

**PERSOL HOLDINGS CO., LTD. (TSE 2181)**

## Consolidated Financial Results for the Fiscal Year Ended March 31, 2022

PERSOL HOLDINGS CO., LTD. (the Company) today announced its consolidated financial results for the fiscal year ended March 31, 2022 and consolidated financial forecasts for the fiscal year ending March 31, 2023.

Consolidated Operating Highlights

## 1) Financial Results

(In millions of yen, unless otherwise stated)

	Fiscal year ended March 31,		% change
	2021	2022	
Net sales	950,722	1,060,893	11.6
Operating profit	25,724	48,143	87.2
EBITDA <sup>2</sup>	43,170	67,150	55.5
Ordinary profit	28,453	49,484	73.9
Net profit <sup>3</sup>	15,341	31,523	105.5
Net profit per share (yen)	66.50	136.84	-
Adjusted profit	23,296	39,146	68.0
Adjusted EPS <sup>4</sup> (yen)	100.98	169.93	68.3

## Notes:

- Effective in the three months ended December 31, 2021, the accounting policy was changed at an overseas subsidiary where the International Financial Reporting Standards (IFRS) are applied, based on the "Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38)", an agenda decision by the IFRS Interpretations Committee (IFRIC) that was announced in April 2021. Accordingly, the values for the previous fiscal year were corrected retroactively by reflecting the said change of the accounting policy. The percentages for year-on-year changes were calculated by using the values after the retroactive correction.
- EBITDA = operating profit + depreciation + amortization of goodwill
- Net profit attributable to owners of parent
- Adjusted EPS = adjusted profit<sup>a</sup> / (average number of shares during the period - number of treasury stock during the period)
  - Adjusted profit = net profit attributable to owners of parent ± adjustment items<sup>b</sup> (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
  - Adjustment items = amortization of intangible assets except goodwill by acquisitions + amortization of goodwill ± extraordinary income/losses

## 2) Balance Sheet Data

(In millions of yen, unless otherwise stated)

	As of March 31, 2021	As of March 31, 2022
Total assets	381,179	421,778
Net assets	173,600	204,313
Equity ratio (%)	40.8	43.4
Net assets per share (yen)	676.03	793.68
Equity capital	155,564	182,995

### 3) Balance Sheet Data

(In millions of yen, unless otherwise stated)

	As of March 31, 2021	As of March 31, 2022
Cash flows from operating activities	36,805	50,692
Cash flows from investing activities	-13,188	-7,057
Cash flows from financing activities	-17,973	-21,145
Cash and cash equivalents at end of period	82,991	106,558

### 4) Dividend Status

(In yen, unless otherwise stated)

	Fiscal year ended/ending March 31,		
	2021	2022	2023 (forecast)
Interim dividends	13.00	20.00	21.00
Year-end dividends	13.00	22.00	21.00
Annual dividends	26.00	42.00	42.00
Total dividend amount (million yen)	6,022	9,745	-
Payout ratio (%)	39.1	30.7	32.8
Dividend on equity ratio (%)	4.0	5.7	-

### 5) Consolidated Financial Forecast for the Fiscal Year Ending March 2023

(In millions of yen, unless otherwise stated)

	Forecast for the fiscal year ending March 31, 2023		% change from the previous fiscal year	
	1st half	Full year	1st half	Full year
Net sales	569,000	1,165,000	10.9	9.8
Operating profit	26,400	52,000	-1.3	8.0
EBITDA	-	74,200	-	10.5
Ordinary profit	26,300	51,700	-4.6	4.5
Net profit <sup>1</sup>	15,200	29,500	-2.2	-6.4
Net profit per share (yen)	66.29	128.05	-	-
Adjusted profit	-	37,200	-	-5.0
Adjusted EPS (yen)	-	161.46	-	-5.0

Note:

1. Net profit attributable to owners of parent

#### Disclaimer

The statements concerning the Company's future business performances in this material such as financial forecasts are based on information currently available and certain assumptions deemed to be reasonable by the Company, and do not mean that the Company promises to achieve these figures. Actual results may differ materially from the statements due to a variety of factors.

