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August 10, 2022

# Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2022 (Under Japanese GAAP)

Company name: BrainPad Inc.

Listing: Tokyo Stock Exchange

Securities code: 3655

URL: https://www.brainpad.co.jp/english/

Representative: Takafumi Takahashi CEO/Representative Director/Co-Founder

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Scheduled date of annual general meeting of shareholders: September 29, 2022

Scheduled date to commence dividend payments:

Scheduled date to file annual securities report: September 29, 2022

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing:

Yes (for analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

# 1. Non-consolidated financial results for the fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)

## (1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30,2022	8,561	20.6	1,144	36.0	1,166	31.2	803	49.3
June 30,2021	7,098	7.3	841	△20.2	888	△17.4	537	△37.5

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
June 30,2022	36.53	-	16.9	19.5	13.4
June 30,2021	24.14	-	-	-	-

Notes: 1. Consolidated financial results were disclosed for the third quarter of the fiscal year ending June 30, 2021, but non-consolidated financial results are disclosed from the first half of the fiscal year ending June 30, 2022. As a result, operating results (cumulative) for the third quarter of the fiscal year ending June 30, 2021 and percentage change from the same period of the previous year are not shown.

2. The Company conducted a stock split on January 1, 2022, at a ratio of 3 shares per share of common stock. Basic earnings per share is calculated on the assumption that the said stock split was conducted at the beginning of the current fiscal year.

## (2) Non-consolidated financial position

<u> </u>				
	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30,2022	6,148	4,847	78.8	221.07
June 30,2021	5,786	4,682	80.9	209.98

Reference: Equity

As of June 30,2022: ¥4,847 million As of June 30,2021: ¥4,682 million

# (3) Non-consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30,2022	1,125	△948	△698	2,908
June 30,2021	-	-	-	-

# 2. Cash dividends

	Annual dividends per share					Total cash		Ratio of
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total	dividends (Total)	Payout ratio	dividends to net assets
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended June 30,2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended June 30,2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending June 30,2023 (Forecast)	-	0.00	1	0.00	0.00		-	

# 3. Forecast of Non-Consolidated Financial Results for the Fiscal Year Ending June 30, 2023 (July 1, 2022 - June 30, 2023)

(Percentages indicate year-on-year changes.)

	Net sa	ales	Operating	g profit	Ordinary	profit	Prof	îit	Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half-year	4,750	-	340	-	380	-	260	-	11.86
Full year	10,300	-	1,100	-	1,140	-	800	-	36.48

Note: Revisions to the forecast of financial results most recently announced: None

Since we will shift to consolidated financial statements from the first quarter of the fiscal year ending June 30, 2023, this column also includes consolidated earnings forecasts. Since we do not have consolidated financial results for the fiscal year ending June 30, 2022, the percentage change is not shown.

#### \* Notes

- (1) Changes in accounting policies, changes in accounting estimates, and restatement
  - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
  - (ii) Changes in accounting policies due to other reasons: None
  - (iii) Changes in accounting estimates: None
  - (iv) Restatement: None
- (2) Number of issued shares (common shares)
  - (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	22,300,596 shares
As of June 30, 2021	22,300,596 shares

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

As of June 30, 2022	372,594 shares
As of June 30, 2021	981 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended June	e 30, 2022	21,989,762 shares
Fiscal year ended June	e 30, 2021	22,279,083 shares

Note: On January 1, 2022, the Company conducted a 3-for-1 stock split of common stock. The above figures are calculated on the assumption that the said stock split was conducted at the beginning of the previous fiscal year.

- \* Financial results reports are exempt from review conducted by certified public accountants or an audit corporation.
- \* Proper use of earnings forecasts, and other special matters
  - 1. The forward-looking statements, including business forecasts, contained in this document are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and are not intended to be a promise by the Company that it will achieve them. Actual results may differ materially from these forecasts due to various factors. Please refer to "(3) Explanations on forward-looking statements, including earnings forecasts" on page 4 of the attached materials for the conditions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.
  - 2. Qualitative Information on Consolidated Financial Position Supplementary materials for financial results are disclosed on TDnet on the same day.
  - 3. We have shifted from consolidated financial statements to non-consolidated financial statements from the second quarter of the fiscal year ending June 30, 2022, as there are no longer any consolidated subsidiaries due to the absorption-type merger of Mynd Corporation, a consolidated subsidiary, as of December 1, 2021.

