November 12, 2021

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 (Six Months Ended September 30, 2021)

[Japanese GAAP]

Company name:	ULURU.CO., LTD.	Listing: Tokyo Stock Exchange (Mothers)
Stock code:	3979	URL: https://www.uluru.biz/
Representative:	Tomoya Hoshi, Representative Director and President	
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Scheduled date of filing of Quarterly Report: November 12, 2021
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)
*Individual investors can watch the meeting online

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

1. Consolidated Financial Results for the First Six Months (April 1, 2021 – September 30, 2021) of the Fiscal Year Ending March 31, 2022

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Net sales		EBITDA*		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2021	1,922	36.2	71	(13.0)	35	(42.0)	43	(44.2)	(53)	-
Six months ended Sep. 30, 2020	1,411	19.2	81	41.5	61	47.8	77	93.5	32	151.4

*EBITDA = Operating profit + Depreciation + Amortization of goodwill

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2021: (53) (-%)
Six months ended Sep. 30, 2020: 31 (up 146.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2021	(7.83)	-
Six months ended Sep. 30, 2020	4.73	4.68

Note: ULURU conducted a 2-for-1 common stock split on October 1, 2021.
Net income per share and diluted net income per share have been calculated as if this stock split has taken place at the beginning of the fiscal year ended March 31, 2021.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2021	4,209	2,138	50.8
As of Mar. 31, 2021	4,198	2,208	52.6

Reference: Shareholders' equity (million yen) As of Sep. 30, 2021: 2,138 As of Mar. 31, 2021: 2,208

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2022	-	0.00			
Fiscal year ending Mar. 31, 2022 (forecast)			-	0.00	0.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	3,900	21.1	(250)	-	(340)	-	(340)	-	(380)	-	(55.53)

Notes: 1. Revisions to the most recently announced consolidated forecast: None
2. There is no first half forecast because ULURU manages performance on a fiscal year basis.
3. ULURU conducted a 2-for-1 common stock split on October 1, 2021.
Forecasts for the fiscal year ending March 31, 2022 is the amount after the stock split.
Regarding the stock split, please see the press release dated September 15, 2021 (Japanese version only).

*** Notes**

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

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

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of issued shares (common stock)

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

As of Sep. 30, 2021:	6,902,000 shares	As of Mar. 31, 2021:	6,851,000 shares

2) Number of treasury shares at the end of period

As of Sep. 30, 2021:	256 shares	As of Mar. 31, 2021:	256 shares

3) Average number of shares during the period

Six months ended Sep. 30, 2021:	6,851,022 shares	Six months ended Sep. 30, 2020:	6,835,232 shares

Note: ULURU conducted a 2-for-1 common stock split on October 1, 2021. The number of shares issued at the end of period, number of treasury shares at the end of period and average number of shares during the period have been calculated as if this stock split has taken place at the beginning of the fiscal year ended March 31, 2021.

* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Note concerning forward-looking statements

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the ULURU's management at the time the materials were prepared but are not promises by ULURU regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 5 for forecast assumptions and notes of caution for usage.

How to view supplementary information at the financial results meeting

ULURU plans to hold an information meeting for institutional investors and analysts on November 15, 2021. Individual investors can use the internet to view this meeting.

Materials used at this meeting were posted on the ULURU website and TDnet on the same day that results of operations were announced. ULURU plans to post a video and audio file of the information meeting on its website soon after this meeting.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Japan's working age population is forecast to decrease by about 16 million between 2017 and 2040 according to the 2018 White Paper on Information and Communications in Japan. This outlook points to serious social and economic issues as a labor shortage reduces the size of the economy and makes Japan less competitive in global markets. Based on the vision of "make the world more convenient with the power of people," the ULURU Group operates many businesses, primarily using the software-as-a-service (SaaS) model. By providing alternative solutions for labor shortages in a broad range of fields, this model enables us to function as a company that helps solve problems involving Japan's severe labor shortage.