## *Management Discussion and Analysis*

### *(1) Management Discussion and Analysis for the Fiscal Year under Review*

#### 1. Result of Operations

PERSOL GROUP (the Group) provides a wide range of human resources (HR) related services; temporary staffing and placement service as the core businesses in Japan and Asia-Pacific (APAC) region.

Although the business outlook remained uncertain in Japan due to the continuing spread of COVID-19, during this fiscal year, the ratio of job offers to job seekers (seasonally adjusted) in Japan was 1.22 in March 2022, showing that demand for human resources was recovering. At the Group, orders received in placement service, have already recovered to the pre-COVID-19 level. In the APAC region, economies were generally recovering although the impact of COVID-19 remains in some regions. In Australia, the Australian dollar strengthened against the Japanese yen.

In this business environment, business performance of Staffing SBU (Strategic Business Unit) remained strong, and that of Career SBU also recovered steadily. Sales in other SBUs also increased. As a result, consolidated net sales for this fiscal year ended March 31, 2022, were 1,060,893 million yen (increasing 11.6% year-on-year). Operating profit was 48,143 million yen (increasing 87.2% YoY) because of an increase in sales in the profitable BPO (Business Process Outsourcing) sector in Staffing SBU and a recovery of sales in other SBUs as a result of demand recovering from the effect of COVID-19, which contributed to an increase in profits or a reduction of losses in all SBUs. Ordinary profit was 49,484 million yen (increasing 73.9% YoY) and net profit attributable to owners of parent was 31,523 million yen (increasing 105.5% YoY).

Results by SBU (before inter-segment elimination) are as follows.

##### a. Staffing SBU

In this segment, the Group operates temporary staffing business, including mainly clerical and administrative staff dispatching and wide range of staffing service, BPO (Business Process Outsourcing) and placement service mainly for administrative talents in Japan.

Sales for this fiscal year were 575,743 million yen (increasing 8.6% YoY) and operating profit was 39,359 million yen (increasing 35.1% YoY).

Sales in the temporary staffing sector increased, mainly reflecting a year-on-year increase in the number of temporary active staff. Sales in BPO sector increased because orders received remained strong, mainly in public-related projects. Operating profit increased as a result of the effect of a sales increase in the temporary staffing sector and the growth of the highly profitable BPO sector.

##### b. Career SBU

In this segment, the Group mainly operates placement business, supporting corporate clients' mid-career hiring activities, and job recruitment media business.

Sales for this fiscal year were 75,279 million yen (increasing 26.4% YoY) and operating profit was 7,264 million yen (increasing 2088.9% YoY).

Sales in the placement business and job recruitment media business increased due to stronger sales promotion activities in addition to a recovery of demand for hiring among companies. Operating profit increased significantly on stronger sales, offsetting the rise in

selling, general and administrative expenses that resulted from marketing investment made in response to the rising demand and enhancement of hiring activities.

c. Professional Outsourcing SBU

In this segment, the Group operates manufacture and development outsourcing business in IT and engineering areas and temporary staffing business specialized in engineers dispatching.

Sales for this fiscal year were 121,109 million yen (increasing 7.1% YoY) and operating profit was 6,934 million yen (increasing 72.1% YoY).

Sales increased because the engineering area saw a recovery in demand, mainly for development in the manufacturing industry. An additional factor was continued growth in the IT area. Operating profit increased with a recovery in the operating rate in the engineering area and a sales increase in the IT area.

d. Solution SBU

In this segment, the Group provides digital solution services for hiring talents and managing human resources and creates new businesses through incubation programs.

Sales for this fiscal year were 11,169 million yen (increasing 95.9% YoY) and the operating loss was 3,058 million yen (the operating loss was 4,809 million yen for the previous fiscal year).