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Qualitative Information on Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2022

## (1) Explanation of business results

We have shifted to non-consolidated financial results from the second quarter of the current fiscal year, although we had consolidated financial results until the first quarter of the current fiscal year due to the merger with our wholly owned subsidiary Mynd Corporation on December 1, 2021.

During the fiscal year under review, the outlook for the Japanese economy remained uncertain as concerns over the spread of the new coronavirus continued throughout the year, while soaring resource prices stemming from the situation in Ukraine and rising prices due to the rapid depreciation of the yen weighed on corporate performance and the recovery of domestic consumption. On the other hand, the domestic ICT market continues to grow solidly against the backdrop of migration of corporate systems to the cloud and expansion of subscription businesses.

Under these circumstances, the current fiscal year is the third year of our medium-term management plan (fiscal year ending June 2020 to fiscal year ending June 2023), in terms of sales, we had planned to recover to the sales growth rate of around 20% per year targeted in the medium-term management plan, in light of the fact that order activity has reached a level higher than that before the Corona disaster. In terms of profit, we managed our business with the aim of achieving profit growth equivalent to sales growth while implementing three key actions involving investments (continued aggressive recruitment of human resources, re-growth of the product business, and consolidation and relocation of offices to strengthen organizational capabilities) to lay the foundation for our sustainable growth in the future.

In fact, through the first nine months of the fiscal year, the professional services business drove overall performance, with both sales and profits exceeding initial expectations. However, sales in the fourth quarter were lower than expected due to the postponement of projects in the professional services business and a decrease in flow sales in the product business.

While sales fell short of expectations, the number of employees increased by 54 during the fourth quarter due to the hiring of new graduates and mid-career employees, and the profit margin in the product business declined due to higher purchase prices of overseas products and higher cloud usage fees caused by the sharp depreciation of the yen, and one-time expenses due to the relocation to a new office. As a result, profits in the fourth quarter were significantly lower than in the third quarter.

On the other hand, the Company made an investment decision to re-grow its production business, including a resolution to acquire shares of Time Technologies, ltd.

As a result, for the fiscal year, net sales totaled 8,561,311 thousand yen(up 20.6% year-on-year), operating profit totaled 1,144,952 thousand yen(up 36.0% year-on-year), ordinary profit totaled 1,166,580 thousand yen(up 31.2% year-on-year), and profit totaled 803,246 thousand yen(up 49.3% year-on-year). Although this result fell short of the non-consolidated earnings forecast announced on January 25, 2022, it achieved significant growth compared to the same period last year.

The following is a summary of results by segment.

Since the Company shifted to non-consolidated financial statements in the fiscal year under review, segment results are not compared with those of the previous fiscal year.

## (Professional Services Business)

The professional services business supports client companies in their use of data through consulting and human support, including data analysis and system development.

During the fiscal year, until the third quarter cumulative period, both sales and profits were strong at a faster pace than expected at the beginning of the period due to the lengthening and larger scale of projects based on the strong demand for data utilization.

In the fourth quarter, however, sales were 6.2% lower than in the third quarter, mainly due to the fact that several projects were postponed from the fiscal year and several medium-sized projects reached the end of their fiscal year (end of March 2022), while the Company was unable to secure new sales to compensate for the decline in sales. As a result, net sales were down 6.2% from the third quarter of the previous fiscal year. In this business, fixed costs such as employee personnel expenses account for a large proportion of total expenses. As a result, segment income for the fourth quarter was 12.8% lower than in the third quarter.

As a result, net sales totaled 6,075,311 thousand yen and segment income totaled 2,543,090 thousand yen.

#### (Product Business)

The product business provides support for client companies' data utilization through the provision of our own and other companies' products.

In the fiscal year under review, we concentrated management resources, including human resources, on our core products to achieve renewed business growth and optimize other costs. We also implemented organizational changes to consolidate divisions related to this business and strengthened sales and marketing process functions and sales capabilities by promoting divisional collaboration.

In the fourth quarter, while the acquisition of new projects offset the decline in stock sales due to the termination of contracts for large projects that had previously been decided and the termination of sales of nonmainstay products, the decline in flow-type sales from human support services caused sales for the fourth quarter to fall 5.9% below the third quarter. In addition, the rapid depreciation of the yen led to higher purchase prices for overseas products and cloud computing fees, which weighed heavily on expenses. As a result, segment income for the fourth quarter was 46.4% lower than the third quarter.

