Auditors, mainly due to the transition to a company with an audit committee, and will abolish the previous compensation quota for Directors (excluding Directors that are Audit and Supervisory Committee Members; the same shall apply hereinafter). The Company has resolved to establish a new remuneration framework for performance-linked stock compensation for Directors (excluding Directors that are Audit and Supervisory Committee Members, and limited to Executive Directors; the same shall apply hereinafter.).

(i) Outline of transactions

Benefit One Inc. established the Officer Stock Benefit Regulations when it introduced the BBT scheme. Based on the Officer Stock Benefit Regulations, the Company entrusted money to trust banks in order to acquire, in advance, shares to be allocated in the future, and trust banks acquired Benefit One's shares using the entrusted money.

In the BBT scheme, Benefit One Inc. grants points to Directors and allocates shares to Directors according to points as based on the Officer Stock Benefit Regulations.

In reference to the Practical Solution on Transactions of Delivering Benefit One's Own Stock to Employees etc., through Trust (PITF No. 30, March 26, 2015) published by the Accounting Standards Board of Japan, the Company applies the practical solution to Directors and uses the gross price method in which trust assets and liabilities are recorded as the enterprise's assets and liabilities on the balance sheet as accounts processing related to the BBT scheme.

To prepare for the provision of Benefit One Inc.'s shares to Directors based on the Officer Stock Benefit Regulations, Benefit One recorded "provision for share awards for Directors (and other Officers)" based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

(ii) Book value of the borrowings recorded by applying the gross price method

Not applicable.

(2) Japanese version of Employee Stock Ownership Plan (J-ESOP)

Based on the resolution at the Board of Directors meeting held on July 28, 2016, Benefit One introduced an incentive plan, the Japanese version of the Employee Stock Ownership Plan (J-ESOP) (hereinafter, the "J-ESOP scheme"), on September 2, 2016 for the purpose of enhancing employees' motivation and morale for higher stock price and performance. In this scheme, treasury shares are allocated to employees of the Company and Officers and employees of the Company's subsidiaries (hereinafter, "Employees, etc.").

(i) Outline of transactions

Benefit One established the Stock Benefit Regulations when it introduced the J-ESOP scheme. Based on the Stock Benefit Regulations, Benefit One entrusted money to trust banks in order to acquire, in advance, shares to be allocated in the future, and trust banks acquired Benefit One's shares using the entrusted money.

In the J-ESOP scheme, Benefit One grants points to Employees, etc., and allocates shares to Employees, etc., according to points as based on the Stock Benefit Regulations.

Applying the Practical Solution on Transactions of Delivering Benefit One's Own Stock to Employees etc., through Trust

(Practical Issue Task Force (PITF) No. 30, March 26, 2015) published by the Accounting Standards Board of Japan (ASBJ), Benefit One uses the gross price method in which trust assets and liabilities are recorded as the enterprise's assets and liabilities on the balance sheet as accounts processing related to the J-ESOP scheme.

To prepare for the provision of Benefit One's shares to employees, etc., based on the Stock Benefit Regulations, Benefit One recorded "Provision for employee stock ownership plan" based on the estimated share benefit obligation as of the end of the current consolidated fiscal year.

(ii) Book value of the borrowings recorded by applying the gross price method
Not applicable.

(Matters related to the consolidated balance sheet)

*1: Cash and deposits:

"Cash and deposits" include temporary deposits from customers for projects that are restricted as to use by the group. The following corresponding obligations are included in "deposits received."

(Millions of yen)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Deposits received	1,989	10,123

*2: Receivables from contracts with customers

All "notes receivable – trade" and "accounts receivable – trade" are amounts receivable from contracts with customers and do not include receivables other than those arising from contracts with customers.

*3: Inventory breakdown is as follows: (Millions of yen)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Merchandise	2,237	2,824
Supplies	163	208
Work in process	222	99
Finished goods	23	109
Raw materials	70	319

*4: The amount and breakdown of reduction entry of non-current assets deducted as a result of accepting national subsidies, etc., is/are as follows: (Millions of yen)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Amount of reduction entry	83	72
(Of which, buildings)	8	8
(Of which, other property, plants, and equipment)	75	64
(Of which, software)	0	0

*5: Assets pledged as collateral and liabilities related to collateral are as follows:

(1) Assets pledged as collateral (Millions of yen)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Buildings	501	488
Land	25	25
Total	527	513

(2) Liabilities related to collateral (Millions of yen)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Short-term borrowings	90	90
Long-term borrowings	1,485	1,395
Total	1,575	1,485

*6: The amounts due to unconsolidated subsidiaries and affiliated companies are as follows: (Millions of yen)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Investment securities (stocks)	1,160	1,300

(Matters related to the consolidated profit & loss statement)

*1: Revenue from contracts with customers

Net sales are the amount of revenues from contracts with customers and do not include revenues other than revenues from contracts with customers.

*2: Major expense items and amounts of selling, general, and administrative expenses are as follows:

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Salaries and bonuses	26,681	27,759
Provision for employee bonuses	2,977	3,116
Provision for Director bonuses	16	18
Retirement payments	492	414
Provision for share awards for Directors (and other Officers)	155	171
Provision for employee stock ownership plans	143	154
Rent expenses on land and buildings	4,471	4,771
Depreciation	2,275	2,614
Allowance for doubtful accounts	(3)	32
Amortization of goodwill	662	709

*3: The breakdown of gain on sale of non-current asset is as follows: (Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Gain on sales	4	4
Other property, plants, and equipment	4	4

*4: The breakdown of loss on sales and disposal of non-current assets is as follows: (Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Loss on disposal	364	31
Buildings	69	18
Other property, plants, and equipment	9	-
Software	268	-
Other intangible assets	17	-
Loss on sales	3	-
Other property, plants, and equipment	3	-

*5: The breakdown of impairment loss is as follows:

Previous consolidated fiscal year (June 1, 2020 to May 31, 2021)

(1) Summary of major asset groups with impairment loss

Location	Usage	Type
Awaji City, Hyogo Prefecture, etc.	For commercial use	Buildings and structures, etc.
Matsuzaka City, Mie Prefecture, etc.	For business use and office use	Buildings and tools, furniture, and fixtures, etc.

(2) Main background leading to impairment loss

As a result of reviewing the future business plan of a consolidated subsidiary, taking into account the current business performance and impact of COVID-19 infections, the book value was reduced to the recoverable amount because the recoverable amount fell below the book value. In addition, as a result of reviewing the future business plan for some of the Company's commercial assets, following the decision to change their use to also be used as headquarters-related assets, the recoverable amount fell below the book value, and the entire book value was recorded as an impairment loss.

(3) Amount of impairment loss (Millions of yen)

Type	Amount
Buildings	1,978
Structures	529
Machinery and equipment (Note)	127
Tools, furniture, and fixtures (Note)	206
Software	¥115
Other assets	281

(Note: "Machinery and equipment" and "Tools, furniture, and fixtures" are included in "Other" under “Property, plants, and equipment” in the consolidated balance sheets.

(4) Asset grouping method

In principle, the Group groups its assets as the smallest unit that generates independent cash flow, mainly by using the corporation as the basic unit, but in some cases, assets are grouped according to the business classification adopted for internal management purposes.

(5) Calculation method of recoverable amount

The recoverable value of the above asset groups is measured by value in use or net realizable value. The value in use is calculated based on future cash flows (discount rate of 4.99 to 5.12%), and the value of assets for which no future cash flows are expected is zero. Net realizable value is calculated based on the assessed value for property tax purposes.

Current consolidated fiscal year (June 1, 2021 to May 31, 2022)

(1) Summary of major asset groups with impairment loss

Location	Usage	Type
Awaji City, Hyogo Prefecture, etc.	For commercial use	Buildings & structures, etc.

(2) Main background leading to impairment loss

As a result of reviewing future business plans for some commercial facilities, the recoverable amount fell below the book value, and the entire book value was recorded as an impairment loss.

(3) Amount of impairment loss (Millions of yen)

Type	Amount
Buildings	98
Structures	23
Tools, furniture, and fixtures (Note)	4
Land	4
Intangible assets, etc. (Note)	0

(Note) In the consolidated balance sheets, "Tools, furniture, and fixtures" is included in "Other" under “Property, plants, and equipment,” and "Intangible assets, etc." is included in "Other" under intangible assets.

(4) Asset grouping method

In principle, the Group groups its assets as the smallest unit that generates independent cash flow, mainly corporations as the basic unit, but in some cases, assets are grouped according to business segments adopted for internal management purposes.

(5) Calculation method of recoverable amount

The recoverable amount of the above asset group is measured by value in use, which is zero because no future cash flows are expected.

(Matters related to the consolidated statement of comprehensive income)

* Amount of reclassification adjustment and tax effect amount relating to other comprehensive income

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Valuation difference on available-for-sale securities		
Amount generated in the period	642	1,252
Amount of reclassification adjustment	(0)	(2)
Before tax effect adjustment	641	1,249
Tax effect amount	(192)	(381)
Valuation difference on available-or-sale securities	449	867
Foreign currency translation adjustment		
Amount generated in the period	117	198
Amount of reclassification adjustment	-	-
Before tax effect adjustment	117	198
Tax effect amount	-	-
Foreign currency translation adjustment	117	198
Adjustment for retirement benefits		
Amount generated in the period	50	2
Amount of reclassification adjustment	(46)	(50)
Before tax effect adjustment	3	(48)
Tax effect amount	(1)	20
Adjustment for retirement benefits	2	(28)
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount generated in the period	-	(0)
Total other comprehensive income	569	1,038

(Matters related to the consolidated statements of changes in net assets)

Previous consolidated fiscal year (June 1, 2020 to May 31, 2021)

1. Matters regarding issued shares

Class of shares	Beginning of consolidated FY	Increase	Decrease	End of current consolidated FY
Common shares (shares)	41,690,300	-	-	41,690,300

2. Matters regarding treasury shares

Class of shares	Beginning of consolidated FY	Increase	Decrease	End of current consolidated FY
Common shares (shares)	2,574,776	-	23,877	2,550,899

Note 1: Treasury shares (common shares) at the beginning of the current consolidated fiscal year include 467,600 shares of the Company held by trust banks based on the Board Benefit Trust (BBT) and 314,129 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 2: Treasury shares (common shares) at the end of the current consolidated fiscal year include 452,100 shares of the Company held by trust banks based on the Board Benefit Trust (BBT) and 305,752 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 3: The decrease of 23,877 shares in the number of treasury stock (common stock) was due to the decrease of 15,500 shares from trust banks based on the Board Benefit Trust (BBT) and the decrease of 8,377 shares from trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

3. Matters regarding share options, etc.

Company name	Breakdown	Type of shares To be issued	Number of shares to be issued (shares)				Balance at the end of current consolidated fiscal year
			Beginning of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year	
Reporting Company	-	-	-	-	-	-	-
Consolidated subsidiaries	Stock acquisition rights as stock options	-	-	-	-	-	¥4 million
Total			-	-	-	-	¥4 million

4. Matters regarding dividends

(1) Dividend payment amount

Resolution	Class of shares	Total amount of dividend (millions of yen)	Dividend per share (Yen)	Reference date	Effective date
July 17, 2020 Board of Directors	Common shares	758	19.0	May 31, 2020	August 6, 2020

Note: The total amount of dividend includes a total dividend of ¥14 million to the shares of the Company held by trust banks as of the reference date based on the Board Benefit Trust (BBT) and the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

(2) Dividend with a reference date belonging to the current consolidated fiscal year and with an effective date belonging to the following consolidated fiscal year

Resolution	Class of shares	Dividend's financial source	Total amount of dividend (millions of yen)	Dividend per share (Yen)	Reference date	Effective date
July 15, 2021 Board of Directors	Common shares	Retained earnings	1,196	30.0	May 31, 2021	August 6, 2021

Note : The total amount of dividend includes a total dividend of ¥22 million to the shares of the Company held by trust banks as of the reference date based on the Board Benefit Trust (BBT) and the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Current consolidated fiscal year (June 1, 2021 to May 31, 2022)

1. Matters regarding issued shares

Class of shares	Beginning of consolidated FY	Increase	Decrease	End of current consolidated FY
Common shares (shares)	41,690,300	-	-	41,690,300

2.Matters regarding treasury shares

Shares	Beginning of consolidated FY	Increase	Decrease	End of current consolidated FY
Common shares (shares)	2,550,899	71	34,876	2,516,094

Note 1: Treasury shares (common shares) at the beginning of the current consolidated fiscal year include 452,100 shares of the Company held by trust banks based on the Board Benefit Trust (BBT) and 305,752 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 2: Treasury shares (common shares) at the end of the current consolidated fiscal year include 424,862 shares of the Company held by trust banks based on the Board Benefit Trust (BBT) and 298,114 shares of the Company held by trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 3: The increase of 71 shares in treasury stock (common stock) is due to the purchase of shares less than one unit.