Sales increased due to the continued growth of the career change application business and cloud POS business, mainly reflecting the recovery in companies' demand for hiring and the effect of sales promotion activities. An operating loss was recorded, despite the effect of the sales increase, as a result of continuous active investments to increase staff for sales promotion for future growth.

e. Asia Pacific SBU

In this segment, the Group operates a temporary staffing business and placement business in Asia and a staffing business and maintenance business in Australia (those businesses are operated mainly under PERSOLKELLY brand in Asia and mainly under Programmed brand in Australia).

Sales for this fiscal year were 290,138 million yen (increasing 15.4% YoY) and operating profit was 1,042 million yen (the operating loss was 2,235 million yen for the previous fiscal year).

Sales increased due to progress in the recovery from the impact of COVID-19, continued strong sales in Singapore as the main market, and growth in sales of the placement business mainly in China, in addition to the effect of the stronger Australian dollar. The SBU moved into operating profit because of the sales increase in the profitable placement business and progress in the establishment of an efficient operation structure.

# # # #

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) is applied effective from the beginning of this fiscal year. Also, effective in the three months ended December 31, 2021, at an overseas subsidiary where the International Financial Reporting Standards (IFRS) are applied, based on the "Configuration or

Customization Costs in a Cloud Computing Arrangement (IAS No. 38)", an agenda decision by IFRIC, applicable values for the same period of the previous fiscal year were corrected retroactively. Please refer to "Changes in Accounting Policies".

## 2. Business Outlook and Management Policy

### Business Environment and the Company's Management Policy

The Group understands that, while the labor market is changing from moment to moment, reflecting the declining labor force population in Japan, social roles of the HR service industry and the roles and responsibilities to be fulfilled by the Group are significant, including active mid-career hiring activities and the promotion of the active participation of women, the elderly, and foreigners, etc. In the era of 100-year lifespans, people live and work longer all over the world. This means that there will be increasing opportunities for people to engage in various jobs in their lifetime. Additionally, it is expected that individuals' working styles will change in all industries with advancing technologies and AI.

The Group will detect changes in the world of work by forecasting what society will be like in 2030 and will continue to suggest new work styles and new styles of employment by companies and organizations in the era of 100-year lifespans, in its efforts to achieve the Group Vision, "Work, and Smile."

### Three Group Key Strategies towards 2030

To respond to changes in the world of work, the Group has developed three key strategies for its business activities.

Key strategy	Outline
Focusing on each individual	Helping every individual to improve work engagement by providing work opportunities and raising their awareness in accordance with their life-stage changes, aptitude, and capabilities
Innovating through technologies	Suggesting new work styles and employment formats by driving digital transformation with the full utilization of technologies
Extending our value globally	Utilizing insights and expertise accumulated in Japan to spread the "Work, and Smile." concept from the APAC region

### Mid-term Management Plan 2023

The Group positions the first three years on the journey toward 2030 as a period for establishing a platform for growth through enhanced business activities and a stronger management structure. It has adopted the following five strategies under the Mid-term Management Plan 2023.

<Five strategies under the Mid-term Management Plan 2023>

- Increasing social value
- Increasing economic value
- Shifting to a SBU structure
- Identifying growth areas
- Strengthening business with technology

### 3. Financial Forecasts for Fiscal Year Ending March 31, 2023

While it remains uncertain when COVID-19 will be put under control and the impact of overseas geopolitical risks on the economy has to be watched closely, the HR market conditions encompassing the business of the Group in the fiscal year ending March 31, 2023 are expected to remain above the pre-COVID-19 level. Given that sales for the fiscal year ending March 31, 2023 are expected to increase in all segments, net sales forecast is 1,165.0 billion yen and operating profit forecast is 52.0 billion yen.,

Staffing SBU, the core business, is expected to continue increasing the number of temporary active staff in the temporary staffing sector. In the BPO sector, however, orders for spot-contract public related projects are expected to decline.

In the placement business operated by Career SBU, significant increases of sales and profit are expected as the market is expected to expand due to high corporate demand for human resources and an increase of job seekers. This will be the growth driver of the Group.