As a result, net sales totaled 2,486,000 thousand yen and segment income totaled 610,798 thousand yen.

#### (2) Explanation of Financial Position

(Assets)

Total assets at the end of the current fiscal year amounted to 6,148,543 thousand yen, an increase of 361,926 thousand yen from the end of the previous fiscal year.

The balance of current assets was 4,437,579 thousand yen, a decrease of 482,392 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 482,259 thousand yen in cash and deposits.

The balance of non-current assets was 1,710,963 thousand yen, an increase of 844,319 thousand yen from the end of the previous fiscal year. This was mainly due to a 463,229 thousand yen increase in buildings (net), a 263,238 thousand yen increase in lease deposits and a 136,949 thousand yen increase in investment securities. On the other hand, there was a decrease of 29,884 thousand yen in deferred tax assets.

#### (Liabilities)

Current liabilities totaled 1,151,476 thousand yen, an increase of 47,452 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 104,189 thousand yen in Accounts payable - other, 98,094 thousand yen in accrued expenses, and 55,284 thousand yen in contract liabilities (unearned revenue in the previous fiscal year). On the other hand, there was a decrease of 108,867 thousand yen in income taxes payable, a decrease of 57,195 thousand yen in asset retirement obligations, a decrease of 26,018 thousand yen in allowance for office relocation expenses.

The balance of noncurrent liabilities was 149,426 thousand yen, an increase of 149,284 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 147,670 thousand yen in asset retirement obligations.

#### (Net assets)

Total net assets at the end of the current fiscal year were 4,847,640 thousand yen, an increase of 165,189 thousand yen from the end of the previous fiscal year. This was mainly due to an increase in retained earnings brought forward of 803,246 thousand yen and an increase in valuation difference on available-forsale securities of 13,130 thousand yen, while treasury stock increased by 665,490 thousand yen.

As a result, the equity ratio was 78.8%.

#### (3) Explanation of Cash Flows

Since the Company shifted to non-consolidated financial statements in the current fiscal year, no comparison with the previous fiscal year is made with regard to the status of cash flows.

The balance of cash and cash equivalents ("Net cash") at the end of the current fiscal year was 2,908,239 thousand yen. The status of each cash flow and its factors are as follows.

#### (Cash flows from operating activities)

Net cash provided by operating activities was 1,125,414 thousand yen. This was mainly due to income before income taxes and minority interests of 1,057,922 thousand yen, depreciation and amortization of 233,640 thousand yen, an increase in accrued expenses of 106,581 thousand yen, and a decrease in accounts receivable of 80,190 thousand yen, and an increase in contract liabilities of 55,284 thousand yen. On the other hand, income taxes paid amounted to 356,234 thousand yen and inventories increased by 52,278 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 948,969 thousand yen. This was mainly due to purchase of property, plant and equipment of 407,645 thousand yen, payments for lease and guarantee deposits of 263,238 thousand yen, and purchase of investment securities of 120,000 thousand yen, purchase of intangible fixed assets of 110,929 thousand yen, and payment of asset retirement obligations (47,418 thousand yen).

(Cash flows from financing activities)

Net cash used in financing activities amounted to 698,783 thousand yen. This was due to purchase of treasury stock of 698,783 thousand yen

## (4) Explanations regarding the forecast of business results and other future information

The "Basic Policy on Economic and Fiscal Management and Reform 2022" presented by the Japanese government in June 2022 includes a drastic strengthening of "investment in people," clarification of national strategies in science and technology fields such as quantum and artificial intelligence (AI), and development of human resources to promote digital technology. In Japan, there is still a strong shortage of high-level IT personnel, and it is essential for Japanese companies to have IT vendors that can accompany their clients and lead digital transformation.

Under these circumstances, we believe that demand for the use of "data," which is the blood of digital transformation, will continue to increase.

Therefore, we will continue to expand and strengthen our organizational structure to demonstrate our "comprehensive data utilization capabilities" and aim to achieve sales growth of around 20% in the final year of the current medium-term management plan (four years from FY6/2020 to FY6/2023).

In addition, on July 29, 2022, the Company acquired all shares of TimeTechnologies,Ltd. and will shift to consolidated accounting from the first quarter of the fiscal year ending June 30, 2023.

