



Consolidated Financial Results for the First Nine Months of FY 3/2022
[Japanese GAAP]

February 7, 2022

Company Name NISSO CORPORATION Stock Exchange Listing: Tokyo
 Securities Code 6569 URL <https://www.nisso.co.jp/>
 Representative (Title) Representative Director, (Name) Ryuichi Shimizu
 President & CEO
 Contact Person (Title) Sr. Executive Officer (Name) Norihiro Sekido TEL +81-45-514-4323
 Scheduled date of filing February 10, 2022 Scheduled date of payment of dividend —
 Quarterly Report
 Preparation of supplementary materials for quarterly financial results: Yes (Scheduled to be posted on the Company's website on February 7, 2022 (Mon.))
 Holding of quarterly financial results meeting: Yes (Scheduled to be held for institutional investors and analysts on February 10, 2022 (Thu.))

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2022
(April 1, 2021 – December 31, 2021)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First nine months ended December 31, 2021	56,977	13.0	1,406	(16.2)	1,595	(20.4)	1,036	(19.3)
December 31, 2020	50,442	(9.5)	1,678	(11.5)	2,005	3.4	1,284	(1.8)

(Note) Comprehensive income For the first nine months ended December 31, 2021: 1,027 Million yen (-20.1%)
 For the first nine months ended December 31, 2020: 1,285 Million yen (1.8%)

	Net income per share	Diluted net income per share
First nine months ended	Yen	Yen
December 31, 2021	30.50	30.48
December 31, 2020	37.96	37.81

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
December 31, 2021	23,401	12,890	55.1
March 31, 2021	21,631	12,763	59.0

(Reference) Equity capital As of December 31, 2021: 12,890 Million yen
 As of March 31, 2021: 12,763 Million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended March 31, 2021	Yen	Yen	Yen	Yen	Yen
March 31, 2021	—	0.00	—	20.10	20.10
Fiscal year ending March 31, 2022	—	0.00	—		
Fiscal year ending March 31, 2022 (Forecast)				18.00	18.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2022
(April 1, 2021 - March 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	78,000	14.3	2,400	(7.7)	2,600	(11.9)	1,750	9.9	51.51

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

※ Notes

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

(Note) Although not applicable to changes in specified subsidiaries, Vector Shinwa Co., Ltd. has been included in the scope of consolidation from the consolidated cumulative second quarter.

(2) Application of special accounting methods for the presentation of quarterly consolidated financial statements: None

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

① Changes in accounting policies due to revisions in accounting standards, etc.: Yes

② Changes in accounting policies other than ① above: None

③ Changes in accounting estimates: None

④ Restatements: None

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Notes (3) Notes regarding Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on P.9 of the attachments.

(4) Number of outstanding shares (Common stock)

① Number of shares outstanding at the end of the period (including treasury shares)	As of Dec. 31, 2021	34,327,600 Shares	As of Mar. 31, 2021	34,320,400 Shares
② Number of treasury shares at the end of the period	As of Dec. 31, 2021	348,444 Shares	As of Mar. 31, 2021	366,381 Shares
③ Average number of shares outstanding during the period (Quarterly total)	First nine months ended Dec. 31, 2021	33,968,784 Shares	First nine months ended Dec. 31, 2020	33,823,943 Shares

※ The quarterly financial statement is not subject to the quarterly review procedures of certified public accountants or auditing corporations

※ Cautionary statement on the appropriate use of earning forecasts, and other special items

(Notes on forward-looking statements, etc.)

- Earnings forecasts regarding future performance and other forward-looking statements in this material are based on certain assumptions judged to be valid and on information that is currently available to the Company, and do not represent promises by the Company that these figures will be achieved. In addition, actual results may differ significantly due to a variety of factors. For prerequisite conditions, etc. regarding the earnings forecasts, please refer to "1. Qualitative Information on Quarterly Financial Results, (3) Description of Future Forecast Information such as Consolidated Forecasts, etc." on P.5 of the attachments.

(Supplementary materials for quarterly financial results and method of obtaining content for quarterly financial results meeting)

The Company is planning to hold a briefing session for institutional investors and analysts on Thursday, February 10, 2022.

Quarterly financial results briefing materials to be used on that day will be posted on the Company's website on the day of the announcement of financial results (Monday, February 7, 2022).