In overseas business, efforts will be made to realize integrated management, which will produce synergy between PERSOLKELLY and Programmed, and to improve profitability.

## (2) Financial Position

### 1. Consolidated Balance Sheet

Total assets at the end of this fiscal year was 421,778 million yen, an increase of 40,598 million yen from the end of the previous fiscal year. Current assets increased by 49,953 million yen, to 286,897 million yen. The main factors include an increase in the sum of notes receivable - trade, accounts receivable - trade and contract assets (notes and accounts receivable - trade in the previous fiscal year) of 35,784 million yen and an increase in cash and deposits of 24,384 million yen.

Non-current assets decreased by 9,355 million yen, to 134,880 million yen. This is attributable mainly to decreases in goodwill of 5,077 million yen and in investment securities of 2,679 million yen.

The total amount of liabilities was 217,464 million yen at the end of this fiscal year, up 9,885 million yen from the end of the previous fiscal year. Current liabilities increased by 22,315 million yen, to 167,893 million yen. The main reasons for the increase were increases in the current portion of long-term borrowings of 11,272 million yen, in accounts payable - other of 8,220 million yen, and in income taxes payable of 6,765 million yen, offsetting a decrease in current portion of bonds payable of 10,000 million yen.

Non-current liabilities decreased by 12,430 million yen, to 49,570 million yen. This is attributed mainly to a decrease in long-term borrowings of 11,629 million yen.

The amount of total net assets at the end of this fiscal year was 204,313 million yen, up 30,713 million yen compared to the end of the previous fiscal year. This was mainly caused by the payment of dividends of surplus of 7,651 million yen and the posting of 31,523 million yen in net profit attributable to owners of parent, which resulted in an increase in retained earnings of 24,077 million yen and a foreign currency translation adjustment increase of 3,836 million yen.

As financial indicators based on the financial position described above, the current ratio increased from 162.8% to 170.9%, and the equity ratio increased from 40.8% to 43.4%, respectively, compared to the end of the previous fiscal year.

	<b>As of March 31, 2021</b>	<b>As of March 31, 2022</b>
<b>Return on assets (ROA)</b>	4.5%	8.6%
<b>Return on equity (ROE)</b>	10.1%	18.6%
<b>Ratio of operating profit to sales</b>	2.7%	4.5%
<b>Ratio of ordinary profit to sales</b>	3.0%	4.7%
<b>Current ratio</b>	162.8%	170.9%
<b>Fixed ratio</b>	92.7%	73.7%
<b>Equity ratio</b>	40.8%	43.4%
<b>ROIC</b>	9.2%	14.2%
<b>Debt/equity ratio</b>	0.40	0.28
<b>Net cash/EBITDA ratio</b>	0.48	0.82
<b>Total assets (million yen)</b>	381,179	421,778
<b>Equity capital (million yen)</b>	155,564	182,995
<b>Invested capital (million yen)</b>	244,109	269,323
<b>Cash and cash equivalents at end of period (million yen)</b>	82,991	106,558

\*Effective in the three months ended December 31, 2021, the accounting policy was changed at an overseas subsidiary where the International Financial Reporting Standards (IFRS) are applied, based on the "Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38)", an agenda decision by the IFRS Interpretations Committee (IFRIC) that was announced in April 2021. Accordingly, the values for the above management indicators, etc. concerning the previous fiscal year were corrected retroactively by reflecting the said change of the accounting policy.

## 2. Consolidated Cash Flows

The balance of cash and cash equivalents (hereinafter "capital") at the end of this fiscal year was 106,558 million yen, up 23,567 million yen from the end of the previous fiscal year.

Presented below are an overview of cash flows for this fiscal year and main factors behind them.