In light of this change, the Company forecasts consolidated net sales of 10,300 million yen, operating income of 1,100 million yen, ordinary income of 1,140 million yen, and net income attributable to owners of the parent of 800 million yen for the fiscal year ending June 30, 2023.

(Forecasts are based on information available at the time of preparation and include uncertain factors. As such, actual results may differ from these forecasts due to changes in various factors, including the economic environment.)

Basic Approach to the Selection of Accounting Standards

In order to ensure comparability with other domestic companies in the same industry, the Company has adopted Japanese GAAP for accounting standards.

# (1) Balance Sheet

(1) Datance Sheet		(Unit: thousand yen
	As of June 30, 2021	As of June 30,2022
Assets		
Current assets		
Cash and deposits	3,390,499	2,908,239
notes receivable	22,111	65,390
accounts receivable	1,010,930	887,571
work in progress	39,295	91,574
prepaid expenses	221,099	274,249
Current portion of long-term loans receivable from subsidiaries and affiliates	93,000	_
guarantee money deposited	199,995	199,995
Other	18,821	10,559
Allowance for doubtful accounts	△75,780	_
Total current assets	4,919,972	4,437,579
fixed assets		, , , , , , , , , , , , , , , , , , ,
property, plant and equipment		
Building	216,297	542,062
Accumulated depreciation	△172,345	△34,880
Buildings, net	43,952	507,181
Tools, furniture and fixtures	198,768	237,954
Accumulated depreciation	△155,888	△136,725
Tools, furniture and fixtures, net	42,879	101,229
Total property, plant and equipment	86,831	608,410
Intangible fixed assets		<u> </u>
software	273,412	240,869
Software in progress	33,280	12,800
Total intangible fixed assets	306,692	253,669
Investments and other assets		
Investments in securities	110,270	247,219
Shares of subsidiaries and affiliates	104,576	104,576
Long-term prepaid expenses	40,806	46,267
guarantee money deposited	_	263,238
deferred tax asset	217,404	187,519
Other	62	62
Total investments and other assets	473,120	848,883
Total fixed assets	866,644	1,710,963
total assets	5,786,617	6,148,543

	As of June 30, 2021	As of June 30,2022
Liabilities		
current liabilities		
accounts payable	100,190	117,682
arrears	142,517	246,706
accrued expenses	106,012	204,106
Income taxes payable	208,317	99,449
Accrued consumption taxes	137,577	119,535
deferred income	181,713	
contract liabilities	_	236,997
deposit (received)	28,347	32,302
Allowance for bonuses	93,035	71,594
Allowance for office relocation expenses	26,018	_
Asset retirement obligations	80,295	23,100
Total current liabilities	1,104,024	1,151,476
fixed liabilities		
Asset retirement obligations	<del>-</del>	147,670
Other	141	1,755
Total long-term liabilities	141	149,426
total liabilities	1,104,166	1,300,903
Total net assets		
capital stock		
capital stock	597,809	597,809
Capital surplus		
capital reserve	574,509	574,509
Other capital surplus	<del>-</del>	4,303
Total capital surplus	574,509	578,813
Retained earnings	,	,
Other retained earnings		
Retained earnings brought forward	3,510,542	4,313,788
Total retained earnings	3,510,542	4,313,788
treasury stock	△411	△655,901
Total shareholders' equity	4,682,450	4,834,510
Valuation and translation adjustments	1,002,130	1,051,510
Net unrealized gains (losses) on available-for-sale securities, net of taxes	_	13,130
		12 120
Total valuation and translation adjustments	4 (00 170	13,130
Total net assets	4,682,450	4,847,640
Total liabilities and net assets	5,786,617	6,148,543