(Reference) Summary of Non-consolidated Financial Results

**Non-consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2022
(April 1, 2021 - December 31, 2021)**

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Quarterly net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First nine months ended								
December 31, 2021	52,668	14.0	1,429	(16.8)	1,528	(22.1)	989	(21.7)
December 31, 2020	46,191	(10.2)	1,718	(10.3)	1,962	2.3	1,263	(3.1)

	Net income per share	Diluted net income per share
	Yen	Yen
First nine months ended		
December 31, 2021	29.14	29.12
December 31, 2020	37.37	37.21

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of			
December 31, 2021	21,241	12,278	57.8
March 31, 2021	19,811	11,955	60.3

(Reference) Equity capital As of December 31, 2021: 12,278 Million yen
As of March 31, 2021 11,955 Million yen

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

Japan's economy during the current consolidated cumulative third quarter (hereinafter, the "period under review") showed signs of gradual recovery as the severe situation eased due to the decrease in the number of people infected with the new coronavirus (hereinafter, "COVID-19"). However, it is necessary to pay close attention to the impact on both domestic and overseas economies, such as supply constraints and trends in raw material prices due to the supply chain stagnation resulting from lockdowns in Southeast Asia, and the re-expansion of the number of COVID-19 infections, mainly the Omicron strain, which occurred around November 2021.

As for the business environment surrounding the Nisso Group (hereinafter, the "Group"), although some auto-body manufacturers, who are important clients, continued to make operational adjustments due to the effects of shortages of semiconductors and parts, in the electronic devices-related industry, production has remained high as a result of strong demand for semiconductors. In addition, in terms of employment conditions, there is a growing need for external human resources utilization at NISSO CORPORATION's (hereinafter, the "Company") client manufacturers, such as hiring human resources with an eye on the future in the manufacturing industry.

In this environment, based on its mission of "Creating opportunities and hopes for people to work", the Group aims to create workplaces where workers can feel motivated and grow, with Human Resources Solution Services that support the growth of companies and people, and "to transform into a corporate group with high-growth potential", which is the goal of the Medium-term Management Plan. With the aim of providing services that can respond to social changes and changes in industrial structures, the Group is promoting the following initiatives.

During the period under review, net sales in the existing areas of manufacturing dispatching and contracting, and administrative human resources services amounted to 50,721 million yen, and net sales in the third quarter consolidated accounting period (hereinafter, the "third quarter") amounted to 18,066 million yen (up 8.9% from the second quarter consolidated accounting period, hereinafter, the "second quarter").

Based on the strategy of strengthening its service provision system, increasing the market share of Account Companies, expanding recruitment, providing more educational opportunities, and assigning skilled staff to Account Company Groups, which the Group positions as important clients, the number of skilled staff at the end of the third quarter amounted to 5,244 (up 121 from the end of the second quarter), and net sales at Account Companies for the period under review amounted to 24,687 million yen, as well as net sales of 8,721 million yen for the third quarter (up 7.8% from the second quarter). On the other hand, due to operational adjustments of some auto-body manufacturers as a result of shortages of semiconductor and parts, the share of net sales of Account Companies for the third quarter has remained virtually unchanged at 46.7% (which was at 46.8% in the second quarter).

In the engineering area, net sales for the period under review amounted to 4,015 million yen, as well as net sales of 1,470 million yen for the third quarter (up 12.8% from the second quarter).

In order to increase the number of engineers, the Company will utilize its unique recruitment site "engineer works", which specializes in engineers, by promoting career changes from skilled staff to engineers. By doing so, the number of engineers at the end of the third quarter amounted to 982 (up 81 from the end of the second quarter), and the average monthly net sales per capita for the period under review was 512 thousand yen (which was 509 thousand yen in the consolidated cumulative second quarter). In order to achieve the targets of the Medium-term Management Plan, the Group is promoting M&A and alliances, and is making efforts to create a structure to expand the existing areas of engineers and to provide new services.

Net sales in the new business area for the period under review were insignificant.

In addition, in order to achieve the Medium-term Management Plan, the Company concluded an agreement on January 18, 2022, to underwrite a third-party allotment of shares to TSUNAGU HC SUPPORT Inc. (hereinafter, the "Target Company"), a consolidated subsidiary of TSUNAGU GROUP HOLDINGS Inc. (hereinafter, the "TSUNAGU GROUP"), and the establishment of the Target Company as a joint venture company. Through these efforts, the Company and the TSUNAGU GROUP aim to provide new value by integrating the businesses and expertise possessed by both parties in order to further revitalize the human resources market. The Target Company will sequentially provide a variety of sustainable and cyclical services in the human resources area, by taking advantage of the Company's contracting, dispatching, and placement businesses, as well as the expertise and knowledge of human resources development and management that is responsible for those businesses, the TSUNAGU GROUP's human resources recruitment expertise, dispatching and short-term placement businesses, as well as the

operational expertise and achievements of dispatching centers, and systems developed in-house to support them.