(Cash flows from operating activities)

Capital generated by operating activities increased 13,887 million yen from the previous fiscal year, to 50,692 million yen. Major factors included an increase in trade receivables of 28,855 million yen and income taxes paid of 12,542 million yen, offset by profit before income taxes of 50,043 million yen, depreciation of 12,150 million yen, an increase in trade payables of 7,367 million yen, and amortization of goodwill of 6,856 million yen.

(Cash flows from investing activities)

Capital used as a result of investing activities decreased by 6,130 million yen from the previous fiscal year, to 7,057 million yen. This was mainly due to spending of 8,383 million yen on the purchase of intangible assets and 2,604 million yen spent on purchase of property, plant and equipment.

(Cash flows from financing activities)

Capital used as a result of financing activities increased by 3,172 million yen from the previous fiscal year, to 21,145 million yen. This was mainly caused by spending of 10,000 million yen for the redemption of bonds and 7,651 million yen in dividends paid.



### *Basic Policy of Accounting Standards*

The Group's policy for the time being is to create consolidated financial statements in accordance with Japanese standards considering the potential to compare consolidated financial statements between periods and between companies.

Application of International Financial Reporting Standards (IFRS) is currently scheduled for the fiscal year ending in March 2024, taking into consideration of a change in the ratio of foreign shareholders and the trend of Japanese competitors to apply IFRS.

## Consolidated Financial Statements

### (1) Consolidated Balance Sheet

	(in millions of yen)	
	As of March 31, 2021	As of March 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	83,161	107,545
Notes and accounts receivable - trade	133,047	-
Notes receivable - trade	-	100
Accounts receivable - trade	-	150,073
Contract assets	-	18,658
Work in process	8,300	333
Other	13,146	10,740
Allowance for doubtful accounts	-712	-554
<b>Total current assets</b>	<b>236,943</b>	<b>286,897</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,413	7,895
Accumulated depreciation	-3,847	-4,196
Accumulated impairment	-6	-10
<b>Buildings and structures, net</b>	<b>3,560</b>	<b>3,687</b>
Tools, furniture and fixtures	6,578	7,062
Accumulated depreciation	-4,573	-4,835
Accumulated impairment	-76	-79
<b>Tools, furniture and fixtures, net</b>	<b>1,928</b>	<b>2,147</b>
Right of use assets	7,216	9,169
Accumulated depreciation	-3,733	-5,758
<b>Right of use assets, net</b>	<b>3,482</b>	<b>3,410</b>
Land	799	515
Other	3,324	3,906
Accumulated depreciation	-1,106	-1,601
<b>Other, net</b>	<b>2,217</b>	<b>2,304</b>
<b>Total property, plant and equipment</b>	<b>11,988</b>	<b>12,065</b>
Intangible assets		
Trademark right	9,688	9,803
Goodwill	66,751	61,674
Software	15,143	16,787
Other	7,123	6,863
<b>Total intangible assets</b>	<b>98,706</b>	<b>95,129</b>
Investments and other assets		
Investment securities	11,344	8,664
Deferred tax assets	7,861	10,233
Other	15,765	10,315
Allowance for doubtful accounts	-1,430	-1,527
<b>Total investments and other assets</b>	<b>33,540</b>	<b>27,686</b>
<b>Total non-current assets</b>	<b>144,235</b>	<b>134,880</b>
<b>Total assets</b>	<b>381,179</b>	<b>421,778</b>

(Consolidated Balance Sheet)