Note 4: The decrease of 34,876 shares in the number of treasury stock (common stock) was due to the decrease of 27,238 shares from trust banks based on the Board Benefit Trust (BBT) and the decrease of 7,638 shares from trust banks based on the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

3. Matters regarding share options, etc.

Company name	Breakdown	Type of shares	Number of shares to be issued (shares)				Balance at the end of current consolidated fiscal year
			Beginning of current consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year	
Reporting Company	-	-	-	-	-	-	
Consolidated subsidiaries	Stock acquisition rights as stock option	-	-	-	-	-	¥4 million
Total			-	-	-	-	¥4 million

4. Matters regarding dividends

(1) Dividend payment amount

Resolution	Class of shares	Total amount of dividend	Dividend per share	Reference date	Effective date
July 15, 2021 Board of Directors	Common shares	¥1,196 million	¥30.0	May 31, 2021	Aug 6, 2021

Note: The total amount of dividend includes a total dividend of ¥22 million to the shares of the Company held by trust banks as of the reference date based on the Board Benefit Trust (BBT) and the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

(2) Dividend with a reference date belonging to the current consolidated fiscal year and with an effective date belonging to the following consolidated fiscal year

Resolution	Class of shares	Dividend's financial source	Total amount of dividend	Dividend per share	Reference date	Effective date
July 15, 2022 Board of Directors	Common shares	Retained earnings	¥1,396 million	¥35.0	May 31,2022	Aug 5, 2022

Note 1: The total amount of dividend includes a total dividend of ¥25 million to the shares of the Company held by trust banks as of the reference date based on the Board Benefit Trust (BBT) and the Japanese version of the Employee Stock Ownership Plan (J-ESOP).

Note 2: Dividend per share includes a special dividend of ¥5.0 per share.

(Matters related to the consolidated cash flow statement)

*1: The relationship between the balance of cash and cash equivalents at the end of the year and the amount set down in account titles in the consolidated balance sheet is as follows:

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Cash and deposits	54,533	66,951
Time deposits with a deposit term exceeding three months	(235)	(246)
Account dedicated to insurance agencies	(10)	(3)
Deposits from customers	(1,989)	(10,123)
Cash and cash equivalents	52,298	56,578

*2: Major breakdown of assets and liabilities of the company newly consolidated as a result of stock acquisition:

Previous consolidated fiscal year (June 1, 2020 to May 31, 2021)

The information is omitted due to a lack of materiality.

Current consolidated fiscal year (June 1, 2021 to May 31, 2022)

Breakdown of assets and liabilities of JTB BENEFIT SERVICE, Inc. at the time of its consolidation as a result of the acquisition of its shares, along with the relationship between the acquisition price of JTB BENEFIT SERVICE, Inc. shares and the net amount paid for the acquisition

Current assets	¥3,183 million
Non-current assets	¥9,054 million
Goodwill	¥5,898 million
Current liabilities	¥(3,253) million
Long-term liabilities	¥(2,706) million
Acquisition cost of stock	¥12,177 million
Cash and cash equivalents	¥(1,725) million
Difference: Expenditures for acquisition	¥10,451 million

(Matters related to lease transactions)

1. Finance lease transactions (lessee side)

(1) Ownership-transfer finance lease transactions

(i) Content of leased assets

Property, plants, and equipment

Mainly buildings (including attached facilities)

(ii) Method of depreciation of leased assets

The method is described in “Notes (Material matters that serve as the basis for preparing consolidated financial statements) 4. Matters regarding accounting policies (2) Method of depreciation of material depreciable assets” on page 84.

(2) Non-ownership-transfer finance lease transactions

(i) Content of leased assets

Property, plants, and equipment

Mainly buildings (including attached facilities)

(ii) Method of depreciation of leased assets

The method is described in “Notes (Material matters that serve as the basis for preparing consolidated financial statements) 4. Matters regarding accounting policies (2) Method of depreciation of material depreciable assets” on page 84.

1. Operating lease transactions (lessee side)

Future lease payments in non-cancelable operating lease transactions

(Millions of yen)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Within one year	4,228	2,957
Over one year	3,035	2,056
Total	7,263	5,013

(Matters related to financial instruments)

1. Matters regarding the status of financial instruments

(1) Policy on financial instruments

For fund procurement, the Group makes effective use of group funds through the group CMS (Cash Management System) while borrowing from financial institutions and issuing bonds. Fund management is limited to short-term, highly secure deposits with sufficient liquidity. Derivatives transactions are used to avoid the risks described below, and the Company's policy is not to engage in speculative transactions.

(2) Content and risk of financial instruments

"Notes and accounts payable - trade," which are trade receivables, are exposed to customers' credit risk.

"Investment securities" are the shares, etc., of enterprises having a business relationship with the Group and are exposed to market price fluctuation risk.

Most of "accounts payable - trade" and "accrued expenses," which are trade payables, have a payment date within one month.

Borrowings, bonds, and lease obligations related to finance lease transactions are aimed primarily at procuring funds required for working capital and capital investment.

Derivatives transactions are interest rate swaps to hedge against the risk of fluctuations in interest rates payable on borrowings. The assessment of hedge effectiveness is omitted because the interest rate swaps meet the requirements for special treatment.

(3) Risk management system related to financial instruments

(i) Management of credit risk

The credit risks associated with trade receivables are screened while due date and balance controls are conducted in accordance with each company's internal rules. The credit status of customers with credit collection concerns is monitored at monthly credit meetings.

(ii) Management of market risk

The Company's Finance and Accounting Department manages the risk of interest rate fluctuations on long-term borrowings by mitigating the impact of such fluctuations through installment repayments.

Derivatives transactions are executed and managed in accordance with internal rules that stipulate transaction authority.

The Company assesses the market value of listed stocks on a quarterly basis and reviews its holdings of unlisted stocks by assessing the financial condition of the issuing company and taking into consideration its relationship with the company with which it does business.

(iii) Management of liquidity risk related to fund procurement

The Finance and Accounting Department of the Company receives monthly deposit balance reports of the Group and manages the liquidity risk of each company as needed through the Group CMS.

(4) Supplementary explanation on matters regarding the fair value, etc., of financial instruments

The fair value of financial instruments includes not only the value based on market prices but also the reasonably calculated value if financial instruments have no market price. In the calculation of such value, variable factors are incorporated, and the value could change by adopting different preconditions, etc.

2. Matters regarding the fair value, etc., of financial instruments

The amount recorded in the consolidated balance sheet, the fair value, and their differences are presented below.

Previous consolidated fiscal year (May 31, 2021) (Millions of yen)

	Amount recorded in the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Investment securities	2,658	2,658	-
Lease and guarantee deposits	6,751	6,746	(4)
Total assets	9,409	9,409	(4)
Bonds payable	2,482	2,471	(10)
Long-term borrowings	20,990	20,827	(163)
Lease obligations	1,223	1,225	1
Total liabilities	24,696	24,523	(172)
(1) Derivatives transactions (*2)	-	-	-

*1: The fair values of cash and deposits, notes receivable - trade, accounts receivable - trade, income taxes refund receivable, accounts payable – trade, short-term borrowings, accounts payable - other, accrued expenses, income taxes payable, accrued consumption taxes, and deposits received are not stated because they are cash and their fair values approximate their book values due to their short maturities.

*2: The fair value of interest rate swaps that qualify for hedge accounting is included in the fair value of the relevant long-term borrowings because they are accounted for as an integral part of long-term borrowings that are hedged.

*3: Carrying amount on the consolidated balance sheets of financial instruments for which fair value is extremely difficult to determine

(Millions of yen)

Category	Consolidated balance sheet amount
Unlisted stocks	¥2,303 million

These are not included in “investment securities” because they do not have market prices, and it is extremely difficult to determine their fair value. Impairment loss of ¥71 million was recognized for unlisted stocks in the previous consolidated fiscal year.

*4: Investments in partnerships and other similar entities in which the Company's equity interest is recorded on the consolidated balance sheets as a net amount are omitted. The amount of such investments in the previous balance sheet was ¥5 million.

Current consolidated FY (May 31, 2022) (Millions of yen)

	Amount recorded in the consolidated balance sheet	Fair value	Difference
Investment securities	3,997	3,997	-
Lease and guarantee deposits	9,063	8,999	(63)
Total assets	13,060	12,997	(63)
Bonds payable	4,396	4,081	(314)
Long-term borrowings	38,779	38,329	(449)
Lease obligations	966	960	(6)
Total liabilities	44,142	43,371	(770)
Derivatives transactions (*2)	-	-	-

*1: The fair values of cash and deposits, notes receivable - trade, accounts receivable - trade, income taxes refund receivable, short-term borrowings, accounts payable - other, accrued expenses, income taxes payable, accrued consumption taxes, and deposits received are not stated because they are cash and their fair values approximate their book values due to their short maturities.

*2: The fair value of interest rate swaps that qualify for hedge accounting is included in the fair value of the relevant long-term borrowings because they are accounted for as an integral part of long-term borrowings that are hedged.

*3: Stocks and other securities without market quotations are not included in "investment securities." The carrying amounts of such financial instruments on the consolidated balance sheets are as follows. The amount of impairment loss on unlisted stocks was ¥19 million for the current fiscal year.

Category	Consolidated balance sheet amount
Unlisted shares	¥2,931 million

*4: Investments in partnerships and other similar entities in which the Company's equity interest is recorded on the consolidated balance sheets as a net amount are omitted. The amount of such investments in the previous balance sheet was ¥9 million.

Note 1: Amount of monetary claims and securities with a maturity to be redeemed after the consolidated closing date

Previous consolidated fiscal year (May 31, 2021)

(Millions of yen)

	Within one year	Over one year and within five years	Over five years and within 10 years	Over 10 years
Cash and deposits	54,533	-	-	-
Notes and accounts receivable-trade	44,267	-	-	-
Investment securities Available-for-sale securities with maturity dates (bonds)	97	221	-	157
Lease and guarantee deposits	3,100	2,115	1,456	79
Total	101,999	2,336	1,456	236

Current consolidated FY (May 31, 2022) (Millions of yen)

	Within one year	Over one year and within five years	Over five years and within 10 years	Over 10 years
Cash and deposits	66,951	-	-	-
Notes	101	-	-	-
Accounts receivable - trade	40,872	-	-	-
Investment securities Available-for-sale securities with maturity dates (bonds)	244	-	-	173
Lease and guarantee deposits	3,112	2,140	3,475	334
Total	111,282	2,140	3,475	508

Note 2: Amount of long-term borrowings, bonds paid, and other interest-bearing liabilities to be repaid after the consolidated closing date

Previous consolidated fiscal year (May 31, 2021) (Millions of yen)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term borrowings	174	-	-	-	-	-
Bonds paid	306	306	306	314	250	1,000
Long-term borrowings	9,258	6,752	5,501	4,789	1,265	2,682
Lease obligations	660	316	132	68	38	7
Total	10,400	7,375	5,939	5,171	1,553	3,689

Current consolidated FY (May 31, 2022) (Millions of yen)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term borrowings	110	-	-	-	-	-
Bonds paid	586	586	594	530	530	1,570
Long-term Borrowings	9,500	8,473	7,889	4,567	3,791	14,057
Lease obligations	411	214	159	118	34	28
Total	10,608	9,273	8,642	5,215	4,356	15,656

2. Breakdown of Fair Value of Financial Instruments by Level:

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated based on unadjusted quoted market prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using significant unobservable inputs

When multiple inputs that have a significant effect on fair value are used, fair value is classified into the level with the lowest priority in the fair value calculation among the levels to which those inputs belong.

(1) Financial assets and financial liabilities with fair value

Current fiscal year (May 31, 2022)

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	3,572	-	-	3,572
Bonds payable	-	424	-	424
Total assets	3,572	424	-	3,997

(2) Financial assets and liabilities that do not have fair value on the consolidated balance sheet

Current fiscal year (May 31, 2022)

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	*Total*
Lease and guarantee deposits	-	8,999	-	8,999
Total assets	-	8,999	-	8,999
Bonds payable	-	4,081	-	4,081
Long-term borrowings	-	38,329	-	38,329
Lease obligations	-	960	-	960
Total liabilities	-	43,371	-	43,371

(Note) Description of Valuation Techniques and Inputs Used in Calculating Fair Value

Investment securities

Listed stocks and bonds are valued using quoted market prices. Because listed stocks are traded in active markets, their fair value is classified as Level 1 fair value. On the other hand, corporate bonds held by the Group are classified as Level 2 fair value because they are traded infrequently in the market and are not considered quoted prices in an active market.

Lease and guarantee deposits

Lease and guarantee deposits, which are mainly deposited when offices are leased, are classified as Level 2 fair value, as they are estimated to be redeemable and calculated using the discounted present value method based on the yields of long-term, highly secure bonds.

Bonds payable and lease obligations

The fair value of these is calculated using the discounted present value method based on the total amount of principal and interest and the interest rate that takes into account the remaining period of the relevant debt and credit risk, and is classified as Level 2 fair value.

