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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2022 [Japanese GAAP]

July 15, 2021

Company name  Rozetta Corp. Listing Market TSE

Stock Code 6182 URL <https://www.rozetta.jp>

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Scheduled date of filing of quarterly report: July 15, 2021 Scheduled date of commencement of dividend payment —

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results briefing: Yes

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2022 (March 1, 2021 to May 31, 2021)

(1) Consolidated Results of Operation (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q1 FY2/22	1,048	(1.8)	62	(65.4)	71	(60.7)	49	(59.5)
Q1 FY2/21	1,067	9.4	181	6.5	181	6.7	121	10.2

(Note) Comprehensive income Q1 FY2/22 49 Millions of yen ((59.5)%) Q1 FY2/21 121 Millions of yen (10.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Q1 FY2/22	4.64	4.55
Q1 FY2/21	11.80	11.51

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
Q1 FY2/22	5,999	2,725	44.7
FY2/21	6,166	2,790	43.8

(Reference) Shareholders' equity Q1 FY2/22 2,684 Millions of yen FY2/21 2,703 Millions of yen

2. Dividend payment

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/21	—	0.00	—	6.00	6.00
FY2/22	—				
FY2/22 (Forecast)		0.00	—	7.00	7.00

(Note) Revisions to the most recently announced dividend forecast: None

3. Consolidated Business Forecasts for the Fiscal Year Ending February 28, 2022 (March 1, 2021 to February 28, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	4,910	20.5	610	103.0	450	63.3	260	85.1	21.89

Notes: 1. Revisions to the most recently announced business forecast: None

2. In the consolidated business forecasts and the dividend forecast for the fiscal year ending February 28, 2022, there is a significant impact of the increase in procurement costs and the increase in the number of shares due to the exercise of the share subscription rights issued on July 14, 2020. For the purpose of calculating the forecast, we assume non-operating expenses of 160 million yen and an increase in the total number of shares outstanding by 1,218,800 due to the exercise of the share subscription rights. Please note that this calculation is based on assumptions at the time this report was prepared.

◆ Consolidated Business Forecasts by Segment

(Percentages indicate year-on-year changes.)

	Net sales		Operating income	
	Millions of yen	%	Millions of yen	%
Full year				
MT business	3,480	23.1	720	110.0
HT business	1,430	14.5	260	36.6
GU business	—	—	(350)	—
Other corporate expenses	—	—	(20)	—

(Note) Effective from the first quarter of the fiscal year under review, the former HT business and the former Crowdsourcing business have been integrated and disclosed as the HT business.

This business forecast is based on the assumption that the economic environment is on an extension of the current situation, as it is impossible to predict the full-fledged recovery period for the decline in business performance and the stagnation in purchasing activities of client companies that are closely related to overseas due to COVID-19 pandemic and its secondary phenomenon.

In the MT business, we have continued to reduce selling, general and administrative expenses to an appropriate level in light of the current order intake (20-40% increase in MT sales) that was launched in the fiscal year ended February 28, 2021.

In addition, in the fiscal year ending February 28, 2022, office cancellation and decrease in depreciation of property, plant and equipment are expected, and the MT business is expected to earn around 720 million yen on an operating income basis.

For the GU business, we have assumed an operating loss of 350 million yen in the calculation of the consolidated business forecasts. This is the amount that is calculated by converting the operating loss of 168 million yen that occurred about six months after the commencement of the GU business in the previous fiscal year, to an amount through the entire year, and not set as a business forecast. We made a significant transition to the GU business during the fiscal year ended February 28, 2021. For an overview, please refer to the "Notice Regarding Amendments to Accounting Procedures for the GU Business and Amendments to Related Documents for the Fiscal Year Ending February 28, 2021 due to the Amendments" disclosed on May 10, 2021.

* Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements: Yes

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes on Quarterly Consolidated Financial Statements (Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements)" on page 6 of the Appendix.