	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022
Net sales	7,098,397	8,561,311
cost of sales	3,952,364	4,679,879
Gross profit	3,146,033	3,881,432
Selling, general and administrative expenses	2,304,033	2,736,479
Operating income	841,999	1,144,952
Non-operating income		
interest income	1,889	293
Dividends received	<u> </u>	2,173
rent received	2,040	850
outsourcing fee	10,909	2,727
Sales incentives received	4,982	8,397
Subsidy income	24,925	17,474
Other	3,586	9,923
Total non-operating income	48,332	41,838
Non-operating expenses		
foreign exchange loss	1,392	3,664
Loss on investment partnership management	_	1,975
Fees and commissions	_	14,559
Other	76	11
Total non-operating expenses	1,469	20,211
Ordinary income	888,862	1,166,580
Extraordinary income		
Gain on sales of fixed assets	_	182
Gain on reversal of subscription rights to shares	79	_
Gain on extinguishment of tie-in shares	_	559
Total extraordinary income	79	742
Extraordinary loss		
Loss on sales of fixed assets	437	_
Allowance for doubtful accounts	72,000	<del>-</del>
Provision for office relocation expenses	26,018	_
Office relocation expenses	_	109,400
Total extraordinary loss	98,455	109,400
Income before income taxes and minority interests	790,487	1,057,922
Corporate, inhabitant and enterprise taxes	310,924	230,585
Income taxes-deferred	△58,267	24,090
Total income taxes	252,657	254,675
Net income	537,829	803,246

# (3) Statement of Changes in Shareholders' Equity Previous fiscal year (July 1, 2020 to June 30, 2021)

(Unit: thousand yen)

	capital stock							•
		Capital surplus			Retained earnings			
	capital stock	capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings	treasury stock	Total shareholders' equity
Balance at the beginning of current period	575,443	552,143	-	552,143	2,972,712	2,972,712	△411	4,099,888
Changes of items during the period								
Issuance of new shares	22,366	22,366		22,366				44,732
Net income					537,829	537,829		537,829
Acquisition of treasury stock								-
Disposal of treasury stock								-
Net changes of items other than shareholders' equity								
Total changes of items during the period	22,366	22,366	-	22,366	537,829	537,829	-	582,562
Balance at the end of current period	597,809	574,509	-	574,509	3,510,542	3,510,542	△411	4,682,450

		nd translation tments		
	Net unrealized gains (losses) on available- for-sale securities, net of taxes	Total valuation and translation adjustments	subscription warrant	Total net assets
Balance at the beginning of current period	-	-	527	4,100,416
Changes of items during the period				
Issuance of new shares				44,732
Net income				537,829
Acquisition of treasury stock				-
Disposal of treasury stock				-
Net changes of items other than shareholders' equity	-	-	△527	△527
Total changes of items during the period	-	-	△527	582,034
Balance at the end of current period	-	-	-	4,682,450

# Current fiscal year (July 1, 2021 to June 30, 2022)

(Unit: thousand yen)

	capital stock							
			Capital surplus			Retained earnings		
	capital stock	capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings	treasury stock	Total shareholders' equity
Balance at the beginning of current period	597,809	574,509	-	574,509	3,510,542	3,510,542	△411	4,682,450
Changes of items during the period								
Issuance of new shares								_
Net income					803,246	803,246		803,246
Acquisition of treasury stock							△698,783	△698,783
Disposal of treasury stock			4,303	4,303			43,292	47,596
Net changes of items other than shareholders' equity								
Total changes of items during the period	-	-	4,303	4,303	803,246	803,246	△655,490	152,059
Balance at the end of current period	597,809	574,509	4,303	578,813	4,313,788	4,313,788	△655,901	4,834,510

		nd translation tments		
	Net unrealized	Total valuation and translation adjustments	subscription warrant	Total net assets
Balance at the beginning of current period	-	-	-	4,682,450
Changes of items during the period				
Issuance of new shares				_
Net income				803,246
Acquisition of treasury stock				△698,783
Disposal of treasury stock				47,596
Net changes of items other than shareholders' equity	13,130	13,130	-	13,130
Total changes of items during the period	13,130	13,130	_	165,189
Balance at the end of current period	13,130	13,130	-	4,847,640