Long-term borrowings

The discounted present value method is used based on the sum of the principal interest rate and the interest rate that takes into account the remaining period of the relevant debt and credit risk. Long-term borrowings with floating interest rates are subject to special treatment as interest rate swaps and are calculated using the discounted present value method based on the sum of the principal interest rate, which is accounted for as an integral part of the interest rate swap, and an interest rate that takes into account the remaining period of the relevant debt and credit risk. These are classified as Level 2 fair value.

(Matters related to securities)

1. Other securities

Previous consolidated fiscal year (May 31, 2021) (Millions of yen)

Category	Type	Amount recorded in the consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities of which the amount reported in the consolidated balance sheet exceeds the acquisition cost	Stock Bond	2,155 229	408 193	1,747 36
	Subtotal	2,385	601	1,784
Securities of which the amount reported in the consolidated balance sheet does not exceed the acquisition cost	Stock Bond	- 272	- 294	- (22)
	Subtotal	272	294	(22)
Total		2,658	896	1,762

Note: Unlisted stocks (consolidated balance sheet amount: 2,303 million yen) and investments in investment limited partnerships (consolidated balance sheet amount: 5 million yen) are not included in the table above because they do not have market prices and because it is extremely difficult to determine their fair value.

Current consolidated FY (May 31, 2022) (Millions of yen)

Category	Type	Amount recorded in the consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities of which the amount reported in the consolidated balance sheet exceeds the acquisition cost	Stock Bond	3,572 245	595 193	2,977 52
	Subtotal	3,818	788	3,029
Securities of which the amount reported in the consolidated balance sheet does not exceed the acquisition cost	Stock Bond	- 179	- 197	- (17)
	Subtotal	179	197	(17)
Total		3,997	985	3,011

Note: Unlisted stocks (consolidated balance sheet amount: 2,931 million yen) and investments in investment limited partnerships (consolidated balance sheet amount: 9 million yen) are not included in the table above because they do not have market prices and because it is extremely difficult to determine their fair value.

2. Other securities sold during the consolidated fiscal year

Previous consolidated fiscal year (From June 1, 2020 to May 31, 2021)

Omitted due to immateriality.

Current consolidated fiscal year (From June 1, 2021 to May 31, 2022)

(Millions of yen)

Category	Amount of sale	Total gain on sale	Total loss on sale
Bonds	95	-	2
Total	95	-	2

3. Securities for which impairment losses were recognized

Previous consolidated fiscal year (From June 1, 2020 to May 31, 2021)

Impairment loss of ¥71 million (¥14 million for other securities and ¥56 million for shares of subsidiaries and associates) was recognized in the previous consolidated fiscal year.

Current consolidated fiscal year (From June 1, 2021 to May 31, 2022)

Impairment loss of ¥19 million (¥19 million for other securities and ¥0 million for shares of subsidiaries and associates) was recognized in the current consolidated fiscal year.

(Matters related to derivatives transactions)

1. Derivatives transactions for which hedge accounting is applied

(1) Interest rate related

Previous consolidated fiscal year (May 31, 2021) (Millions of yen)

Method of hedge accounting	Type of derivatives transaction, etc.	Main hedged items	Contract amount, etc.	Contract amount over 1 year	Market value
Special treatment of interest rate swaps	Interest rate swaps Fixed payment/Variable receipt	Long-term borrowings	9,500	3,239	(Note)

Note: The fair value of interest rate swaps that qualify for hedge accounting and that are accounted for as an integral part of long-term borrowings that are hedged is included in the fair value of the relevant long-term borrowings.

Current consolidated fiscal year (May 31, 2022) (Millions of yen)

Method of hedge accounting	Type of derivatives transactions, etc.	Main hedged items	Contract amount, etc.	Contract amount Over 1 year	Market value
Special treatment of interest rate swaps	Interest rate swaps Fixed payment/Variable receipt	Long-term borrowings	8,500	2,085	(Note)

Note: The fair value of interest rate swaps that qualify for hedge accounting and that are accounted for as an integral part of long-term borrowings that are hedged is included in the fair value of the relevant long-term borrowings.

(Matters related to retirement benefits)

1. Outline of Retirement Benefit Plans Adopted

The Company and some of its domestic consolidated subsidiaries have defined benefit pension plans and lump-sum payment plans. Certain domestic consolidated subsidiaries have a defined contribution pension plan or are members of the Smaller Enterprise Retirement Allowance Mutual Aid System. Certain overseas consolidated subsidiaries have defined benefit plans.

In some cases, premium severance pay may be paid to employees for retirement or other reasons that are not covered by the retirement benefit obligation plan based on actuarial calculations in accordance with retirement benefit accounting.

The defined benefit pension plans and lump-sum payment plans of certain consolidated subsidiaries are calculated using the simplified method for the calculation of liabilities for retirement benefits and retirement benefit expenses.

2. Defined benefit plans

(1) Reconciliation of the beginning and ending balance of retirement benefit obligation (excluding plans to which the simplified method is applied)

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Balance of retirement benefit obligation at beginning of period	5,168	5,679
Service cost	601	652
Interest expense	14	19
Actuarial gains (losses)	82	(68)
Transition from the simplified method to the principle method	240	-
Transition from the principle method to the simplified method	(133)	-
Retirement benefits paid	(264)	(420)
Other	(30)	(33)
Balance of retirement benefit obligation at end of period	5,679	5,829

(2) Reconciliation between the beginning and ending balance of pension assets (excluding plans to which the simplified method is applied)

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Balance of pension assets at the beginning of the period	5,208	5,902
Expected return on assets	83	91
Actuarial gains (losses)	133	(66)
Contribution from employer	430	854
Transition from the simplified method to the principle method	245	-
Payment of retirement benefits	(202)	(259)
Other	2	(2)
Balance of retirement benefit obligation at end of period	5,902	6,520

(Note) In the current fiscal year, the Company has contributed risk-responsive premiums for risks that might arise in the future.

(3) Reconciliation of the beginning and ending balances of liabilities for retirement benefits for plans to which the simplified method is applied

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Balance of liabilities for retirement benefits at the beginning of the period	1,009	1,138
Increase due to acquisition of newly consolidated subsidiaries	-	65
Retirement benefit expenses	232	109
Retirement benefit payments	(146)	(138)
Contributions to the plan	(110)	(127)
Transfers from the simplified method to the principle method	5	-
Transition from principle method to simplified method	133	-
Other	15	0
Balance of liabilities for retirement benefits at end of period	1,138	1,048

(Note) In the current fiscal year, the Company has contributed risk-responsive premiums for risks that may arise in the future.

(4) Reconciliation of balance of benefit obligation and pension assets at the end of the period and liabilities for retirement benefits and assets for retirement benefits recognized in the consolidated balance sheets

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Benefit obligation of funded plans	5,583	5,695
Pension assets	6,623	7,371
	(1,040)	(1,674)
Benefit obligation of non-funded plans	1,954	2,032
Net liabilities and assets recorded in the consolidated balance sheets	914	357
Liabilities for retirement benefits	2,263	2,300
Assets related to retirement benefits	1,348	1,942
Net liabilities and assets on consolidated balance sheets	914	357

(Note) Includes plans to which the simplified method is applied

(5) Amount of retirement benefit expenses and the breakdown items

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Service cost	601	652
Interest expense	14	19
Expected investment income	(83)	(91)
Amortization of actuarial gains and losses	(46)	(50)
Retirement benefit expenses calculated by the simplified method	232	109
Other	21	(74)
Net periodic benefit cost for defined benefit plans	739	565

(6) Adjustment for retirement benefits

Items recorded in adjustments to retirement benefits (before tax effect deductions)

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Actuarial gains and losses	3	(48)
Total	3	(48)

(7) Accumulated adjustments for retirement benefits

Items recorded in accumulated adjustments for retirement benefits (before tax effect deductions)

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Unrecognized actuarial gains and losses	50	2
Total	50	2

(8) Matters related to pension assets

(i) Major breakdown of pension assets

The following is a breakdown of the major categories of pension assets as a percentage of total pension assets.

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Securities	-	44%
Shares	-	33%
Cash and deposits	90%	9%
General account	10%	9%
Other	-	5 %
Total	100%	100%

(Note) In the previous fiscal year, the Company temporarily changed its investment assets from bonds and stocks to cash and deposits in light of the investment performance during the period and in consideration of the uncertain outlook for the economic environment.

(ii) Method of establishing the expected long-term rate of return on pension assets

To determine the expected long-term rate of return on pension assets, the Company considers the current and expected allocation of pension assets and the current and expected long-term rates of return from the various assets comprising the pension assets.

(9) Matters related to actuarial basis

Principal actuarial basis (expressed as a weighted average)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Discount rate	0.3%	0.5%
Long-term expected rate of return on assets	1.6%	1.6%
Expected rate of salary increase	1.4%	1.4%

3. Defined Contribution Plan

The required contribution to the defined contribution plan of the Company's consolidated subsidiaries was ¥231 million in the previous fiscal year and ¥295 million in the current fiscal year.

(Matters related to stock options, etc.)

1. Amounts and titles of expenses recorded for stock options

Not applicable

2. Amount recorded as profit due to forfeiture of stock options

Not applicable

3. Description, size, and changes of stock options

(1) Details of stock options

Consolidated subsidiaries: Bewith, Inc.

	1st Series of Stock Acquisition Rights	2nd Series of Stock Acquisition Rights
Classification and number of grantees	Director of Bewith, Inc. 3 persons Employees of Bewith, Inc. 44 persons Director of Bewith, Inc.'s subsidiary, 1 person	Director of Bewith, Inc. 2 persons
Number of stock options by type of stock (Note)	Common stock 835,000 shares	Common stock 240,000 shares
Grant date	May 11, 2021	May 11, 2021
Vesting conditions	(i) Holders of stock acquisition rights must hold the position of Director, Corporate Auditor, Executive Officer, or employee of Bewith, Inc. or Bewith, Inc.'s subsidiary at the time of exercising the rights. However, this shall not apply in the event of retirement or resignation due to expiration of term of office, retirement or transfer due to illness in the course of business, or other cases where the Board of Directors recognizes that a justifiable reason exists. (ii) The exercise of stock acquisition rights by the heirs of the holders of stock acquisition rights shall not be permitted.	(i) If Bewith, Inc. issues common stock with a price below 1,045 yen or issues stock acquisition rights with an exercise price below 1,045 yen between the allotment date of these stock acquisition rights and the expiration date of the exercise period, all remaining stock acquisition rights may not be exercised. (ii) The exercise of stock acquisition rights by heirs of holders of stock acquisition rights shall not be permitted.
Subject period of service	No stipulation on the subject service period	No stipulation on the subject service period
Exercise period	From April 23, 2023 To April 22, 2031	From after the vesting date to May 10, 2031

(Note) The above figures are based on the number of shares. The figures have been converted to the number of shares after the stock split (200 shares for one share) on October 22, 2021.

(2) Size of stock options and changes in the number of stock options

The number of stock options is based on the stock options that existed during the current consolidated fiscal year, and the number of stock options has been converted into the number of shares

Consolidated subsidiaries: Bewith, Inc.

a. Number of stock options

	1st Stock Acquisition Rights	2nd Stock Acquisition Rights
Before rights vested (shares)		
At the end of the previous fiscal year	850,000	240,000
Granted	-	-
Invalidation	15,000	-
Vesting	-	-
Unvested	835,000	240,000
Vested (shares)		
At the end of the previous fiscal year	-	-
Vested	-	-
Exercised	-	-
Invalidation	-	-
Unexercised balance	-	-

(Note) The above figures are based on the number of shares. The figures have been converted to the number of shares after the stock split (200 shares for one share) on October 22, 2021.

b. Unit Price Information

	1st Stock Acquisition Rights	2nd Stock Acquisition Rights
Exercise price (yen)	1,045	1,045
Average share price at the time of exercise (yen)	-	-
Fair value per share (grant date) (yen)	-	-

(Note) The figures have been converted to the number of shares after the stock split (200 shares for one share) on October 22, 2021.

4. Estimation method of fair valuation unit price of stock options

As the consolidated subsidiary is a private company as of the date of granting of the stock options, the intrinsic value of the stock options is used as the fair valuation unit price of the stock options. The DCF method is used as the valuation method for the company's shares, and this is the basis for calculating the intrinsic value per unit.

5. Estimation method of the number of stock options vested

Because it is difficult to reasonably estimate the number of forfeitures in the future, only the actual number of forfeitures is reflected.