(3) Changes in accounting policies, changes in accounting estimates and restatements

1) Changes in accounting policies due to revisions of accounting standards, etc.: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares outstanding (common stock)

(1) Number of shares outstanding at the end of the period (including treasury stock)

2) Treasury shares at the end of the year

3) Average number of shares outstanding during the period (cumulative)

Q1 FY2/22	10,657,660	shares	FY2/21	10,657,660	shares
Q1 FY2/22	422	shares	FY2/21	422	shares
Q1 FY2/22	10,657,238	shares	Q1 FY2/21	10,330,924	shares

* This quarterly financial report is not subject to the quarterly review by a certified public accountant or an auditing firm.

* Explanations and other special notes concerning the appropriate use of business forecasts
(Cautionary Statement with Respect to Forward-Looking Statements)

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. The Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors. Please refer to "1. Qualitative Information on Consolidated Financial Results (3) Consolidated Business Forecasts" on page 3 of the Appendix for the assumptions underlying the forecasts and cautions concerning the use thereof.

(Method of Obtaining Financial Results Briefing Materials)

Supplementary materials for financial results were disclosed on the TDnet on the same date.

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

During the first quarter of the current fiscal year (March 1, 2021 to May 31, 2021), the MT business continued to perform strongly, but there were losses due to upfront investment, such as research and development expenses, in the GU business.

As a result, our group posted net sales of 1,048,738 thousand yen (down 1.8% year on year), operating income of 62,860 thousand yen (down 65.4% year on year), ordinary income of 71,439 thousand yen (down 60.7% year on year), and profit attributable to owners of parent of 49,437 thousand yen (down 59.5% year on year) for the cumulative first quarter of the current fiscal year.

Net sales of businesses other than the GU business were 1,048,729 thousand yen (down 1.8% year on year), operating income was 208,919 thousand yen (up 15.0% year on year), and operating income was a record high.

The performance of each business segment is as follows:

Effective from the first quarter of the fiscal year under review, the segment has been changed and the results of Xtra, Inc., which had been recorded in the "Crowdsourcing business," have been recorded in the "HT business." Segment information for the first quarter of the previous fiscal year has been analyzed using the new figures.

1) MT business

As for the MT business, sales were 746,141 thousand yen (up 4.2% year on year) due to continuous strong sales, and segment income was 170,747 thousand yen (up 34.2% year on year).

2) HT business

As for the HT business, sales were 302,587 thousand yen (down 13.9% year on year), and segment income was 52,163 thousand yen (down 32.0% year on year).

3) GU business

As for the GU business, sales were 8 thousand yen and segment loss was 146,059 thousand yen.

(2) Financial Position

(Assets)

Current assets decreased by 153,161 thousand yen from the end of the previous fiscal year to 2,701,738 thousand yen at the end of the first quarter of the current fiscal year. This was mainly due to a decrease of 167,370 thousand yen in cash and deposits and a decrease of 73,102 thousand yen in notes and accounts receivable. Non-current assets decreased by 14,352 thousand yen from the end of the previous fiscal year to 3,297,585 thousand yen. This was mainly due to a decrease of 40,889 thousand yen in property, plant and equipment and an increase of 22,200 thousand yen in intangible assets.

(Liabilities)

Current liabilities decreased by 102,476 thousand yen from the end of the previous fiscal year to 1,965,688 thousand yen at the end of the first quarter of the current fiscal year. This was mainly due to an increase of 114,857 thousand yen in advances received, a decrease of 68,408 thousand yen in accrued expenses, a decrease of 60,294 thousand yen in income taxes payable, a decrease of 49,589 thousand yen in current portion of long-term loans payable, and a decrease of 42,788 thousand yen in accounts payable-other. Non-current liabilities decreased by 530 thousand yen from the end of the previous fiscal year to 1,307,897 thousand yen. This was mainly due to a decrease of 6,525 thousand yen in lease obligations and an increase of 5,995 thousand yen in long-term loans payable.

(Net assets)

Net assets decreased by 64,506 thousand yen from the end of the previous fiscal year to 2,725,737 thousand yen at the end of the first quarter of the current fiscal year. This was mainly due to a decrease of 45,758 thousand yen in non-controlling interests due to the acquisition of additional shares of subsidiaries, and an increase of 49,437 thousand yen in retained earnings due to the recording of profit attributable to owners of parent, despite a decrease of 63,943 thousand yen due to dividends of surplus.