(in millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	451	630
Short-term borrowings	603	162
Current portion of bonds payable	10,000	-
Current portion of long-term borrowings	31	11,304
Accounts payable - other	73,592	81,813
Income taxes payable	4,445	11,211
Accrued consumption taxes	17,161	17,432
Provision for bonuses	15,409	17,847
Provision for bonuses for directors	47	71
Other provisions	1,116	714
Other	22,717	26,706
Total current liabilities	145,577	167,893
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	41,629	30,000
Lease obligations	2,047	1,997
Deferred tax liabilities	4,259	2,991
Retirement benefit liability	880	414
Provision for share awards	583	810
Provision for share awards for directors (and other officers)	534	835
Other provisions	96	81
Other	1,970	2,438
Total non-current liabilities	62,001	49,570
Total liabilities	207,578	217,464
<b>Net assets</b>		
Shareholders' equity		
Share capital	17,479	17,479
Capital surplus	19,008	19,168
Retained earnings	134,151	158,229
Treasury shares	-11,100	-10,351
Total shareholders' equity	159,539	184,526
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,350	959
Foreign currency translation adjustment	-6,325	-2,489
Total accumulated other comprehensive income	-3,974	-1,530
Share acquisition rights	0	0
Non-controlling interests	18,035	21,317
Total net assets	173,600	204,313
Total liabilities and net assets	381,179	421,778

(2) Consolidated Income Statements and Comprehensive Income Statement

(Consolidated Income Statement)

(in millions of yen)

	Fiscal year ended March 31,	
	2021	2022
Net sales	950,722	1,060,893
Cost of sales	749,309	820,056
Gross profit	201,413	240,837
Selling, general and administrative expenses	175,688	192,694
Operating profit	25,724	48,143
Non-operating income		
Interest income	41	49
Dividend income	173	232
Subsidy income	3,037	1,342
Share of profit of entities accounted for using equity method	62	-
Foreign exchange gains	-	25
Other	302	540
Total non-operating income	3,618	2,189
Non-operating expenses		
Interest expenses	346	270
Foreign exchange losses	39	-
Commission expenses	163	24
Share of loss of entities accounted for using equity method	-	174
Other	339	377
Total non-operating expenses	888	847
Ordinary profit	28,453	49,484
Extraordinary income		
Gain on sale of non-current assets	160	1,500
Gain on sale of shares of subsidiaries and associates	-	486
Gain on sale of investment securities	321	1,712
Other	8	-
Total extraordinary income	489	3,698
Extraordinary losses		
Loss on disposal of non-current assets	68	3
Impairment losses	167	1,675
Loss on business restructuring	160	-
Loss on sale of investment securities	6	1
Loss on valuation of investment securities	32	801
Restructuring expenses	-	530
Non-recurring loss	643	127
Total extraordinary losses	1,078	3,139
Profit before income taxes	27,864	50,043
Income taxes - current	10,523	18,880
Income taxes - deferred	382	-3,270
Total income taxes	10,905	15,610
Profit	16,958	34,433
Profit attributable to non-controlling interests	1,617	2,909
Profit attributable to owners of parent	15,341	31,523

*(Consolidated Comprehensive Income Statement)*

(in millions of yen)

	Fiscal year ended March 31,	
	2021	2022
Profit	16,958	34,433
Other comprehensive income		
Valuation difference on available-for-sale securities	1,879	-1,391
Foreign currency translation adjustment	905	4,358
Share of other comprehensive income of entities accounted for using equity method	18	40
Total other comprehensive income	2,803	3,007
Comprehensive income	19,762	37,440
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,318	33,967
Comprehensive income attributable to non-controlling interests	1,443	3,472

(3) *Consolidated Statement of Changes in Equity*

For the Fiscal Year Ended March 31, 2021

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,479	20,396	126,285	-9,369	154,792
Cumulative effects of changes in accounting policies			-990		-990
Restated balance	17,479	20,396	125,295	-9,369	153,802
Changes during period					
Dividends of surplus			-6,485		-6,485
Profit attributable to owners of parent			15,341		15,341
Purchase of treasury shares				-1,903	-1,903
Disposal of treasury shares				172	172
Change in ownership interest of parent due to transactions with non-controlling interests		-1,388			-1,388
Net changes in items other than shareholders' equity					
Total changes during period	-	-1,388	8,856	-1,731	5,736
Balance at end of period	17,479	19,008	134,151	-11,100	159,539