Net sales in the nursing care business for the period under review amounted to 2,240 million yen, as well as net sales of 745 million yen for the third quarter (down 0.8% from the second quarter).

As a result of measures to improve the quality of services provided at the "Sweetpea" nursing care facilities located in 6 locations in Yokohama, the occupancy rate of the nursing care facilities has remained high at 92.0%. In addition, the Group is working to build a stable revenue base by continuing its efforts to improve its management structure, such as promoting operational efficiency.

As a result, the results of operations for the period under review are as follows: net sales of 56,977 million yen (up 13.0% year-on-year), operating profit of 1,406 million yen (down 16.2% year-on-year), ordinary profit of 1,595 million yen (down 20.4% year-on-year), and profit attributable to owners of parent amounted to 1,036 million yen (down 19.3% year-on-year).

Based on its policy of putting the safety of its clients and employees as a top priority, the Group has established the "COVID-19 Countermeasures Headquarters", and is promoting business activities that strengthen measures to prevent the spread of COVID-19 infections. Despite production adjustments due to the impact of the supply chain, it is believed that the Group's business performance is expected to remain firm going forward as economic activities of clients related to the Company continue to recover. On the other hand, in the event of an occurrence where individuals are affected by the virus at its clients, workplaces or nursing care facilities, the Group may be affected.

The results of operations by segment are as follows:

(General Human Resources Services Business)

(Unit: Million yen)

	FY 3/2022 Net sales Cons. cumulative 3rd Qtr.		FY 3/2022 Operating profit Cons. cumulative 3rd Qtr.	
	Amount (YoY)	YoY Amount	Amount (YoY)	YoY Amount
Manufacturing-related Human Resources Services	52,907 (up 14.5%)	46,222	1,364 (down 17.5%)	1,654
Administrative Human Resources Services	1,862 (down 8.2%)	2,029	7 (down 83.8%)	48
Adjustment amount	(26) (-)	(22)	0 (-)	(0)
Total	54,742 (up 13.5%)	48,229	1,373 (down 19.3%)	1,702

Manufacturing-related Human Resources Services (NISSO CORPORATION, Vector Shinwa Co., Ltd., Nisso Pure Co., Ltd.)

For clients of manufacturing-related human resources services, the core business which accounted for 92.9% of consolidated net sales during the period under review, while some manufacturers in the automobiles-related industry were forced to suspend operations due to a shortage of parts, production remained strong as a result of strong demand for semiconductors in the electronic devices-related industry and increased production related to in-vehicle products. From the second half of the third quarter, the Group will be strengthening its efforts to secure personnel in order to respond to recovery production, mainly for auto-body manufacturers, and has been actively investing in manufacturing staff recruitment measures, such as starting the broadcasting of TV commercials from October 1, 2021, in order to improve the visibility of the Company's recruitment website, "Kojō Kyujin Navi".

During the period under review, recruitment interview opportunities were expanded by enhancing promotions such as TV commercials, compensation was provided for the decrease in operations as a result of production adjustments in order to improve the retention rate of manufacturing staff, and there was also an increase in the stability orientation of manufacturing staff due to social unrest. As a result, the turnover rate of manufacturing staff during the period under review remained low at 3.7% (which was at 4.2% in the previous consolidated fiscal year), and the number of enrolled manufacturing staff of the Company at the end of the third quarter was 14,715 (up 1,569 from the previous consolidated fiscal year). In addition, production in the automobiles-related industry has

been on a recovery trend since November 2021, with monthly average net sales per capita of 412 thousand yen during the period under review (up 6 thousand yen from the consolidated cumulative second quarter).

As the first step in the growth strategy for expanding existing areas outlined in the Medium-term Management Plan, the Company acquired all shares of Vector Shinwa Co., Ltd., which is mainly engaged in contracting operations in the manufacturing industry such as semiconductors and precision instruments, on August 31, 2021.