# Fiscal year ended June 30, 2022

Cook flows from anaroting activities	
Cash flows from operating activities  Income before income taxes and minority interests	1,057,922
Depreciation and amortization	233,640
Increase (decrease) in accrued bonuses	Δ21,440
Increase (decrease) in allowance for doubtful accounts	Δ3,780
Increase (decrease) in allowance for office relocation	Δ3,760
expenses	△26,018
Interest and dividend income	△2,466
Loss (gain) on sales of property, plant and equipment	△182
(Gain) loss on investments in partnership	1,975
Loss (gain) on extinguishment of tie-in shares	△559
Decrease (increase) in trade receivables	80,190
(Increase) decrease in inventories	△52,278
Increase (decrease) in notes and accounts payable-trade	26,647
Increase (decrease) in accrued liabilities	39,966
Increase (decrease) in accrued expenses	106,581
Increase (decrease) in contract liabilities	55,284
Other	△16,298
subtotal	1,479,183
Interest and dividends received	2,466
Income taxes paid	△356,234
Cash flows from operating activities	1,125,414
Cash flows from investing activities	
Purchases of property, plant and equipment	△407,645
Proceeds from sales of property, plant and equipment	261
Payments for acquisition of intangible assets	△110,929
Payments for purchase of investment securities	△120,000
Payment for lease and guarantee deposits	△263,238
Payments for fulfillment of asset retirement obligations	△47,418
Cash flows from investing activities	△948,969
Cash flows from financing activities	
Payments for purchase of treasury stock	△698,783
Cash flows from financing activities	△698,783
Effect of exchange rate changes on cash and cash equivalents	_
Net increase (decrease) in cash and cash equivalents	Δ522,337
Cash and cash equivalents at beginning of year	3,390,499
Increase (decrease) in cash and cash equivalents resulting	5,390,499
from merger of consolidated subsidiaries	40,078
Cash and cash equivalents at end of year	2,908,239

(5) Notes to Financial Statements(Note on going concern assumption)Not applicable.

(Note in the event of a significant change in the amount of shareholders' equity)

Based on the resolution of the Board of Directors' meeting held on August 12, 2021, the Company acquired 130,000 shares of treasury stock, while based on the resolution of the Board of Directors' meeting held on September 29, 2021, the Company disposed of 8,150 shares of treasury stock as compensation for restricted stock transfer. As a result, including the increase due to the purchase of odd-lot shares, treasury stock increased by 655,490 thousand yen during the third quarter of the current fiscal year, and treasury stock totaled 655,901 thousand yen at the end of the third quarter of the current fiscal year.

## (Change in accounting policy)

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

We have adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, June 30, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc. from the beginning of the first quarter of the fiscal year ending June 30, 2022, and recognizes revenue 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.

With respect to the application of the revenue recognition accounting standard, etc., the Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the revenue recognition accounting standard, and the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter has been added to or deducted from retained earnings at the beginning of the first quarter, and the new accounting policy has been applied from the relevant beginning balance.

As a result, the adoption of this accounting standard had only a minor impact on the financial statements and had no effect on the beginning balance of retained earnings.

In addition, due to the application of the revenue recognition accounting standard, "unearned revenue" which was presented in "current liabilities" in the balance sheet of the previous fiscal year, is now included in "contract liabilities" from the first quarter of the current fiscal year.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year using the new presentation method. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Financial Reporting" (ASBJ Statement No. 12, June 30, 2020), we have not presented information on revenues from contracts with customers broken down for the fiscal year ended June 30, 2022.

(Application of accounting standards for calculation of fair value, etc.)

We have applied the "Accounting Standard for Measurement of Fair Value" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Measurement of Fair Value"), etc. from the beginning of the first quarter of the fiscal year ending June 30, 2022, and in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), we have decided to apply the new accounting policy prescribed by the Accounting Standard for Measurement of Fair Value, etc. prospectively.

(Segment information, etc.)

[Segment information]

Fiscal year ended June 30, 2022 (July 1, 2021 - June 30, 2022)

1. Information on net sales and income or loss by reportable segment

(Unit: thousand yen)

	Professional Services Business	Reportable segment Product Business	Adjustment amount (Note) 1	Amount on Statement of Income (Note) 2	
Net sales  Net sales to external customers  Intersegment sales and transfers	6,075,311	2,486,000	8,561,311	-	8,561,311
Total	6,075,311	2,486,000	8,561,311	1	8,561,311
Segment profit (loss)	2,543,090	610,798	3,153,888	△2,008,936	1,144,952

#### Notes:

- 1. Adjustment of segment income includes corporate expenses of 1,382,654 thousand yen that are not allocated to each reportable segment. Corporate expenses mainly consist of selling, general and administrative expenses of sales and administrative departments that do not belong to any reportable segment.
- 2. Segment income is adjusted with operating profit in the statements of income.
- 3. Assets by reportable segment are not shown because the Company does not allocate assets to each reportable segment for internal management purposes.