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	471	-7,414	-6,942	-	16,056	163,906
Cumulative effects of changes in accounting policies		-9	-9			-999
Restated balance	471	-7,423	-6,952	-	16,056	162,906
Changes during period						
Dividends of surplus						-6,485
Profit attributable to owners of parent						15,341
Purchase of treasury shares						-1,903
Disposal of treasury shares						172
Change in ownership interest of parent due to transactions with non-controlling interests						-1,388
Net changes in items other than shareholders' equity	1,879	1,097	2,977	0	1,979	4,957
Total changes during period	1,879	1,097	2,977	0	1,979	10,693
Balance at end of period	2,350	-6,325	-3,974	0	18,035	173,600

For the Fiscal Year Ended March 31, 2022

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,479	19,008	134,151	-11,100	159,539
Cumulative effects of changes in accounting policies			205		205
Restated balance	17,479	19,008	134,357	-11,100	159,745
Changes during period					
Dividends of surplus			-7,651		-7,651
Profit attributable to owners of parent			31,523		31,523
Purchase of treasury shares				-0	-0
Disposal of treasury shares		167		749	917
Change in ownership interest of parent due to transactions with non-controlling interests		-7			-7
Net changes in items other than shareholders' equity					
Total changes during period	-	160	23,871	748	24,780
Balance at end of period	17,479	19,168	158,229	-10,351	184,526

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	2,350	-6,325	-3,974	0	18,035	173,600
Cumulative effects of changes in accounting policies						205
Restated balance	2,350	-6,325	-3,974	0	18,035	173,806
Changes during period						
Dividends of surplus						-7,651
Profit attributable to owners of parent						31,523
Purchase of treasury shares						-0
Disposal of treasury shares						917
Change in ownership interest of parent due to transactions with non-controlling interests						-7
Net changes in items other than shareholders' equity	-1,391	3,836	2,444	-	3,282	5,726
Total changes during period	-1,391	3,836	2,444	-	3,282	30,507
Balance at end of period	959	-2,489	-1,530	0	21,317	204,313

#### (4) Consolidated Cash Flow Statements

(in millions of yen)

	Fiscal year ended March 31,	
	2021	2022
Cash flows from operating activities		
Profit before income taxes	27,864	50,043
Depreciation	10,760	12,150
Impairment losses	167	1,675
Amortization of goodwill	6,686	6,856
Increase (decrease) in retirement benefit liability	-99	-482
Increase (decrease) in provision for bonuses	2,687	2,378
Increase (decrease) in provision for bonuses for directors (and other officers)	-8	21
Increase (decrease) in provision for share awards	378	226
Increase (decrease) in provision for share awards for directors (and other officers)	85	301
Increase (decrease) in allowance for doubtful accounts	4	-193
Increase (decrease) in other provisions	-132	33
Interest and dividend income	-215	-281
Interest expenses	346	270
Share of loss (profit) of entities accounted for using equity method	-62	174
Subsidy income	-3,037	-1,342
Loss (gain) on sale of shares of subsidiaries and associates	-	-486
Loss (gain) on sale of investment securities	-315	-1,711
Loss (gain) on valuation of investment securities	32	801
Loss (gain) on disposal of non-current assets	-91	-1,496
Loss on business restructuring	160	-
Other extraordinary loss (income)	-8	-
Restructuring expenses	-	530
Non-recurring loss	643	127
Decrease (increase) in trade receivables	-3,617	-28,855
Increase (decrease) in trade payables	5,433	7,367
Increase (decrease) in accrued consumption taxes	-592	99
Increase (decrease) in long-term accounts payable - other	-257	-225
Decrease (increase) in other assets	-3,092	9,920
Increase (decrease) in other liabilities	2,248	1,922
Subtotal	45,968	59,827
Interest and dividends received	213	280
Interest paid	-353	-265
Subsidies received	2,724	1,342
Payments of restructuring expenses	-	-530
Income taxes paid	-12,473	-12,542
Income taxes refund	725	2,581
Net cash provided by (used in) operating activities	36,805	50,692



(in millions of yen)