6. Total intrinsic value of stock options at the end of the current consolidated fiscal year and total intrinsic value of stock options exercised during the current consolidated fiscal year at the date of exercise, if calculated based on the intrinsic value of stock options

(1) Total intrinsic value at the end of the current consolidated fiscal year ¥394 million

(2) Total intrinsic value of stock options exercised during the current consolidated fiscal year ¥ - million

(Matters related to tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Deferred tax assets) (Millions of yen)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Tax loss carryforward (Note 2)	3,719	4,458
Depreciation and amortization	1,912	2,087
Provision for bonuses	1,586	1,623
Allowance for doubtful accounts	68	74
Liabilities for retirement benefits	652	690
Asset retirement obligations	724	765
Accrued business office tax	143	141
Accrued enterprise tax	562	439
Contract liabilities and points	-	198
Provision for point card certificates	180	-
Asset adjustment account	406	209
Provision for share awards for Directors (and other	140	189
Officers)	131	169
Provision for employee stock ownership plan	-	735
Adjustment of book value of investments at	984	777
subsidiaries		
Other		
Subtotal of deferred tax assets	11,214	12,561
Subtotal of deferred tax assets		
Valuation allowance for losses carried forward for tax purposes (Note 2)	(3,637)	(4,379)
Valuation allowance for the total of deductible temporary difference, etc.	(2,793)	(3,257)
Subtotal of valuation allowance (Note 1)	(6,431)	(7,636)
Total deferred tax assets	4,782	4,924
Offset against deferred tax liabilities	(1,600)	(2,203)
Net deferred tax assets	3,182	2,720

(Deferred tax liabilities)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Valuation difference on available-for-sale securities	(510)	(892)
Asset for retirement benefits	(446)	(657)
Asset retirement obligations	(255)	(230)
Retained earnings of overseas subsidiaries	(120)	(147)
Customer relationship asset	(155)	(2,641)
Tax effect on sales of shares of subsidiaries and affiliates	(900)	(900)
other	(240)	(239)
Total deferred tax liabilities	(2,628)	(5,709)
Offset against deferred tax assets	1,600	2,203
Net deferred tax liabilities	(1,028)	(3,506)

Note 1: Valuation allowance increased by ¥1,206 million. The increase is mainly due to an increase in unschedulable temporary differences and an increase in the valuation allowance for net operating loss carryforwards for tax purposes.

Note 2: Amount of losses carried forward for tax purposes and their deferred tax assets by time limit for carryover

Previous consolidated fiscal year (May 31, 2021)

(Millions of yen)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Losses carried forward for tax purposes (a)	93	93	126	176	198	3,031	3,719
Valuation allowance	90	93	123	167	186	2,975	3,637
Deferred tax assets	3	-	3	8	11	55	81 (b)

(a) Losses carried forward for tax purposes represent the amount obtained by multiplying the normal effective statutory tax rate.

(b) Deferred tax assets of ¥81 million are recognized for tax loss carryforwards of ¥3,719 million (multiplied by the effective statutory tax rate). No valuation allowance is recognized for the portion of the net operating loss carried forward for tax purposes that is deemed collectible based on the estimated future taxable income.

Current consolidated fiscal year (May 31, 2022)

(Millions of yen)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over 5 years	Total
Losses carried forward for tax purposes (a)	99	128	194	201	638	3,196	4,458
Valuation allowance	99	128	188	199	638	3,124	4,379
Deferred tax assets	-	-	6	1	-	71	(b) 79

(a) Losses carried forward for tax purposes represent the amount obtained by multiplying the normal effective statutory tax rate.

(b) Deferred tax assets of ¥79 million are recorded for losses carried forward for tax purposes of ¥4,458 million (multiplied by the effective statutory tax rate). No valuation allowance is recognized for the portion of the net operating loss carried forward for tax purposes that is deemed collectible based on the estimated future taxable income.

2. Breakdown by major cause when there is a significant difference between the normal effective statutory tax rate and the burden ratio of corporation tax, etc., after the application of tax effect accounting

(unit: %)

	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Statutory effective tax rate	30.62	30.62
(Adjustment)		
Entertainment expenses and other items not permanently deductible	1.66	0.93
Per capita inhabitant tax	1.45	1.15
Valuation allowance	7.73	7.75
Amortization of goodwill	0.57	0.53
Consolidation adjustment of gain on sales of subsidiaries and affiliates' stocks	-	1.92
Equity in earnings of affiliates	0.24	(0.11)
Dividend income and other items not permanently deductible included in income	(0.50)	(0.31)
Tax credits for wage increase and productivity improvement	(2.90)	-
Human resources to ensure the promotion of tax control	-	(0.60)
Adjustment of book value of investments in subsidiaries	-	(5.38)
Difference in tax rate used	3.47	2.89
Others	(0.30)	0.52
Effective income tax rate after application of tax effect accounting	42.04	39.91

(Matters related to business combination, etc.)

(Business combination through acquisition)

Benefit One Inc. (a company with a fiscal year ending in March, hereinafter "Benefit One"), a consolidated subsidiary of the Company, acquired all shares of JTB BENEFIT SERVICE, Inc. (hereinafter "JTB Benefit") on October 29, 2021 and made JTB Benefit a subsidiary of the Company. 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 the COVID-19 pandemic has had a major impact on the social economy, it has also provided an opportunity for many companies to accelerate their efforts to reform work styles, health management, and digitalization, etc. 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 One, on the other hand, has been a leading player in employee benefit services since its establishment in 2000, aiming to contribute to the "work-life balance of workers" and "creation of dynamic workplaces."

In line with Benefit One's mid-term management plan, we have decided to welcome JTB Benefit to our group in anticipation 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

No change of the name of the company after the combination

(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. Description and amount 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. Amount 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
Fixed 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, along with the method of calculation

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

(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 statements of income of the Group is the estimated amount of impact. These notes are unaudited.

(Partial sale of subsidiary shares)

Our consolidated subsidiary, Bewith, Inc. (hereinafter "Bewith") 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 the 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 by the company, as well as the provision of various types of AI services

(2) Date of share sale:

1st March 2, 2022

2nd 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 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 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. Summary 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), the transaction was treated as a transaction under common control, etc.

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 due to the sale and the sale price

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

¥2,984 million

(Matters related to asset retirement obligations)

Asset retirement obligations recorded on the consolidated balance sheets

(1) Summary of the relevant asset retirement obligations

The asset retirement obligations are mainly restoration obligations in connection with real estate lease contracts for office space.

(2) Calculation method of the amount of the relevant asset retirement obligations

The amount of the asset retirement obligation is calculated using a discount rate of 0.0% to 2.3% based on an estimated period of use of two to 39 years from acquisition.

(3) Increase/decrease in the total amount of such asset retirement obligations

(Millions of yen)

	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Balance at the beginning of the period	1,973	2,143
Balance at the beginning of the period	253	183
Increase due to the acquisition of consolidated subsidiaries	-	32
Adjustments due to the passage of time	5	5
Decrease due to the fulfillment of asset retirement obligations	(88)	(41)
Balance at the end of period	2,143	2,323

(Matters related to rental real estate properties)

Notes have been omitted because the total amount of real estate for rent and others is immaterial.

(Revenue recognition related)

1. Information that disaggregates revenue from contracts with customers

Information that breaks down revenue from contracts with customers is presented in the "Notes (Segment information)" on page 120.

2. Information that provides a basis for understanding revenues from contracts with customers

(1) Expert Services

Expert Services is engaged in the "worker dispatching business," in which it recruits and registers temporary staff and dispatches them to client companies and other organizations. The performance obligation in Expert Services is to dispatch temporary staff that have entered into employment contracts with the Group to client companies and to provide the promised temporary staffing services over the period agreed to in the contract, and such performance obligation is deemed to be satisfied over the contract period with the passage of operating hours and is recognized as revenue based on operating hours. The Company recognizes revenues based on the number of hours of operation over the term of the contract. The amount equivalent to commuting and transportation expenses related to temporary staff received from the client is part of the consideration for providing services related to temporary staffing services, and the Group considers this to be a transaction in which its role is that of the principal and recognizes revenue on a gross basis. Because the period between satisfaction of the performance obligation and receipt of the consideration is usually less than one year, no adjustment for significant financial factors is made to the receivables based on the contracts with such customers.

(2) BPO services

In BPO services, the Group provides BPO services by accepting contracts from customers for reception, general affairs, sales administration, accounting, payroll, sales, marketing, and other operations, while Bewith, Inc, a Group company, provides contact center and BPO services using a self-developed digital technology, etc. The performance obligation for BPO services is to complete the work entrusted by the client within the contract period and deliver the deliverables, as well as to provide services in which the Group performs the entrusted work under its own responsibility and management. For contracts that require the delivery of deliverables, the Group recognizes revenue when the deliverables are delivered to the customer or when the customer accepts the goods. For contracts under which the Group performs outsourced services under its own responsibility and control, the Group recognizes revenue on a straight-line basis over the term of the contract if the Group provides uniform monthly services over the contract period and recognizes revenue based on costs incurred if the services vary significantly from month to month. When the Company is unable to reasonably estimate the degree of progress toward satisfying a performance obligation but expects to recover the costs incurred in satisfying such obligation, revenue is recognized on a cost recovery basis until such time as the Company is able to reasonably estimate the degree of progress toward satisfying the performance obligation. Because the period between satisfaction of the performance obligation and receipt of consideration is usually less than one year, no adjustment for significant financial factors is made for receivables based on contracts with such customers.

(3) HR Consulting, Education & Training, and Others

The HR Consulting, Education & Training, and Others segment provides management support by professional personnel such as freelancers, former executives of listed companies, and other experts with deep knowledge in specific fields, as well as education and training services commissioned by companies and the public sector, along with consulting on the introduction and utilization of talent management systems that support the centralized management of human resources for global companies. The performance obligation in HR consulting intends to provide management support services, mainly consulting on management issues, while such performance obligation intends to provide services uniformly on a monthly basis over the contract period. The performance obligation is recognized as revenue on a straight-line basis over the contract period, as the services are provided on a monthly basis over the contract period. The Company's performance obligation in the education and training segment consists primarily of providing training services to clients to train their employees by job level, global human resources development, and business manners. Because the period between satisfaction of the performance obligation and receipt of consideration is usually less than one year, no adjustment for significant financial factors has been made to the receivables based on the contracts with such customers.

(4) Global Sourcing

Global Sourcing provides a full line of human resources-related services overseas, including placement & recruiting, temporary staffing and outsourcing, payroll, and education and training. Performance obligations in Global Sourcing are accounted for in the same manner as (i) Expert Services, (ii) BPO Services, and (v) Career Solutions, depending on the nature of the services performed for customers. Because the period between satisfaction of the performance obligation and receipt of consideration is usually less than one year, no adjustment for significant financial factors is made for receivables based on contracts with such customers.

(5) Career Solutions

Career Solutions is engaged in "Placement/Recruiting," a fee-charging job placement business that recruits and registers candidates that wish to change jobs or find employment while at the same time collects job information to match mutual needs, along with "Outplacement," which supports companies in job changes based on personnel strategy. The performance obligation in the placement & recruiting business intends to provide services that introduce personnel with the careers and abilities, etc., demanded by client companies. The performance obligation is deemed satisfied when the client company receives the benefit of the referral and the person is placed by the Group with the client company. The performance obligation in the outplacement business intends to provide career support services, such as job change, reemployment, or starting one's own business, to users of the Group's services, such as retirees or would-be retirees of the client company. The performance obligation intends to continue to provide outplacement services to the client company for the period agreed upon by the Group and the client company, and the client company recognizes revenue on a straight-line basis over the period as the client company receives the service. For contracts with renewal terms, the Company calculates the average decision period at the end of the fiscal year based on the actual results, from the start of services to the decision of the user for the previous five fiscal years, and recognizes revenue on a straight-line basis over the period of the renewal term. In addition, in calculating the transaction price, if the contract stipulates that a portion of the consideration will be refunded if the introducer, that is a human resource introduced by the Group to the client company, leaves the company within a certain period after joining, the amount of the refund is estimated based on past experience and other factors and is included in the transaction price, and a refund liability is recorded and deducted from revenue. The estimated amount of refund is included in the transaction price and deducted from revenue. Refund estimates are recognized only to the extent that it is highly probable that a material reversal of revenue will not occur. For outplacement, because the period between satisfaction of performance obligations and receipt of consideration is usually less than one year, no adjustment for significant financial factors is made for receivables based on contracts with such customers. For outplacement services, the period from the receipt of consideration to the provision of services may exceed one year, depending on when the user begins receiving services. However, because the amount of consideration does not vary depending on when the user begins receiving services, the Company has determined that no significant financial elements are included. The amount of consideration does not fluctuate depending on the timing of the start of services by users.