(3) Consolidated Business Forecasts

Our two management themes for the future are:

1) Service-in/UX Brush-up of the GU Business

Spur the development and service-in of the GU business, including YouConnect, Travel DX, VR Music, VR Karaoke, and project OASIS. Start the service as fast as possible and perform agile brush-up of UX.

2) Expansion of cash cow in the MT business

We will expand the cash cow of the MT business, such as the T-4OO and T-3MT, by selecting and concentrating management resources.

We will allocate resources (streamline selling, general and administrative expenses, and optimize marketing activities) in response to the annual sales growth rate of double-digit percent, and in the fiscal year ending February 28, 2022, we will establish a cash cow business with an operating income of about 700 million yen per year.

The impact of COVID-19 pandemic on our business results is as follows.

In the first quarter of the MT business, there was a certain effect due to the shift to "new sales activities in the event of COVID-19 pandemic (*)" that we had attempted since the fiscal year ended February 28, 2021.

In particular, the business divisions that handle the mainstay products T-4OO and T-3MT continued to perform online against the orders received plan that served as the basis for the business forecasts, and the situation was firm.

* From our passive style, which was highly dependent on the creation of leads through previous exhibitions, we mainly create active and active contact opportunities, such as by improving business operations, proposing a product mix to existing customers, and holding webinars.

In addition, orders for the new conferencing speech translation tool "Onyaku" are expanding, and it is becoming one of our core products.

There is a certain lag between the improvement in orders received and the reflection of the top line in net sales. As a result, the amount of the business forecast is planned to expand monthly profits and losses from the beginning of the fiscal year to the end of the fiscal year. In this situation, the MT segment's annual performance achievement ratio of 21.44% as of the first quarter is online compared to the plan that we initially set.

In the fiscal year ended February 28, 2021, the HT business, which undertakes manual tasks, was significantly affected by COVID-19 pandemic. However, as for the situation related to the former HT business, such as translation, interpretation, and training in the HT business, total sales have been on a gradual recovery trend after bottoming out in August of the previous fiscal year, and although sales in the first quarter of the fiscal year ending February 28, 2022 are expected to remain unchanged from the same period of the previous fiscal year, sales after that period are expected to exceed those in the same period of the previous fiscal year.

The forecasts here are based on actual results and conditions actually affected by COVID-19 pandemic as of July 15, 2021, and do not incorporate any predictions, such as when the medical, political, or economic problems caused by COVID-19 pandemic will subside.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (February 28, 2021)	Current first quarter (May 31, 2021)
Assets		
Current assets		
Cash and deposits	2,276,395	2,109,024
Notes and accounts receivable	453,091	379,988
Inventories	33,679	40,879
Other	102,466	181,330
Allowance for doubtful accounts	(10,732)	(9,484)
Total current assets	2,854,899	2,701,738
Non-current assets		
Property, plant and equipment	431,406	390,516
Intangible assets		
Goodwill	52,231	46,541
Software	1,065,330	1,317,563
Software in progress	710,552	487,900
Other	30,269	28,580
Total intangible assets	1,858,385	1,880,585
Investments and other assets		
Investment securities	664,923	665,795
Other	※ 357,222	※ 360,687
Total investments and other assets	1,022,146	1,026,483
Total non-current assets	3,311,938	3,297,585
Total assets	6,166,837	5,999,323
Liabilities		
Current liabilities		
Notes and accounts payable-trade	94,144	54,248
Short-term borrowings	100,000	100,000
Current portion of long-term loans payable	412,809	363,220
Current portion of corporate bonds	44,000	44,000
Income taxes payable	102,227	41,933
Provision for bonuses	58,223	111,007
Advances received	816,865	931,722
Other	439,895	319,557
Total current liabilities	2,068,165	1,965,688
Non-current liabilities		
Corporate bonds	176,000	176,000
Long-term debt	1,038,980	1,044,975
Other	93,448	86,922
Total non-current liabilities	1,308,428	1,307,897
Total liabilities	3,376,594	3,273,586
Net assets		
Shareholders' equity		
Common stock	783,511	783,511
Capital surplus	1,761,699	1,757,458
Retained earnings	158,988	144,482
Treasury stock	(861)	(861)
Total shareholders' equity	2,703,337	2,684,590
Share subscription rights	41,146	41,146
Non-controlling interests	45,758	—
Total net assets	2,790,243	2,725,737
Total liabilities and net assets	6,166,837	5,999,323