Based in Aichi Prefecture, Hiroshima Prefecture, and Fukuoka Prefecture, Vector Shinwa Co., Ltd. focuses on human resources development with a slogan of "Minority Elite". In the contracting business for the manufacturing of semiconductor manufacturing equipment and precision equipment, which is the main pillar of Vector Shinwa's business, despite the impact of the shortage of parts, client production is on an increasing trend due to strong semiconductor demand, and the Company is working to expand its business performance by starting the launch of new processes.

As a result, revenue increased and profits decreased year-on-year.

Nisso Pure Co., Ltd., a special-purpose subsidiary of the Company, promotes the employment of persons with disabilities. With the aim of creating a workplace environment where diverse human resources can flourish, the Group not only hires employees with disabilities, but also promotes activities that take advantage of each individual's characteristics, such as being entrusted with light work operations from external clients, and promotes coexistence with local communities, including those related to schools, support organizations, and the government, and as of the end of the third quarter, the number of employees with disabilities was 196.

Administrative Human Resources Services (Nisso Brain Co., Ltd.)

The administrative human resources services carry out general office work dispatching and BPO (Business Process Outsourcing: the outsourcing of operations and processes of specific business-related tasks to a [third-party] specialized company).

In the period under review, in order to stabilize existing businesses, although the Company is promoting recruitment activities centered on public relations and customer attraction activities, due to sluggish growth in the number of registrants, the number of employees dispatched for administrative work was 663 (down 27 from the end of the previous fiscal year). As a result, the decrease in net sales did not absorb personnel and operating expenses, resulting in a decrease in revenue and profits year-on-year.

(Other Businesses)

(Unit: Million yen)

	FY 3/2022 Net sales		FY 3/2022 Operating profit	
	Cons. cumulative 3rd Qtr. Amount (YoY)	YoY Amount	Cons. cumulative 3rd Qtr. Amount (YoY)	YoY Amount
Nursing care · welfare business	2,240 (up 0.9%)	2,220	35 (-)	(21)

Nursing care · welfare services business (Nisso Nifty Co., Ltd.)

In the facilities nursing care business, which is the core business of this business segment, during the period under review, the number of visitors has increased as a result of the promotion of on-line facility preview events and other activities, and the occupancy rate of the nursing care facility "Sweetpea Higashi Totsuka" (Building 6) remained high at 89.4%, and the occupancy rate of Buildings 1-5 was 92.9%. In addition, revenue and profits increased year-on-year as a result of efforts to reduce cost of sales and improve profitability through initiatives such as streamlining personnel and operating expenses.

(2) Description of Financial Position

(Assets)

Current assets at the end of the current third quarter amounted to 15,348 million yen, which was an increase of 534 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 689 million yen in notes and accounts receivable (trade).

Non-current assets at the end of the current third quarter amounted to 8,053 million yen, which was an increase of 1,235 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 996 million yen in goodwill.

As a result, total assets amounted to 23,401 million yen, which was an increase of 1,769 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities at the end of the current third quarter amounted to 9,446 million yen, which was an increase of 1,268 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,024 million yen in accrued expenses.

Non-current liabilities at the end of the current third quarter amounted to 1,064 million yen, which was an increase of 374 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 131 million yen in net defined benefit liability.

As a result, total liabilities amounted to 10,510 million yen, which was an increase of 1,642 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Total net assets at the end of the current third quarter amounted to 12,890 million yen, which was an increase of 127 million yen from the end of the previous consolidated fiscal year. This was mainly due to the 1,036 million yen in profit attributable to owners of parent, and 682 million yen in dividends of surplus.

As a result, the equity ratio was at 55.1% (which was at 59.0% at the end of the previous consolidated fiscal year).

(3) Description of Future Forecast Information such as Consolidated Forecasts, etc.

There are no changes to the Full-year Consolidated Forecast announced in the "Notice of Revisions of Full-year Consolidated Forecast for the Fiscal Year Ending March 31, 2022" on Monday, November 8, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Million yen)