(6) Outsourcing

Outsourcing includes a system whereby a client company becomes a corporate member of a membership organization operated by Benefit One Inc., a member of the Company's group, and allows employees of the corporate member or clients and other members of the company with which the company collaborates to use a plethora of employee benefit programs. The Company provides incentive businesses that issue, manage, and administer incentive points and that provide point redemption items to employees and other authorized users of client companies that have introduced employee benefit, personal businesses (mainly for individual customers of cooperating companies), and CRM businesses and programs (incentive points) operated by such companies, as well as health checkup services, health guidance services, and The Company also provides health care services such as health checkup services, health guidance, and vaccination support, and other services. The performance obligation in the employee benefit, personal, and CRM business is mainly to collect monthly membership fees from client companies and to provide "Benefit Station," an employee benefit service, to members that are either employees of the client companies or customers of the companies with which the Company has cooperative relationships, and such performance obligation intends to provide uniform services over the contract period. The Company recognizes revenue over the period in which the service is provided. In addition, "Benepo," which is granted to members for services provided, is recognized as a separate performance obligation in "contract liabilities," and revenue is recognized when the "Benepo" is used and when it expires. The Company allocates membership fees received from members as a separate performance obligation based on an estimate of the amount expected to be utilized in the future based on historical utilization rates and other factors. The performance obligation in the incentive business intends to issue, manage, and operate incentive points and provide point redemption items, and upon delivery of the redemption items, the legal ownership, physical possession, significant risks associated with ownership, and economic value of the items are transferred to the authorized users and the performance obligation is satisfied. The Company recognizes revenue when the redemption item is delivered. The performance obligation in the healthcare business intends to provide health support services such as medical checkup services, health guidance, and vaccination, etc. For medical checkup services, revenue is recognized upon completion of the services, and for health guidance and vaccination support, revenue is recognized over a certain period. In addition, the Group recognizes revenue on a net basis for health checkup services and vaccination support services in the healthcare business, as other parties are involved and the Group's role is to arrange for the services to be provided by the other parties, which is considered to be a transaction that constitutes an agent. Because the period between satisfaction of the performance obligation and receipt of the consideration is usually less than one year, no adjustment for significant financial elements is made for receivables based on contracts with such customers.

(7) Life Solutions

Life Solutions is engaged in the daycare business, which includes: the operation of licensed and certified childcare centers, in-house childcare facilities, and childcare for school children; the nursing care business, which includes daycare services and home-visit nursing care; and the housekeeping services business. The performance obligation in the daycare business intends to operate daycare centers in accordance with certain requirements such as the number of children and nursery staff under contract with local governments, and the amount calculated based on the requirements stipulated in the contract is recognized as revenue mainly when monthly childcare services are performed. In the case of providing childcare services under a contract with a company, the performance obligation intends to take care of children and provide a certain level of childcare services during the contract period, and the Company recognizes revenue based on the monthly number of children taken care of and the hours of care.

The performance obligation in the nursing care business intends to provide services based on a monthly care plan, and revenue is recognized based on the content of the care plan at the time the services are provided. The performance obligation in the housekeeping service intends to provide services such as cleaning and cooking, and the Company recognizes revenue based on operating hours when the services are rendered. Because the period between satisfaction of the performance obligation and receipt of consideration is usually less than one year, no adjustment for significant financial factors is made for receivables based on contracts with such customers.

(8) Regional Revitalization Solutions

Regional Revitalization Solutions is engaged in the food & beverage business, amusement business, and accommodation business that utilize local specialties and existing facilities, as well as businesses related to the promotion of tourism and attraction of companies to revitalize local communities. The performance obligation in Regional Revitalization intends mainly to provide customers with food & beverages, amusement services, and accommodation services, and such performance obligation is satisfied by the provision of food & beverage, use of attractions, and use of accommodation facilities, and thus revenue is recognized when the goods or services are provided to customers. Because the period between satisfaction of the performance obligation and receipt of consideration is usually less than one year, no adjustment for significant financial elements is made for receivables based on contracts with such customers.

3. Information for understanding the amount of income for the current and subsequent periods

(1) Balance, etc., of contract assets and contract liabilities

(Millions of yen)

	Current fiscal year
Receivables arising from contracts with customers (beginning balance)	39,304
Receivables arising from contracts with customers (ending balance)	40,973
Contract assets (beginning balance)	4,963
Contract assets (ending balance)	10,008
Contract liabilities (beginning balance)	9,243
Contract liabilities (ending balance)	8,453

Contract assets mainly relate to the Group companies' rights to consideration for business support services that have been partially completed but not yet invoiced as of the balance sheet date, mainly for BPO service contracts. Contract assets are reclassified into receivables arising from contracts with customers when the Group's rights to the consideration become unconditional. Consideration for such business support services is reclassified into accounts receivable when all contracted services have been completed, the business report and other documents have been submitted to the customer, and the customer has inspected and invoiced the services. Contract liabilities mainly relate to advances received from customers for contracts in Career Solutions' outplacement services before users receive services to and incentive points in Outsourcing's incentive business, whereby client companies provide incentive points to employees, etc., of client companies. Contracts in the outsourcing incentive business relate to advance payments received from customers prior to the provision of services, and contracts in the outsourcing incentive business relate to "Benepo" granted to members (individuals) in response to the provision of services by the client company. Contract liabilities are reversed upon recognition of revenue.

Of the revenue recognized in the current period, the amount included in contract liabilities at the beginning of the period was ¥6,228 million.

The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied (or partially satisfied) in prior periods was not material.

(2) Transaction prices allocated to remaining performance obligations

The Group applies the practical expedient method in noting the transaction price allocated to the remaining performance obligations and does not include the notes contracts with an initial expected term of one year or less.

The performance obligations are mainly contracts for BPO services. The total transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized are as follows.

The amount of consideration received from contracts with customers does not include the amount of significant variable consideration not included in the transaction price.

(Millions of yen)

	Current consolidated fiscal year
Due within one year	37,371
Due after one year through two years	16,937
Due after two years through three years	6,054
Over three years	11,069
Total	71,393

(Segment information, etc.)

Segment information

1. Outline of the reported segment:

The Group's reportable segments are components of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and to evaluate their performance.

The Group operates a comprehensive human resources-related business, and based on the characteristics of the services that it provides, the Company has five reportable segments: Expert Services (Temporary Staffing), BPO Services (Contracting), Others, Career Solutions (Placement/Recruiting, Outplacement), Outsourcing, Life Solutions, and Regional Revitalization Solutions. As a holding company, the Company is also responsible for formulating group management strategies and supporting business execution, business management, and the optimal allocation of management resources, along with the development of new businesses related to job creation.

2. Method of calculating sales, profit or loss, assets, liabilities, and other items by reportable segment

The accounting methods used for the reported business segments are generally the same as those used in the preparation of the consolidated financial statements.

Income of reportable segments is based on operating profit.

Intersegment revenues and transfers are based on prevailing market prices.

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

As described in "Notes (Changes in accounting policies)" on page 88, the Company has applied the Revenue Recognition Accounting Standard, etc., to its consolidated financial statements for the current fiscal year and has changed its accounting method for revenue recognition.

As a result of this change, compared with the previous method, net sales and segment income of "Expert Services, BPO Services, Others" increased ¥2,680 million and ¥18 million, respectively, while net sales and segment income of "Career Solutions" decreased ¥47 million yen 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, net sales of "Regional Development Solutions" decreased ¥0 million, and segment loss increased by ¥0 million.

3. Information on net sales, income (loss), assets, liabilities, and other items by reportable segment and breakdown of income

Previous consolidated fiscal year (June 1, 2020 to May 31, 2021)

(Millions of yen)

	Reportable segment					Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements
	HR Solution			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, and Others (Note 1)	Career Solutions	Outsourcing					
Net sales								
Sales to external 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 item								
Depreciation and amortization	1,419	257	778	52	683	3,192	602	3,794
Amortization of goodwill	649	-	8	0	2	662	-	662
Impairment loss	736	-	-	-	2,502	3,238	-	3,238
Increase in property, plants, and equipment, and intangible assets	1,188	84	1,300	173	4,210	6,957	2,431	9,388

Note 1. "Expert Services, BPO Services, Others" includes Expert Services (Temporary Staffing), BPO Services (Contracting), HR Consulting, Others, and Global Sourcing (Overseas). BPO Services (Contracting), HR Consulting and Others, and Global Sourcing (Overseas).

Note 2. Adjustments are as follows

(1) Adjustment of ¥(9,191) million for segment income includes ¥(9,237) million yen for group management costs and incubation costs for new businesses in the Company and ¥45 million for elimination of intersegment transactions.

(2) Adjustment of ¥8,188 million for segment assets mainly includes ¥46,926 million of assets related to cash and deposits and group management, etc., of the Company and ¥(38,737) million of elimination of intersegment transactions.

(3) Adjustment of ¥602 million for depreciation mainly includes ¥610 million of depreciation of assets related to group management, etc., and ¥(7) million of elimination of intersegment transactions.

(4) The adjustment of ¥2,431 million for increase in property, plants, and equipment and intangible assets is mainly due to an increase of ¥2,478 million in assets related to group management and headquarters functions, etc., and elimination of intersegment transactions of ¥(46) million.

Note 3. Segment income is adjusted with operating profit in the consolidated statements of income.

Current consolidated fiscal year (June 1, 2021 to May 31, 2022) (Millions of yen)

	Reportable segment					Total	Adjustment (Note 1)	Amount recorded in consolidated financial statements
	HR Solution			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, and Others	Career Solutions	Outsourcing					
Net sales								
Expert Services	151,520	-	-	-	-	151,520	-	151,520
BPO Services, etc.	137,319	-	-	-	-	137,319	-	137,319
HR Consulting, Educations/Training, Other	7,181	-	-	-	-	7,181	-	7,181
Global Sourcing	8,043	-	-	-	-	8,043	-	8,043
Career Solutions	-	14,665	-	-	-	14,665	-	14,665
Outsourcing	-	-	37,040	-	-	37,040	-	37,040
Life Solutions	-	-	-	6,686	-	6,686	-	6,686
Regional Revitalization Solutions	-	-	-	-	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 income	-	-	-	-	-	-	-	-
Revenue from contracts with 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 item								
Depreciation	1,072	191	1,059	59	950	3,333	1,086	4,419
Amortization of goodwill	631	-	77	-	-	709	-	709
Impairment loss	-	-	-	-	132	132	-	132
Increase in property, plants, and equipment, and intangible assets	1,093	57	17,900	5	4,703	23,750	7,633	31,394

Note 1. Adjustments are as follows

(1) Adjustment of ¥(11,566) million for segment income includes ¥(11,711) million yen for group management costs and incubation costs for new businesses in the Company and ¥145 million for elimination of intersegment transactions.

(2) Adjustment of ¥17,849 million for segment assets mainly includes ¥51,703 million of assets related to cash and deposits and group management, etc., of the Company and ¥(33,854) million of elimination of intersegment transactions.

(3) Adjustment of ¥1,086 million for depreciation mainly includes ¥1,151 million of depreciation of assets related to group management, etc., and ¥(64) million of elimination of intersegment transactions.

(4) The adjustment of ¥7,633 million for increase in property, plants, and equipment and intangible assets is mainly due to an increase of ¥7,658 million in assets related to group management and headquarters functions, etc., and elimination of intersegment transactions of ¥(24) million.

Note 2. Segment income is adjusted with operating profit in the consolidated statements of income.

Related information

Previous consolidated fiscal year (From June 1, 2020 to May 31, 2021)

1. Information by product and service

Statement is omitted because the same information is disclosed in the segment information.

2. Information by area

(1) Net sales

Statement is omitted because net sales to external customers in Japan exceed 90% of the sales reported in the consolidated profit & loss statement.

(2) Property, plants, and equipment

Statement is omitted because the amount of property, plants, and equipment located in Japan exceeds 90% of the amount of property, plants, and equipment in the consolidated balance sheet.

3. Information by major customer

There is no statement because no customer accounts for 10% or more in net sales reported in the consolidated profit & loss statement.

Current consolidated fiscal year (From June 1, 2021 to May 31, 2022)

1. Information by product and service

Statement is omitted because the same information is disclosed in the segment information.

2. Information by area

(1) Net sales

Statement is omitted because net sales to external customers in Japan exceed 90% of the sales reported in the consolidated profit & loss statement.

(2) Property, plants, and equipment

Statement is omitted because the amount of property, plants, and equipment located in Japan exceeds 90% of the amount of property, plants, and equipment in the consolidated balance sheet.

3. Information by major customer

There is no statement because no customer accounts for 10% or more in net sales reported in the consolidated profit & loss statement.

Information on impairment loss on non-current assets by reported segment

Previous consolidated fiscal year (From June 1,2020 to May 31, 2021)

This information is omitted because the same information is disclosed in the segment information.

Current consolidated fiscal year (From June 1, 2021 to May 31, 2022)

This information is omitted because the same information is disclosed in the segment information.