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the Three-month Period)

(Thousands of yen)

	Previous first quarter (From March 1, 2020 to May 31, 2020)	Current first quarter (From March 1, 2021 to May 31, 2021)
Net sales	1,067,438	1,048,738
Cost of sales	342,014	346,296
Gross profit	725,423	702,441
Selling, general and administrative expenses		
Salaries, allowances and bonuses	163,978	196,264
Provision for bonuses	29,962	41,130
Retirement benefit expenses	3,846	2,208
Other	345,999	399,977
Total selling, general and administrative expenses	543,785	639,581
Operating income	181,637	62,860
Non-operating income		
Interest income	6	11
Foreign exchange gain	64	729
Subsidy income	—	9,210
Difference in consumption tax	690	—
Other	293	9,551
Total non-operating income	1,054	19,502
Non-operating expenses		
Interest expenses	811	3,489
Share of loss of investments accounted for using equity method	—	5,961
Other	1	1,471
Total non-operating expenses	813	10,922
Ordinary income	181,879	71,439
Special income		
Reversal of allowance for doubtful accounts	—	200
Total special income	—	200
Income before income taxes	181,879	71,639
Income taxes	59,930	22,202
Net income	121,949	49,437
Net income attributable to owners of parent	121,949	49,437

(Quarterly Consolidated Statements of Comprehensive Income)
(For the Three-month Period)

(Thousands of yen)

	Previous first quarter (From March 1, 2020 to May 31, 2020)	Current first quarter (From March 1, 2021 to May 31, 2021)
Net income	121,949	49,437
Comprehensive income	121,949	49,437
Comprehensive income (loss) attributable to:		
Owners of parent	121,949	49,437
Non-controlling interests	—	—

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

We acquired additional shares of MATRIX Corporation, a consolidated subsidiary, on March 1, 2021, making it a wholly owned subsidiary. As a result, capital surplus decreased by 4,241 thousand yen to 1,757,458 thousand yen at the end of the first quarter of the current fiscal year.

(Changes in Scope of Consolidation or Scope of Equity Method Application)

(Significant Changes in Scope of Consolidation)

Effective from the first quarter of the fiscal year under review, Rozetta MT Corporation has been included in the scope of consolidation due to the establishment of Rozetta MT Corporation.

(Significant Changes in Scope of Equity Method Application)

Effective from the first quarter of the fiscal year under review, VR Music Corporation, which was a newly contributed entity, has been included in the scope of application of the equity method. Since the deemed acquisition date is May 31, 2021, no share of profit (loss) of investments accounted for using equity method has been recognized.

(Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements)

Income taxes are calculated by multiplying the income before income taxes by the forecasted effective tax rate, which is computed by matching the forecasted yearly income taxes with the forecasted yearly income before taxes.

(Additional Information)

(Transition to a holding company structure through a company split)

At the meeting of the Board of Directors held on January 14, 2021, in order to transition to a holding company structure, we resolved to establish a split preparation company and transit to a holding company structure through a company split, and established a split preparation company (Rozetta MT Corporation) on March 1, 2021.

At the meeting of the Board of Directors held on April 14, 2021, in order to transition to a holding company structure on September 1, 2021 (planned), we resolved to conclude an absorption-type split agreement with Rozetta MT Corp. and Signans Inc., which are our wholly owned subsidiaries, with Rozetta Corp. as the split company, Rozetta MT Corp., and Signans Inc. as the successor company, and concluded the agreement on the same date.

With regard to the transition to a holding company structure, relevant proposals were approved at our annual general shareholders meeting held on May 25, 2021.