	FY 3/21 (As of Mar. 31, 2021)	3Q of FY 3/22 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	5,873	5,651
Notes and accounts receivable - trade	8,094	8,784
Other	850	917
Allowance for doubtful accounts	(5)	(4)
Total current assets	14,813	15,348
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,799	1,793
Land	2,704	2,710
Other, net	150	139
Total property, plant and equipment	4,654	4,643
Intangible assets		
Goodwill	-	996
Other	305	728
Total intangible assets	305	1,724
Investments and other assets		
Other	1,876	1,711
Allowance for doubtful accounts	(19)	(26)
Total investments and other assets	1,857	1,685
Total non-current assets	6,817	8,053
Total assets	21,631	23,401
Liabilities		
Current liabilities		
Current portion of long-term loans payable	-	26
Accrued expenses	4,541	5,566
Income taxes payable	494	33
Provision for bonuses	950	552
Other	2,191	3,268
Total current liabilities	8,178	9,446
Non-current liabilities		
Long-term loans payable	-	65
Net defined benefit liability	345	476
Other	344	522
Total non-current liabilities	689	1,064
Total liabilities	8,868	10,510
Net assets		
Shareholders' equity		
Capital stock	2,015	2,015
Capital surplus	2,368	2,368
Retained earnings	8,674	8,794
Treasury shares	(313)	(298)
Total shareholders' equity	12,744	12,879
Accumulated other comprehensive income		
Foreign currency translation adjustment	1	1
Remeasurements of defined benefit plans	17	9
Total accumulated other comprehensive income	18	10
Total net assets	12,763	12,890
Total liabilities and net assets	21,631	23,401

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statement of Income)
(For the First Nine Months ended December 31, 2021)

(Unit: Million yen)

	First nine months of FY 3/21 (Apr. 1, 2020 - Dec. 31, 2020)	First nine months of FY 3/22 (Apr. 1, 2021 - Dec. 31, 2021)
Net sales	50,442	56,977
Cost of sales	42,009	47,483
Gross profit	8,433	9,493
Selling, general and administrative expenses	6,754	8,086
Operating profit	1,678	1,406
Non-operating income		
Interest income	2	2
Dividend income	0	0
Share of profit of entities accounted for using equity method	6	18
Subsidy income	359	149
House rent income	30	30
Other	18	29
Total non-operating income	417	230
Non-operating expenses		
Interest expenses	8	0
Rent expenses	16	12
Provision for loss on cancellation	26	-
Other	38	28
Total non-operating expenses	91	41
Ordinary profit	2,005	1,595
Extraordinary losses		
Loss on sales of non-current assets	-	7
Directors' retirement benefits	50	-
Total extraordinary losses	50	7
Profit before income taxes	1,954	1,588
Income taxes - current	578	425
Income taxes - deferred	92	127
Total income taxes	670	552
Profit	1,284	1,036
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,284	1,036

(Quarterly Consolidated Statement of Comprehensive Income)
(For the First Nine Months ended December 31, 2021)

(Unit: Million yen)

	First nine months of FY 3/21 (Apr. 1, 2020 - Dec. 31, 2020)	First nine months of FY 3/22 (Apr. 1, 2021 - Dec. 31, 2021)
Profit	1,284	1,036
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	1	(8)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	1	(8)
Comprehensive income	1,285	1,027
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,285	1,027
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes regarding Quarterly Consolidated Financial Statements

(Notes regarding the Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standards for Revenue Recognition)

"Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter, the "Revenue Recognition Accounting Standards") etc., have been applied from the beginning of the first quarter, and revenue was recognized at the amount expected to be received in exchange for the promised goods or services when the control of those goods or services is transferred to clients.

The main changes resulting from the application of Revenue Recognition Accounting Standards are as follows:

(General Human Resources Services Business)

Previously, although consideration paid to clients, such as rent, was treated as cost of sales, it has been changed to a method of reducing it from the transaction price.

(Other Businesses)

In the past, the lump-sum payment received from a client in a nursing care facility's occupancy contract was recognized as revenue after the expiration of the amortization period under the occupancy contract. However, the method has been changed to recognize revenue over the period of residence in which the service is expected to be provided.

The application of the Revenue Recognition Accounting Standards is in accordance with the transitional treatment set forth in the Revenue Recognition Accounting Standards No. 84. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter was added to or subtracted from retained earnings at the beginning of the first quarter, and the new accounting policy was applied from the beginning balance.

As a result, net sales for the period under review decreased by 194 million yen, cost of sales decreased by 202 million yen, and operating profit, ordinary profit, and profit before income taxes each increased by 7 million yen. In addition, the balance at the beginning of the current period of retained earnings decreased by 233 million yen. Furthermore, "other" under the current liabilities category increased by 226 million yen at the end of the current third quarter.

In accordance with the transitional treatment set forth in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), the revenue generated from contracts with clients for the previous year's consolidated cumulative third quarter is not presented.