Information on the amortization amount of goodwill and the unamortized balance by reported segment

Previous consolidated fiscal year (From June 1,2020 to May 31, 2021) (Millions of yen)

	Reportable segment					Adjustment	Total
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing	Life Solutions	Regional Revitalization Solutions		
Balance at end of period	1,640	-	4	-	-	-	1,644

Current consolidated fiscal year (From June 1, 2021 to May 31, 2022) (Millions of yen)

	Reportable segment					Adjustment	Total
	Expert Services, BPO Services, Others	Career Solutions	Outsourcing	Life Solutions	Regional Revitalization Solutions		
Balance at end of period	1,008	-	5,824	-	-	-	6,833

Information on gain from negative goodwill by reported segment

Previous consolidated fiscal year (From June 1,2020 to May 31, 2021)

Not applicable

Current consolidated fiscal year (From June 1, 2021 to May 31, 2022)

Not applicable

Information on related parties

1. Transactions with related parties

(1) Transactions between the company submitting the consolidated financial statements and related parties

Directors and major shareholders of the company submitting the consolidated financial statements

Previous consolidated fiscal year (From June 1, 2020 to May 31, 2021)

Type	Name of the company, etc.	Location	Share capital or investments in capital (millions of yen)	Contents of business or occupation	Ratio of holding (held) voting rights, etc. (%)	Relationship with the related party	Content of transaction	transaction amount (millions of yen)	Account title	Balance, end of period (millions of yen)
Foundation of which the majority of voting rights are held by Directors and their close relatives	Pasona reiwa foundation	Chiyoda-ku, Tokyo	-	Note 1	-	-	Donation	18	-	-

Note 1: The goals of the Pasona Foundation are to promote and encourage artistic activities by people with intellectual disabilities, to promote motivation for life through artistic activities, and to contribute to the welfare of people with intellectual disabilities.

2: Policy for determining terms and conditions of transactions, etc.
The amount of donation to the Pasona Foundation is determined based on the approval of the Board of Directors.

Current consolidated fiscal year (From June 1, 2021 to May 31, 2022)
Not applicable

(2) Transactions between the consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

Previous consolidated fiscal year (From June 1,2020 to May 31, 2021)
Not applicable

Current consolidated fiscal year (From June 1, 2021 to May 31, 2022)
Not applicable

2. Notes on the parent company or any material affiliated company
Not applicable

(Per share information)

Item	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Net assets per share	¥974.85	¥1,276.00
Profit per share	¥173.36	¥220.19
Diluted profit per share	-	¥219.41

Note 1: Diluted profit per share for the previous fiscal year is not shown in the above table, as there are no residual securities with dilutive effects.

Note 2: Treasury shares remaining in the Board Benefit Trust (BBT) and the Japanese version of the Employee Stock Ownership Plan (J-ESOP) that are recorded as treasury shares in shareholders' equity are included in treasury shares deducted from the total number of issued shares as of the end of the year for the calculation of net assets per share, as well as in treasury shares deducted in the calculation of the average number of shares during the year for the calculation of profit per share.

The number of shares of treasury stock deducted from the calculation of net assets per share at the end of the fiscal year was 452,100 shares for the stock benefit trust (BBT) in the previous fiscal year and 424,862 shares in the current fiscal year, and 305,752 shares for the stock benefit trust (J-ESOP) in the previous fiscal year and 298.114 shares in the current fiscal year. The average number of shares of treasury stock deducted from the calculation of profit per share is 455,964 shares for the year ended March 31, 2008 and 443,070 shares for the year ended March 31, 2009 for the stock benefit trust (BBT), 308,912 shares for the year ended March 31, 2008 and 299,370 shares for the year ended March 31, 2009 for the stock benefit trust (J-ESOP).

Note 3: As per a change in accounting policy, the Company has applied the Revenue Recognition Accounting Standard and others from the beginning of the current fiscal year.

The effect of this change on net assets per share, profit per share, and diluted profit per share for the current consolidated fiscal year is immaterial.

Note 4: The basis for calculating profit per share and diluted profit per share is as follows.

Item	Previous consolidated FY (June 1, 2020 to May 31, 2021)	Current consolidated FY (June 1, 2021 to May 31, 2022)
Profit attributable to owners of parent (millions of yen)	6,784	8,621
Amount not attributable to common shareholders (millions of yen)	-	-
Profit attributable to owners of parent related to common shares (millions of yen)	6,784	8,621
Average number of common shares during the period (shares)	39,132,377	39,154,774
Diluted profit per share		
Adjustment to profit attributable to owners of the parent (millions of yen)	-	(30)
(Adjustment due to latent shares of consolidated subsidiaries) (millions of yen)	-	(30)
Summary of latent shares that was not included in the calculation of diluted profit per share due to the absence of dilutive effects.	Stock acquisition rights of consolidated subsidiaries 2 types (Number of stock acquisition rights: 5,450)	-

Note 5: Basis for calculation of net assets per share is as follows

Item	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Total net assets (millions of yen)	49,779	67,146
Amount deducted from total net assets (millions of yen)	11,624	17,160
Net assets related to common stock (millions of yen)	38,155	49,986
Number of shares of common stock for the calculation of net assets per share at end of period (shares)	39,139,401	39,174,206

(Significant events after reporting period)

(Acquisition and cancellation of treasury stock of consolidated subsidiary)

The Company's consolidated subsidiary Benefit One Inc. (a company with a fiscal year ending in March; hereinafter "Benefit One") resolved at a meeting of its Board of Directors held on May 10, 2022 on 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*, and also resolved to cancel part of its treasury stock holdings pursuant to Article 178 of the *Companies Act*. The Company also resolved to cancel a portion of its treasury stock holdings in accordance with Article 178 of the *Companies Act*.

1. Reason for repurchase and cancellation of treasury stock:
   To improve capital efficiency and return profits to shareholders.

2. Details of matters relating to repurchase
   (1) Type of shares to be acquired: Common stock of Benefit One
   (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))
   *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) ("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: 1,500,000,000 yen (maximum)
   (4) Period of acquisition: May 12, 2022 - June 10, 2022
   (5) Method of acquisition: Purchase on the Tokyo Stock Exchange based on a discretionary transaction agreement

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

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

5) Consolidated supplementary schedules

[Schedule of corporate bonds]

Company	Name	Issue Date	Balance, beginning of period	Balance, end of period	Interest rate	Collateral	Redemption date
Pasona Group Inc.	1st unsecured bond	March 28, 2018	¥232 million	¥176 million (¥56 million)	0.31%	none	March 28, 2025
Pasona Group Inc.	2nd unsecured bond	April 30, 2020	¥2,250 million	¥2,000 million (¥250 million)	0.21%	none	March 29, 2030
Pasona Group Inc.	3rd unsecured bond	June 11, 2021	-	¥2,220 million (¥280 million)	0.15%	none	March 29, 2030

(Notes) 1. The figures in parentheses in the "Balance at the end of current period" column represent the current portion of the redemption schedule.

2 The following are the scheduled redemption amounts per year within five years from the consolidated balance sheet date.

(Millions of yen)

Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
586	586	594	530	530

[Schedule of borrowings, etc.]

Category	Balance, beginning of period (millions of yen)	Balance, end of period (millions of yen)	Average interest rate (%)	Due date
Short-term borrowings	174	110	1.31	-
Long-term borrowings to be repaid within one year	9,258	9,500	0.62	-
Lease obligations to be repaid within one year	660	411	1.28	-
Long-term borrowings (excluding loans to be repaid within one year)	20,990	38,779	0.66	2023 to 2032
Lease obligations (excluding lease obligations to be repaid within one year)	562	554	1.28	2023 to 2029
Total	31,647	49,357		

Note 1: "Average interest rate" represents the weighted average interest rate for the balance of loans, etc., at the end of the year. The figures include those of overseas subsidiaries.

Note 2: The amount of lease obligations (excluding lease obligations to be repaid within one year) to be repaid within five years of the consolidated closing date is as follows:

(Millions of yen)

Category	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years
Long-term borrowing	8,473	7,889	4,567	3,791
Lease obligations	214	159	118	34
Total	8,687	8,048	4,685	3,826

[Schedule of asset retirement obligations]

The schedule of asset retirement obligations is omitted because the items to be presented in this schedule are presented as notes stipulated in Article 15-23 of the Regulations Concerning Consolidated Financial Statements.

(2) Other

Quarter information, etc., in the current consolidated fiscal year

(Cumulative period)		1st quarter	2nd quarter	3rd quarter	Current consolidated FY
Net sales	(¥ mil.)	91,927	182,486	270,875	366,096
Profit before income taxes	(¥ mil.)	5,799	12,128	17,734	22,290
Profit attributable to owners of parent	(¥ mil.)	2,481	4,800	7,314	8,621
Profit per share	(¥)	63,41	122.63	186.85	220.19

(Accounting period)		1st quarter	2nd quarter	3rd quarter	4th quarter
Profit per share	(¥)	63,41	59.22	64.22	33.36

2. Financial statements, etc.

(1) Financial statements

(i) Balance Sheet

(Millions of yen)

	Previous FY (May 31, 2021)	Current FY (May 31, 2022)
Assets		
Current assets		
Cash and deposits	25,849	24,143
Accounts receivable - trade	*1 484	*1 484
Raw materials and supplies	31	32
Prepaid expenses	*1 596	*1 622
Short-term loans receivable	*1 774	*1 501
Accounts receivable - other	*1 4,726	*1 4,638
Deposits received from CMS	*1 4,242	*1 2,860
Other	*1 744	*1 706
Allowance for doubtful accounts	(150)	(163)
Total current assets	37,300	33,827
Non-current assets		
Property, plants, and equipment		
Buildings	2,750	6,869
Structures	240	525
Machinery and equipment	0	0
Vessels	37	54
Tools, furniture, and fixtures	386	598
Land	2,148	6,221
Leased assets	483	218
Construction in progress	1,492	1,583
Total Property, plants, and equipment	7,538	16,071
Intangible assets		
Software	405	568
Other	12	10
Total intangible assets	418	578
Investments and other assets		
Investment securities	512	1,167
Shares of subsidiaries and associates	31,168	33,596
Long-term loans receivables	*1 382	*1 13
Prepaid pension cost	57	117
Deferred tax assets	20	89
Guarantee deposits	*1 2,065	*1 3,824
Other	*1 550	*1 519
Allowance for doubtful accounts	(12)	-
Total investments and other assets	34,745	39,328
Total non-current assets	42,701	55,978
Deferred assets		
Bond issuance costs	168	149
Total deferred assets	168	149
Total assets	80,170	89,955

(Millions of yen)

	Previous FY (May 31, 2021)	Current FY (May 31, 2022)
Liabilities		
Current liabilities		
Short-term borrowings	9,121	8,360
Current portion of bonds payable	306	586
Deposits received from CMS	*1 27,395	*1 24,247
Lease obligations	383	150
Account payable-other	*1 1,189	*1 1,960
Accrued expenses	138	162
Accrued income taxes	156	1,616
Provision for bonuses	152	173
Other	*1 242	*1 294
Total current liabilities	39,084	37,551
Non-current liabilities		
Bonds payable	2,176	3,810
Long-term borrowings	19,482	28,910
Lease obligations	187	98
Long-term guarantee deposits received	*1 13	13
Provision for share awards for Directors (and other Officers)	330	418
Provision for employee stock ownership plan	124	172
Asset retirement obligations	172	176
Other	20	44
Total non-current liabilities	22,507	33,644
Total liabilities	61,592	71,196
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus		
Legal capital surplus	5,000	5,000
Other capital surplus	7,653	7,653
Total capital surplus	12,653	12,653
Retained earnings		
Other retained earnings		
Retained earnings brought forward	3,302	3,443
Total retained earnings	3,302	3,443
Treasury shares	(2,377)	(2,338)
Total shareholders' equity	18,577	18,757
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1	1
Total valuation and translation adjustments	1	1
Total net assets	18,578	18,758
Total liabilities and net assets	80,170	89,955

(ii) Profit and Loss Statement

(Millions of yen)

	Previous FY (June 1, 2020 to May 31, 2021)	Current FY (June 1, 2021 to May 31, 2022)
Sales	*1 14,477	*1 10,060
Cost of sales	*1 1,830	*1 1,837
Gross profit	12,646	8,223
Selling, general and administrative expenses	*1,2 9,334	*1,2 11,879
Operating profit	3,312	(3,655)
Non-operating profit		
Interest income	*1 47	*1 41
Subsidy income	3	37
Real estate rent	*1 827	*1 871
Other	*1 79	*1 196
Total non-operating profit	957	1,147
Non-operating expenses		
Interest expenses	*1 288	*1 258
Commitment fee	45	394
Provision of allowance for doubtful accounts	105	1
Real estate rental expenses	*1 833	*1 954
Other	*1 151	*1 112
Total non-operating expenses	1,423	1,723
Ordinary profit	2,846	(4,231)
Extraordinary profit		
Gain on sales of non-current assets	4	8
Gain on sales of investment securities	3	-
Gain on sales of shares of subsidiaries and affiliates	-	*3 5,491
Total extraordinary profit	8	5,500
Extraordinary losses		
Loss on sales and retirement of non-current assets	6	40
Loss on impairment of non-current assets	468	132
Loss on valuation of investment securities	14	19
Loss on sales of shares of subsidiaries and associates	-	
Loss on valuation of shares of subsidiaries and associates	*4 2,425	*4 748
Total extraordinary losses	2,915	941
Profit before taxes	(60)	327
Income taxes -current	(1,697)	(940)
Income taxes - deferred	342	(69)
Total income taxes	(1,355)	(1,010)
Profit	1,295	1,338

(iii) Statement of changes in net assets

Previous fiscal year (June 1, 2020 to May 31, 2021)