(1) Purpose of transition to a holding company structure

Since our founding, we have developed AI automatic translation under our corporate mission of "liberate Japan from linguistic impairment." At present, by integrating cutting-edge technologies such as AI, AR (Augmented Reality), VR (Virtual Reality), 5G/6G/7G (high-speed, large-capacity, multi-simultaneous connection communication), 4K/8K/12K (super-resolution video), video distribution solutions, robotics, and HA (Human Augmentation), we aim to realize "global ubiquitous" where people across the globe can interact, live, work, and enjoy their lives "with anyone in any language anytime, anywhere."

In order for our group to further improve corporate value and achieve sustainable growth in the future, we believe that it is necessary to reconstruct our group structure so that we can further improve management efficiency and respond flexibly to changes in the market environment. By transition to a holding company structure, we will strengthen the planning and drafting functions of Group management strategies. At the same time, we will establish a flexible organizational structure to respond flexibly to the market environment and expand our business through M&A. As a result, we believe that we can improve corporate value and achieve sustainable growth, and therefore we have decided to transition to a holding company structure.

(2) Overview of the Successor Company

<Successor Company 1>

- 1) Company name: Rozetta MT Corporation
- 2) Location: 3-7-1, Kanda Jinbocho, Chioda-ku, Tokyo
- 3) Representative: Maro Watanabe, CEO
- 4) Business description: Development/management of super-high-precision AI automatic translation
- 5) Common stock: 50,000 thousand yen
- 6) Date of establishment: March 1, 2021
- 7) Shareholding ratio: Rozetta Corp. 100%

(Note) Company name is planned to be changed to Rozetta Corp. on September 1, 2021.

<Successor Company 2>

- 1) Company name: Signans Inc.
- 2) Location: 6-8-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo
- 3) Representative: Takashi Okuyama, CEO
- 4) Business description: Development/provision of xR system
- 5) Common stock: 10,000 thousand yen
- 6) Date of establishment: November 13, 2020
- 7) Shareholding ratio: Rozetta Corp. 100%

(3) Method of transition to a holding company structure

As for the method of shifting to a holding company structure, we will establish Rozetta MT Corp. as a split preparation company, which is our wholly owned subsidiary, and adopt an absorption-type split, with Rozetta Corp. as the absorption split company and Rozetta MT Corp. and Signans Inc., which is our wholly owned subsidiary, as the absorption-split successor companies which take over the MT business.

We plan to continue to list on the stock exchange as a holding company that carries out the Group's governance functions.

We plan to change the corporate name from Rozetta Corp. to MetaReal Corp. on September 1, 2021.

(4) Transition Schedule

Meeting of the Board of Directors to approve an establishment of the split preparation company: January 14, 2021

Establishment of the split preparation company: March 1, 2021

Meeting of the Board of Directors to conclude the absorption-type split agreement: April 14, 2021

Conclusion of the absorption-type split agreement: April 14, 2021

Meeting of shareholders to approve the absorption-type split agreement: May 25, 2021

Transition to a holding company structure: September 1, 2021 (planned)

(Segment Information)

[Segment Information]

I Previous first quarter (From March 1, 2020 to May 31, 2020)

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

(Thousands of yen)

	Reportable Segments			Adjustment (Note 1)	Amounts on the consolidated financial statements (Note 2)
	MT business	HT business	Total		
Net sales					
Net sales to unaffiliated customers	716,029	351,408	1,067,438	—	1,067,438
Intersegment sales or transfer	7,784	15,515	23,300	(23,300)	—
Total	723,813	366,924	1,090,738	(23,300)	1,067,438
Segment income	127,221	76,766	203,988	(22,350)	181,637

Notes: 1. Adjustments to segment income of (22,350) thousand yen include eliminations of intersegment transactions and corporate expenses. Corporate expenses mainly consist of expenses related to the administrative departments of the parent company that are not attributable to reportable segments.