(Additional Information)

(Accounting Estimates Associated with the Spread of COVID-19 Infections)

There are no significant changes to the assumptions, including the timing of the convergence of the effects of COVID-19 infections, as described in the (Additional Information) section of the Notes regarding Quarterly Consolidated Financial Statements for the previous period under review (second quarter consolidated accounting period).

(Business Combinations, etc.)

Finalization of Provisional Accounting Treatment for Business Combination

Although the business combination with Vector Shinwa Co., Ltd., which was conducted on August 31, 2021 (Date of Deemed Acquisition: September 30, 2021) was provisionally accounted for in the second quarter, it was finalized in the third quarter.

As a result, the provisionally calculated amount of goodwill of 1,345 million yen decreased by 323 million yen to 1,022 million yen due the finalization of accounting treatment. The decrease in goodwill was mainly due to increases of 493 million yen of "other" under the intangible assets category and 169 million yen of "other" under the non-current liabilities category (deferred tax liabilities).

Goodwill is amortized using the straight-line method over a 10-year period.

(Significant Subsequent Events)

(Capital and Business Alliance with TSUNAGU GROUP HOLDINGS Inc.)

The Company announced that it resolved to conclude an agreement on the underwriting of a third-party allotment of shares to TSUNAGU HC SUPPORT Inc. (President: Koji Ishibashi, Chiyoda-ku, Tokyo, hereinafter, the "Target Company"), a consolidated subsidiary of TSUNAGU GROUP HOLDINGS Inc. (President: Mitsuhiro Yoneda, Chiyoda-ku, Tokyo, hereinafter, the "TSUNAGU GROUP"), and the establishment of the Target Company as a joint venture company, at the Board of Directors' Meeting held on January 18, 2022.

1. Reason for Joint Venture

The Company and the TSUNAGU GROUP have decided to convert the Target Company into a joint venture company in order to further revitalize the human resources market and to provide new value by integrating the businesses and expertise possessed by both parties.

The Target Company will sequentially provide a variety of sustainable and cyclical services in the human resources area, by taking advantage of the Company's contracting, dispatching, and placement businesses, as well as the expertise and knowledge of human resources development and management that is responsible for those businesses, the TSUNAGU GROUP's human resources recruitment expertise, dispatching and short-term placement businesses, as well as the operational expertise and achievements of dispatching centers, and systems developed in-house to support them. In the future, by combining such knowledge, the plan will be to commercialize a training business for on-site staff, and to develop services that will convert human resources into human capital. The intention is to respond to the needs of companies for the visualization of human capital investment, which is now becoming the mainstream. Through these services, the Company and the TSUNAGU GROUP will maximize the values of both parties, such as improving the skills of workers and improving the level of services provided to clients, and strive to realize a human-centered society that balances economic development and the resolution of social issues.

2. Overview of Joint Venture Company to be Established

(1) Company name	TSUNAGU HC SUPPORT Inc. ※Company name scheduled to be changed to LeafNxt Co., Ltd. by March 1, 2022
(2) Location	3-1-16 Kandamisaki-cho, Chiyoda-ku, Tokyo
(3) Representative	Representative Director Koji Ishibashi
(4) Business description	Human resources dispatching business, development-type qualified personnel dispatching business, recruitment platform business, media direction business, etc.
(5) Capital	124 Million JPY
(6) Date of establishment	August 3, 2021
(7) Scheduled date of joint venture	March 1, 2022
(8) Fiscal year-end	September 30
(9) Net assets	39 Million JPY (As of the end of September, 2021)
(10) Total assets	40 Million JPY (As of the end of September, 2021)
(11) Investment ratio	TSUNAGU GROUP HOLDINGS Inc. : 51.3% NISSO CORPORATION : 48.7%

3. Content of Capital Alliance

TSUNAGU HC SUPPORT Inc. will issue common shares to the Company through a third-party allotment of shares, which the Company will underwrite.

(1) No. of shares held before change	0 shares (No. of voting rights: 0) (Percentage of voting rights held: 0.0%)
(2) No. of shares to be acquired	3,800 shares (No. of voting rights: 3,800) (Percentage of voting rights held: 48.7%)
(3) Acquisition value	209 Million yen
(4) No. of shares to be held after change	3,800 shares

4. Schedule

(1) Date of conclusion of joint venture agreement	January 18, 2022
(2) Start date of joint venture business	March 1, 2022 (Scheduled)

5. Future Prospects

Although the impact of this transaction on the consolidated financial results of the Company for FY 3/2022 will be minor, the Company believes that it will contribute to the improvement of business performance in the long-term.