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance, beginning of period	5,000	5,000	9,785	14,785	2,764	2,764
Changes during the period						
Dividends of surplus				-	(758)	(758)
Profit				-	1,295	1,295
Disposal of treasury shares by stock benefit trust				-		-
Change due to corporate separation			(2,132)	(2,132)		-
Changes (net) during the year in items other than Shareholders' equity				-		-
Total changes during period	-	-	(2,132)	(2,132)	537	537
Balance, end of period	5,000	5,000	7,653	12,653	3,302	3,302

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total retained earnings	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance, beginning of period	(2,402)	20,147	0	0	20,148
Changes during the period					
Dividends of surplus		(758)		-	(758)
Profit		1,295		-	1,295
Disposal of treasury shares by stock benefit trust	24	24		-	24
Change due to corporate separation		(2,132)		-	(2,132)
Changes (net) during the year in items other than Shareholders' equity		-	0	0	0
Total changes during period	24	(1,570)	0	0	(1,569)
Balance, end of period	(2,377)	18,577	1	1	18,578

Current fiscal year (June 1, 2021 to May 31, 2022)

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance, beginning of period	5,000	5,000	7,653	12,653	3,302	3,302
Changes during the period						
Dividends of surplus				-	(1,196)	(1,196)
Profit				-	1,338	1,338
Acquisition of treasury stock				-		-
Disposal of treasury shares by stock benefit trust				-		-
Changes (net) during the year in items other than Shareholders' equity				-		-
Total changes during period	-	-	-	-	141	141
Balance, end of period	5,000	5,000	7,653	12,653	3,443	3,443

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total retained earnings	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance, beginning of period	(2,377)	18,577	1	1	18,578
Changes during the period					
Dividends of surplus		(1,196)		-	(1,196)
Profit		1,338		-	1,338
Acquisition of treasury stock	(0)	(0)		-	(0)
Disposal of treasury shares by stock benefit trust	39	39		-	39
Changes (net) during the year in items other than Shareholders' equity		-	(0)	(0)	(0)
Total changes during period	39	180	(0)	(0)	180
Balance, end of period	(2,338)	18,757	1	1	18,758

[Notes]

(Matters related to the premise of a going concern)

Not applicable.

(Important accounting policies)

1. Valuation criteria and valuation methods for Securities

(1) Subsidiary company shares and affiliated company shares

The Company uses the cost method by the moving average method.

(2)Other securities

- Securities having a fair value

The Company uses the fair value method based on the market price, etc., on the last day of the accounting period. (Valuation differences are included in net assets and the cost of securities sold is calculated by the moving average method.)

- Securities having no fair value

The Company uses the cost method by the moving average method.

The Company and its subsidiaries use the most recent financial statements available as of the reporting date stipulated in the partnership agreement as the basis for calculating the net amount of its interest in the limited liability investment partnerships and similar partnerships (those deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act).

2.Valuation standards and methods for derivatives

Market value method

3. Valuation standards and methods for inventories

Raw materials and supplies

Stated at cost based on the last purchase price method (book value devaluation based on decreased profitability)

4.Depreciation method of non-current assets

(1) Property, plants, and equipment (excluding lease assets)

Buildings (including attached facilities) and structures

Straight-line method (However, buildings and structures acquired on or before March 31, 2016 are depreciated using the declining-balance method.)

Other property, plants, and equipment

Declining-balance method

(2) Intangible assets (excluding lease assets)

Software Straight-line method over the period of internal use (5 years or less)

(3) Lease assets

Lease assets related to finance lease transactions that transfer ownership

Depreciated using the same method as that applied to non-current assets owned by the Company.

Lease assets related to finance lease transactions that do not transfer ownership

Depreciated using the straight-line method over the lease term with a residual value of zero. 5.

5. Accounting for deferred assets

Bond issuance cost

Amortized by the straight-line method over the period until redemption of bonds.

6. Recording criteria for allowances

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for possible losses on uncollectible receivables. For general receivables, allowance is provided based on historical write-off rates, and for specific doubtful receivables, allowance is provided for the estimated uncollectible amounts determined by reference to the collectability of individual receivables.

(2) Allowance for bonuses

To provide for the payment of bonuses to employees, an allowance is provided based on the estimated amount of payment.

(3) Provision for Directors' bonuses

To provide for the payment of bonuses to Directors and Corporate Auditors, a reserve for bonuses to Directors and Corporate Auditors is recorded based on the estimated amount of payment.

There was no provision as of the end of the current fiscal year.

(4) Allowance for Directors' and Corporate Auditors' stock benefits

To provide for the payment of shares to Directors and Executive Officers in accordance with the "Directors' Share Benefit Regulations," an allowance is provided based on the estimated amount of liabilities for share benefits as of the end of the current fiscal year.

(5) Allowance for employee stock benefits

To provide for the payment of shares to employees, etc., based on the "Share Benefit Regulations," an allowance is provided based on the estimated amount of liabilities for share benefits as of the end of the fiscal year.

(6) Allowance for retirement benefits

To provide for the payment of retirement benefits to employees, an allowance is provided based on the estimated amount of retirement benefit obligations and pension assets as of the end of the current fiscal year.

(i) Method of attributing estimated retirement benefits to periods

The estimated amount of retirement benefits is attributed to the period through the end of the current fiscal year based on the benefit calculation method.

(ii) Method of amortizing actuarial gains and losses

Actuarial gains and losses are charged to income in a lump sum in the fiscal year following the year in which they are incurred.

7. Basis for Recognition of Significant Revenues

The Company's revenues consist primarily of management planning income and dividend income from subsidiaries. For management planning income, the Company is obligated to provide contracted services to its subsidiaries in accordance with the terms of the contract, and the Company's performance obligation is satisfied when the services are performed, so the Company recognizes revenue at that time.

Dividend income is recognized as of the effective date of the dividend.

8. Hedge Accounting Methods

(1) Hedge accounting method

In principle, deferred hedge accounting is applied. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are accounted for using the special treatment.

(2) Hedging instruments and hedged items

Hedging instrument: Interest rate swaps

Hedged items: Borrowings

(3) Hedging policy

The Company enters into derivatives transactions to reduce the risk of market fluctuations in interest rates, etc., to reduce financing costs, or to optimize future cash flows. The Company does not enter into derivatives transactions for the purpose of obtaining short-term gains or losses or for speculation.

(4) Evaluation of hedge effectiveness

The Company compares the market fluctuations of hedged items and hedging instruments semiannually and evaluates the effectiveness of hedging based on the amount of fluctuation of both. The assessment of hedge effectiveness is omitted because the interest rate swaps meet the requirements for special treatment.

9. Material matters that serve as the basis for preparing financial statements

(1) Accounting for retirement benefits

The accounting method for unrecognized actuarial differences related to retirement benefits differs from the method used in the consolidated financial statements.

(2) Application of consolidated tax payment system

Consolidated tax payment system is applied.

(3) Application of Tax Effect Accounting for the Transition from the Consolidated Tax Payment System to the Group Totalization System

Effective from the next fiscal year, the Company will transition from the consolidated tax payment system to the group totalization system. However, with respect to the transition to the group totalization system established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and items for which the non-consolidated tax payment system was revised in conjunction with the transition to the group totalization system, the Company will apply tax effect accounting for the transition from the consolidated tax payment system to the group totalization system. The items that were revised in accordance with the transition to the group-totaling system and the transition to the non-consolidated tax payment system along with the transition to the group-totaling system are treated in accordance with Paragraph 3 of "Treatment of Application of Tax Effect Accounting for Transition from Consolidated Taxation System to Group Titling System" (PITF No. 39, March 31, 2020) and the "Application Guidelines of Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). (February 16, 2020), paragraph 44 is not applied and the amount of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision.

Effective from the beginning of the next fiscal year, the Company plans to apply the "Treatment of Accounting and Disclosure for Group Taxes" (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where a group totalization system is applied. The Company plans to apply the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 42, August 12, 2021).

(Material accounting estimates)

1. Valuation of non-current assets belonging to the Regional Revitalization Solutions segment

(1) Amount recorded in the financial statements for the current fiscal year

(Millions of yen)

	Account title	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Property, plants, and equipment	Buildings	953	3,637
	Structures	152	337
	Tools, furniture and fixtures	105	261
	Land	113	154
	Lease assets	2	2
	Construction in progress	568	0
Total property, plants, and equipment		1,896	4,394
Intangible assets	Software	6	5
	Other	1	2
Total intangible assets		8	7
Total non-current assets		1,904	4,401
Impairment loss		468	132

(2) Other information that contributes to an understanding of the nature of significant accounting estimates related to the identified items

Of the total property, plants, and equipment and intangible assets of ¥16,649 million recorded in the financial statements for the current fiscal year, ¥4,401 million are non-current assets belonging to the local development solutions segment, and an impairment loss of ¥132 million was recorded in the current fiscal year. The background leading to the impairment loss and the estimates for impairment accounting of non-current assets are described in "(1) Consolidated financial statements Notes (Significant accounting estimates)" on page 87, so notes have been omitted.

2. Valuation of shares of subsidiaries and affiliates in the Regional Revitalization Solution segment

(1) Amount recorded in the financial statements.

(Millions of yen)

Account	Previous consolidated FY (May 31, 2021)	Current consolidated FY (May 31, 2022)
Shares of subsidiaries and affiliates	2,281	5,604

(2) Other information that contributes to the understanding of accounting estimates by the users of the financial statements

The ¥33,596 million of shares of subsidiaries and associates recorded in the financial statements for the current fiscal year includes stocks that do not have market prices. Of this amount, ¥5,604 million includes shares of subsidiaries and associates belonging to the Regional Revitalization Solutions segment, and a loss on valuation of shares of subsidiaries and associates of ¥626 million was recorded for the current fiscal year.

Whether or not to recognize impairment losses on shares of subsidiaries and associates without market prices is determined by comparing the acquisition cost with the real value. When the real value has declined by 50% or more compared to the acquisition cost, the Company's policy is to recognize impairment losses up to the real value, except in cases where recovery is deemed probable. In calculating the real value, which is the basis for determining impairment, it is necessary to consider whether impairment should be recognized for non-current assets held by subsidiaries, and information regarding the nature of such estimates is presented in the "(1) Consolidated financial statements Notes (Significant Accounting Estimates)" on page 75.

If it is judged necessary to recognize impairment losses on non-current assets held by subsidiaries, the calculation of the real value and the amount of write-downs of investments may be significantly affected. Furthermore, if the real value becomes negative, losses related to claims and guarantees to the company in question and losses incurred by the company beyond these losses and guarantees may be incurred. In addition, in the event of a negative real value, it may be necessary to record an allowance for expected losses in order to prepare for losses related to claims and guarantees to the company or losses incurred by the company beyond these amounts.

(Change in accounting policy)

1. Application of Accounting Standard for Revenue Recognition

Effective from the beginning of the current fiscal year, the Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer. There is no impact on the financial statements.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes related to revenue recognition for the previous fiscal year are not presented.

2. Application of Accounting Standard for Fair Value Measurement

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019. ("Accounting Standard for Fair Value Measurement") In accordance with the treatment, the new accounting policy stipulated by the Accounting Standard for Fair Value Calculation will be applied prospectively. There is no impact on the financial statements.

(Additional Information)

Our Stock Benefit Trust

1. Board Benefit Trust (BBT)

Notes on transactions of delivering the Company's shares to Directors (excluding Directors that are Audit and Supervisory Committee Members, Outside Directors and Non-Executive Directors) and Executive Officers (limited to those that were Directors immediately before the transition to a company with an Audit Committee) through trust are omitted because the same content is stated in "Notes (Additional Information)" in the consolidated financial statements.

2. Japanese version of the Employee Stock Ownership Plan (J-ESOP)

Notes on transactions of delivering the Company's shares to employees of the Company and Officers and employees of the Company's subsidiaries through trust are omitted because the same content is stated in "Notes (Additional Information)" in the consolidated financial statements.

(Matters related to the Balance Sheet)

*1: The amounts of monetary claims or monetary liabilities to associated companies are as follows. (Millions of yen)

	Previous FY (May 31, 2021)	Current FY (May 31, 2022)
Short-term monetary claims	6,151	8,312
Short-term monetary liabilities	27,990	25,255
Long-term monetary claims	470	70
Long-term monetary liabilities	0	-

2. Contingent liabilities are as follows: (Millions of yen)

	Previous FY (May 31, 2021)	Current FY (May 31, 2022)
Guarantee of borrowings Nijigennomori Inc.	1,760	1,597
Guarantee of facility loan PT. Dutagriya Sarana	38	44
Guarantee of Debt for Travel Agency Services Nagasaki Diamond Staff Co.	9	15

(Matters related to the Profit and Loss Statement)

*1: Total amount of business transactions and non-business transactions with associated companies

(Millions of yen)

	Previous FY (June 1, 2020to May 31, 2021)	Current FY (June 1, 2020to May 31, 2022)
Net sales	12,400	8,393
Cost of sales	22	21
Selling, general and administrative expenses	2,415	3,350
Non-business transactions	305	260

*2: The approximate percentage of expenses included in selling expenses was 6.2% in the previous fiscal year and 3.5% in the current fiscal year, and the approximate percentage of expenses included in general and administrative expenses was 93.8% in the previous fiscal year and 96.58% in the current fiscal year.