2. Segment income is adjusted with operating income in the quarterly consolidated statements of income.

II Current first quarter (From March 1, 2021 to May 31, 2021)

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

(Thousands of yen)

	Reportable Segments				Adjustment (Note 1)	Amounts on the consolidated financial statements (Note 2)
	MT business	HT business	GU business	Total		
Net sales						
Net sales to unaffiliated customers	746,141	302,587	8	1,048,738	—	1,048,738
Intersegment sales or transfer	1,360	7,759	—	9,119	(9,119)	—
Total	747,501	310,346	8	1,057,857	(9,119)	1,048,738
Segment income (loss)	170,747	52,163	(146,059)	76,852	(13,991)	62,860

Notes: 1. Adjustments to segment income (loss) of (13,991) thousand yen include eliminations of intersegment transactions and corporate expenses. Corporate expenses mainly consist of expenses related to the administrative departments of the parent company that are not attributable to reportable segments.

2. Segment income (loss) is adjusted with operating income in the quarterly consolidated statements of income.

2. Changes in reportable segments

Previously, our group had four reportable segments: the MT business, the HT business, the Crowdsourcing business, and the GU business. However, from the first quarter of the fiscal year under review, we have decided to change the reportable segments to the MT business, the HT business, and the GU business. This is because there is no longer a clear difference between crowdsourcing and HT at present, and in light of size and growth potential, there is no longer a point to separate.

Segment information for the first quarter of the previous fiscal year has been prepared using the new segmentation method and is described on "1. Information on net sales and income (loss) by reportable segment." of "I Previous first quarter (From March 1, 2020 to May 31, 2020)."

(Business Combinations)

(Transactions under Common Control)

(Additional Acquisition of Shares of Subsidiaries)

We acquired additional outstanding shares of MATRIX Corporation, our consolidated subsidiary, on March 1, 2021, in accordance with the resolution of the Board of Directors at the meeting held on February 26, 2021, making it a wholly owned subsidiary.

1. Overview of Transactions

(1) Company name and business description of the companies subject to the business combination

Name of the company subject to business combination: MATRIX Corporation

Description of business: VR business

(2) Effective date of the business combination

March 1, 2021

(3) Legal form of the business combination

Acquisition of shares from non-controlling interests

(4) Company name following the business combination

There is no change.

(5) Other matters related to overview of the transaction

We have acquired all the shares of MATRIX Corporation from P2P Co., Ltd. (of which name was changed from p2p Co., Ltd. on March 25, 2021), which is our equity method affiliate. This was made possible by the conversion of MATRIX Corporation into a wholly owned subsidiary to meet the request of P2P Corporation and strengthen the Group management structure.

2. Overview of accounting treatment

In accordance with the "Accounting Standards for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), transactions under common control are treated as transactions with non-controlling interests.

3. Purchase of additional shares of subsidiaries

Breakdown of the acquisition cost

Consideration paid for acquisition: cash of 50,000 thousand yen

Acquisition cost: 50,000 thousand yen

4. Changes in equity due to transactions with non-controlling interests

(1) Major changes in capital surplus

Purchase of additional shares of subsidiaries

(2) Capital surplus decreased due to transactions with non-controlling interests

4,241 thousand yen

(Per share Information)

Net income per share and the basis for calculating it, and diluted net income per share and the basis for calculating it are as follows.

	Previous first quarter (From March 1, 2020 to May 31, 2020)	Current first quarter (From March 1, 2021 to May 31, 2021)
(1) Net income per share	11.80 yen	4.64 yen
(Basis of calculation)		
Net income attributable to owners of parent (thousands of yen)	121,949	49,437
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to owners of parent related to common stock (thousands of yen)	121,949	49,437
Average number of shares of common stock outstanding during the period (shares)	10,330,924	10,657,238
(2) Diluted net income per share	11.51 yen	4.55 yen
(Basis of calculation)		
Adjustment to net income attributable to owners of parent (thousands of yen)	—	—
Increase in number of common shares (shares)	261,002	216,481
Outline of potential shares that had not been included in the calculation of diluted net income per share because they had no dilutive effect, and that had changed significantly since the end of the previous fiscal year	—	—

(Significant Subsequent Events)

Not applicable.