	Fiscal year ended March 31,	
	2021	2022
<b>Cash flows from investing activities</b>		
Payments into time deposits	-11	-820
Proceeds from withdrawal of time deposits	45	51
Purchase of property, plant and equipment	-3,666	-2,604
Proceeds from sale of property, plant and equipment	318	1,877
Purchase of intangible assets	-7,735	-8,383
Purchase of investment securities	-589	-1,195
Proceeds from sale of investment securities	669	4,276
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-224	-250
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	673
Payments for acquisition of businesses	-	-1,126
Loan advances	-120	-3
Proceeds from collection of loans receivable	144	4
Payments of guarantee deposits	-644	-452
Proceeds from refund of guarantee deposits	519	1,072
Other, net	-1,893	-178
<b>Net cash provided by (used in) investing activities</b>	<b>-13,188</b>	<b>-7,057</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	-4,710	-470
Proceeds from long-term borrowings	5,747	-
Repayments of long-term borrowings	-10,032	-691
Redemption of bonds	-	-10,000
Purchase of treasury shares	-1,903	0
Dividends paid	-6,485	-7,651
Dividends paid to non-controlling interests	-160	-198
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	-7
Other, net	-427	-2,125
<b>Net cash provided by (used in) financing activities</b>	<b>-17,973</b>	<b>-21,145</b>
Effect of exchange rate change on cash and cash equivalents	-689	1,078
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,953</b>	<b>23,567</b>
Cash and cash equivalents at beginning of period	78,037	82,991
Cash and cash equivalents at end of period	82,991	106,558

## *Changes in Accounting Policies*

### Application of Accounting Standard for Revenue Recognition, etc.

The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others effective from the beginning of this fiscal year and has decided to recognize the amount expected to be received in exchange for goods or services as revenue when the control of the promised goods or services has been transferred to the customer.

The Accounting Standard for Revenue Recognition, etc. are applied in accordance with the transitional procedures set forth in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of this fiscal year was added to or subtracted from the beginning balance of retained earnings of this fiscal year, and thus the new accounting policy was applied from the beginning balance.

Due to the application of the Accounting Standard for Revenue Recognition, etc., "notes and accounts receivable - trade," which were presented under "current assets" in the consolidated balance sheet for the previous fiscal year, have been included in "notes receivable - trade," "accounts receivable - trade" and "contract assets," starting this fiscal year. In accordance with the transitional procedures set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, reclassification based on the new presentation method has not been carried out for the previous fiscal year.

The impact of the application of this accounting standard on the consolidated financial statements is immaterial.

### Application of Accounting Standard for Fair Value Measurement, etc.

The Group has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and others effective beginning of this fiscal year, and has decided to apply the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. into the future in accordance with the transitional procedures stipulated 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 impact of the application of this accounting standard on the consolidated financial statements is immaterial.

### Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38), an agenda decision by IFRIC

At an overseas subsidiary where the International Financial Reporting Standards (IFRS) are applied, configuration or customization costs in a cloud computing arrangement were previously recognized as intangible assets by applying the IAS No. 38 Intangible Assets. Effective in the three months ended December 31, 2021, however, the method was changed to one with which the above costs are recognized as costs generated when the configuration or customization service is received, based on the "Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38)", an agenda decision by the IFRS Interpretations Committee (IFRIC) that was announced in April 2021.

This change in accounting policy is applied retroactively, and the change is reflected in the consolidated financial statements for the previous fiscal year.

As a result, compared to values before the retroactive application, operating profit, ordinary profit, and profit before income taxes in the consolidated income statement for the previous fiscal year decreased 715 million yen, while in the consolidated balance sheet for the previous fiscal year, intangible assets decreased 2,236 million yen and deferred tax liabilities decreased 679 million yen. The beginning balance of retained earnings decreased 990 million yen and foreign currency translation adjustment decreased 9 million yen for the previous fiscal year due to the application of the cumulative effect to net assets as of the beginning of the previous fiscal year.

From these results, net profit per share for the previous fiscal year decreased 2.14 yen.