Major expense items and amounts of selling, general, and administrative expenses are as follows:

(Millions of yen)

	Previous FY (June 1, 2020to May 31, 2021)	Current FY (June 1, 2021to May 31, 2022)
Salaries and bonuses	2,415	2,671
Provision for bonuses	143	166
Provision for share awards for Directors (and other Officers)	119	119
Provision for employee stock ownership plan	52	54
Rent expenses on land and buildings	848	1,238
Depreciation	356	752
Outsourcing expenses	1,221	2,162

*3 Gain on sales of subsidiaries and affiliates' stocks
Previous fiscal year (June 1, 2009 to May 31, 2020)
Not applicable.

Current fiscal year (June 1, 2020 to May 31, 2021)
This was due to the partial sale of shares of a consolidated subsidiary, Bewith Inc.

*4. Loss on valuation of investments in subsidiaries and affiliates
Previous fiscal year (June 1, 2019 to May 31, 2021)
This was due to impairment loss on shares of consolidated subsidiaries including Nijigennomori Inc., etc., which is engaged in Regional Revitalization Solution business.

Current fiscal year (June 1, 2021 to May 31, 2022)
This was due to impairment loss on shares of consolidated subsidiaries including Pasona Furusato Incubation Inc. etc., which is engaged in Regional Revitalization Solution business.

(Matters related to securities)
Shares of subsidiaries and affiliates
Previous fiscal year (May 31, 2021)

(Millions of yen)

Type	Balance sheet amount	Market value	Difference
Shares of subsidiaries	1,597	252,564	250,966

Current fiscal year (May 31, 2022)

(Millions of yen)

Type	Balance sheet amount	Market value	Difference
Shares of subsidiaries	3,229	174,794	171,564
Shares of affiliates	0	2,062	2,062
Total	3,229	176,856	173,626

(Note) Carrying amount of non-marketable equity securities of subsidiaries and affiliates not included in the above table

(Millions of yen)

Category	Previous FY (March 31, 2021)	Current FY (March 31, 2022)
Subsidiary company shares	29,396	30,192
Affiliated company shares	174	174
Total	29,571	30,367

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Deferred tax assets) (Millions of yen)

	Previous FY (May 31, 2021)	Current FY (May 31, 2022)
Depreciation	275	424
Allowance for doubtful accounts	49	50
Provision for bonuses	89	61
Accrued business office taxes	6	7
Accrued business taxes	-	14
Accrued expenses	2	2
Shares of subsidiaries and affiliates due to corporate separation	843	843
Adjustment of book value of investments in subsidiaries	-	736
Loss on valuation of shares of subsidiaries and associates	3,152	3,377
Loss carried forward	1,237	1,412
Asset retirement obligations	52	54
Other	230	446
Subtotal of deferred tax assets	5,940	7,429
Valuation allowance for tax loss carryforwards	(1,237)	(1,412)
Valuation allowance for total tax loss carryforwards	(4,574)	(5,809)
Subtotal of valuation allowance	(5,811)	(7,221)
Total deferred tax assets	129	208

(Deferred tax liabilities) (Millions of yen)

	Previous FY (May 31, 2021)	Current FY (May 31, 2022)
Enterprise tax receivable	(4)	-
Prepaid pension cost	(17)	(36)
Unrealized gains (losses) on available-for-sale securities	(0)	(0)
Asset retirement obligations	(36)	(32)
Other	(49)	(49)
Total deferred tax liabilities	(108)	(118)
Balance: Net deferred tax assets	20	89

2. Breakdown by major cause when there is a significant difference between the normal effective statutory tax rate and the burden ratio of corporation tax, etc., after application of tax effect accounting (unit: %)

	Previous FY (May 31, 2021)	Current FY (May 31, 2022)
Normal effective statutory tax rate	-	30.62%
(adjustment)		
Items that are not deductible forever, such as social expenses	-	37.51%
Items that are not included in income forever, such as dividend income	-	(452.95)%
Inhabitant tax on per capita basis	-	5.67%
Dividend withholding tax on foreign subsidiaries	-	1.39%
Adjustment of book value of investments in subsidiaries		(366.13)%
Valuation allowance	-	435.61%
Other	-	0.03%
Burden ratio of corporation tax, etc., after application of tax effect accounting	-	(308.25)%

(Note) Notes have been omitted because the Company recorded a loss before income taxes for the previous fiscal year.

(Revenue recognition related)

Information that provides a basis for understanding revenue from contracts with customers is presented in Consolidated Financial Statements Notes (Revenue recognition related) on page 116.

(Material post-balance sheet events)

Not applicable.

4) Supplementary schedules

[Schedule of property, plants, and equipment, etc.]

(Millions of yen)

Category	Type of assets	Book value, beginning of period	Increase in the current year	Decrease in the current year	Depreciation in the current year	Book value, end of period	Accumulated depreciation
Property, plants, and equipment	Buildings	2,750	4,792	108 (98)	564	6,869	1,324
	Structures	240	410	54 (23)	70	525	109
	Machinery and equipment	0	-	-	-	0	0
	Vehicles and delivery equipment	37	111	12	82	54	173
	Tools, furniture, and fixtures	386	465	5 (4)	247	598	883
	Land	2,148	4,077	4 (4)	-	6,221	-
	Leased assets	483	58	15	308	218	1,407
	Construction in progress	1,492	1,139	1,048	-	1,583	-
	Total	7.538	11,055	1,249 (132)	1,273	16,071	3,899
Intangible assets	Software	405	352	51	138	568	680
	Others	12	0	0(0)	2	10	-
	Total	418	353	52 (0)	140	578	680

(*) Figures in parentheses in the "Decrease during the period" column represent the amount of impairment loss recorded for the period.

(Notes) 1 Main items of increase in buildings

"Zembo Seinei" New construction	¥1,688 million
"GLOBAL HUB SQUARE/Table of Aman" New construction	¥1,157 million
"Craft Circus" Renovation	¥507 million
"Auberge French Forest" New construction	¥420 million
"PASONA WORKATION HUB Shizuki" New construction	¥397 million
"Awaji Chef Garden" Additional construction	¥179 million
"Boro Seikaiha" New construction	¥169 million

2 Main reasons for decrease in buildings

Impairment loss on commercial facilities	¥98 million

3 Main items of increase in structures

"Zembo Seinei" New construction	¥154 million
"GLOBAL HUB SQUARE/Table of Aman"	¥90 million

4 Main items of increase in tools, furniture, and fixtures

"GLOBAL HUB SQUARE/Table of Aman" New construction	¥97 million
"Auberge French Forest" New construction	¥86 million
Craft Circus" Renovation	¥59 million
"Awaji Chef Garden" Additional construction	¥52 million

5. Major increase in land

For stores and offices, etc.	¥3,740 million

6. Major increase in lease assets

Company vehicles	¥58 million

7 Major increase in construction in progress

Company housing	¥1,003 million

8 Major decrease in construction in progress

Zembo Seinei" New construction	¥379 million
"GLOBAL HUB SQUARE/Table of Aman" New construction	¥288 million
"Auberge French Forest" New construction	¥188 million

9 Main items of increase in software

Construction of human resources system	¥110 million
Business platform construction	¥94 million

[Schedule of allowances]

(Millions of yen)

Category	Balance, beginning of period	Increase in the current year	Decrease in the current year	Balance, end of period
Allowance for doubtful accounts	162	40	39	163
Provision for bonuses	152	173	152	173
Provision for retirement benefits	(57)	42	102	(117)
Provision for share awards for Directors (and other Officers)	330	119	31	418
Provision for employee ownership plan	124	54	7	172

Note): Allowance for retirement benefits is presented as "Prepaid pension cost" in "Investments and other assets" on the balance sheet.

(2) Major assets and liabilities

Statement is omitted because the Company prepared the consolidated financial statements.

(3) Other

Not applicable.

I-6. Outline of stock affairs of the reporting company

Fiscal year	June 1 of every year to May 31 of the following year
Annual General Meeting of Shareholders	During August, every fiscal year
Reference date	May 31 every year
Dividends of surplus reference date	November 30 and May 31 of every year
Number of shares constituting one unit of shares	100 shares
Purchase of shares less than one unit Place	(Special Account) 1-2-1 Yaesu, Chuo-ku, Tokyo Stock Transfer Agency Department, Head Office, Mizuho Trust & Banking Co.
Administrator of the shareholder register	(Special account) 1-2-1 Yaesu, Chuo-ku, Tokyo Mizuho Trust & Banking Co.
Agency	-
Purchas fee	Amount separately determined as an amount equivalent to the commission fee for entrustment of stock transactions
Method of publishing in public notice	The Company adopts the method of electronic public notice. However, if this method is unavailable due to an accident or other unavoidable reasons, the Company will publish in the Nihon Keizai Shimbun newspaper. Electronic public notice is posted on the Company's website below. https://www.pasonagroup.co.jp/ir/
Benefit for shareholders	1. Lottery-type shareholder special benefit: A total of 200 pairs of tickets or products for our group's accommodation facilities will be awarded by drawing among shareholders that are recorded in our shareholders' register as of May 31, 2022 and that hold one unit (100 shares) or more of our company's stock. (The application method will be described in the notice enclosed with the Notice of Convocation of the Ordinary General Meeting of Shareholders sent on August 4, 2022.) 2. Discount coupons for use of food & beverages facilities on Awaji Island: All shareholders on our shareholders' register as of May 31, 2022 will receive a 30% discount coupon for use at restaurants operated by our group on Awaji Island, Hyogo Prefecture. (Enclosed with the Notice of Convocation of the Ordinary General Meeting of Shareholders sent on August 4, 2022) 3. Discount coupons for Awaji Island attractions: All shareholders of record as of May 31,2022 will receive a 50% discount coupon for up to 4 people to use at any of the attractions operated by our group on Awaji Island, Hyogo Prefecture. (Enclosed with the Notice of Convocation of the Ordinary General Meeting of Shareholders sent on August 4, 2022)

Note: The Company's shareholders do not have rights other than the following rights for shares less than one unit held.

1 Rights set forth in the items of Article 189, Paragraph 2 of the *Companies Act*

2 Rights to make requests based on the provisions of Article 166, Paragraph 1 of the *Companies Act*

3 Rights for the allotment of shares for subscription and allotment of share options for subscription according to the number of shares held by the shareholder

I-7. Reference information on the reporting company

1. Information on the reporting company's parent company, etc.

The Company has no parent company, etc., defined by Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

The Company submitted the following documents between the first day of the current fiscal year and the date of submission of the annual securities report.

(1) Annual securities report, accompanying documents, and confirmation letter
The 14th fiscal year (June 1, 2020 to May 31, 2021)
Submitted to the Director-general of the Kanto Finance Bureau on August 23, 2021

(2) Internal control report and accompanying documents
Submitted to the Director-general of the Kanto Finance Bureau on August 24, 2021

(3) Quarterly securities report and confirmation letter
The first quarter of the 15th fiscal year (June 1, 2021 to August 31, 2021)
Submitted to the Director-general of the Kanto Finance Bureau on October 15, 2021
The second quarter of the 15th fiscal year (September 1, 2021 to November 30, 2021)
Submitted to the Director-general of the Kanto Finance Bureau on January 14, 2022
The third quarter of the 15th fiscal year (December 1, 2021 to February 28, 2022)
Submitted to the Director-general of the Kanto Finance Bureau on April 14, 2022

(4) Extraordinary report
Extraordinary report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Results of Exercise of Voting Rights at the Ordinary General Meeting of Shareholders)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 23, 2021

Extraordinary report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Items 12 and 19 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Resolution on acquisition of a subsidiary by the board of Directors of consolidated subsidiary Benefit One Inc. Extraordinary Report Based on the Provisions of Article 19, Paragraph 2, Items 12 and 19 of the Cabinet Office Ordinance on Disclosure, etc.
Submitted to the Director-General of the Kanto Local Finance Bureau on August 30, 2021

Extraordinary report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (events significantly affecting the financial position, business performance and cash flow status)
Submitted to the Director-General of the Kanto Local Finance Bureau on March 2, 2022

Extraordinary report pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (events significantly affecting the financial position, business performance, and cash flows)
Submitted to the Director-General of the Kanto Local Finance Bureau on April 6, 2022

(5) Correction Report and Written Confirmation of Quarterly Report
The third quarter of 15th fiscal period (December 1, 2021 to February 28, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on April 20, 2022

(6) Correction Report for Annual Securities Report and Confirmation Statement
The 14th fiscal period (From June 1, 2020 to May 31, 2021)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 22, 2022

Part II: Information on the Reporting Company's Guarantor Company, etc.

Not applicable.