In November 2003, we started the Business Process Outsourcing (BPO) business to meet the outsourcing needs of companies with the goal of establishing the standard for employees working at home rather than the company's workplace. The diversity of our customers' needs increased along with the volume of orders we received. We responded by launching a crowdsourcing business called Shufti in February 2007. Shufti increases the efficiency of the BPO business by facilitating direct matching of the requirements of client companies and the availability of crowdworkers, chiefly housewives, without using the ULURU Group. In addition, we used knowledge acquired from BPO operations and the resources of the crowdsourcing business to start the Crowd Generated Service (CGS) business, which allows the ULURU Group itself to utilize crowdworkers. In September 2008, we started the NJSS (Nyusatsu Joho Sokuho Service) business, an up-to-date and other bid solicitations database service about bids and winning bids for public-sector tenders in Japan. This business currently accounts for the majority of our sales and earnings. In October 2014, we launched en-photo, a photo sales management system for nursery schools and kindergartens. In February 2019, we started the fondesk, a telephone call answering service that uses crowdworkers. To benefit from synergies with en-photo, we made OurPhoto Co., Ltd. a wholly owned subsidiary in December 2020. This company operates a matching service for its members and professional photographers. These operations are the current business portfolio of the ULURU Group. NJSS, fondesk and en-photo are all SaaS operations, which makes the SaaS category the basis for the growth of the ULURU Group.

Japan's SaaS market was 601.6 billion yen in fiscal 2019 and is expected to grow to 1,117.8 billion yen in fiscal 2024 according to "Software Business New Markets 2020" by Fuji Chimera Research Institute, Inc. The size of the crowdsourcing market, which provides people for the CGS business, was 182.0 billion yen (based on value of orders) in fiscal 2018, 34.8% higher than in fiscal 2017, and is expected to grow to 261.0 billion yen in fiscal 2021 according to "BPO Market Status and Outlook 2018-2019" by Yano Research Institute Ltd.

The business climate was consistently uncertain during the first half of the fiscal year ending March 2022 because of COVID-19. During this period, the ULURU Group continued to make progress with numerous initiatives for accomplishing the three medium-term goals of the medium-term business plan for the five-year period ending in March 2024 that was announced on May 14, 2019 and revised on May 14, 2021. These goals are sustained growth of the NJSS business, the addition and growth of new CGS businesses that generate recurring revenue, and high profitability of the BPO business.

During the first half, net sales increased 36.2% year-on-year to 1,922 million yen, EBITDA (Operating profit + Depreciation + Amortization of goodwill) decreased 13.0% to 71 million yen, operating profit decreased 42.0% to 35 million yen, ordinary profit decreased 44.2% to 43 million yen, and the loss attributable to owners of parent was 53 million yen compared with a profit of 32 million yen one year earlier.

ULURU has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year. Please refer to "2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies" for the effects of the application of the new standard on financial position and operating results.

Business segment sales were as follows.

(Millions of yen)

Segment	First half of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)		First half of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)		YoY change in net sales (%)
	Net sales	Comp. (%)	Net sales	Comp. (%)	
CGS Business					
NJSS	773	54.8	958	49.9	24.0
fondesk	103	7.3	212	11.1	105.3
Photo	88	6.3	191	10.0	116.0
Others	6	0.5	-	-	-
BPO Business	424	30.1	545	28.4	28.4
Crowdsourcing Business	14	1.1	14	0.8	(2.8)
Total	1,411	100.0	1,922	100.0	36.2

1) CGS NJSS

NJSS is the primary SaaS of the CGS business. We have been able to steadily increase the number of customers who have purchased contracts while holding down contract cancellations by optimizing NJSS sales framework. Due to these activities, the number of customers who have purchased contracts for viewing data about public-sector bids and winning bids increased by 428 during the first half to a record-high 4,388 companies as of the end of September 2021.

Average revenue per user (ARPU; daily sales per user) declined temporarily due to tight sales resources caused by the increase in customer support following the release of the new system and focus on capturing new contracts. However, due to an improvement in customer success, the average annual churn rate calculated based on fee-paying contracts decreased from 1.7% (as of the end of March 2021) to 1.5%. This improvement also resulted in a higher customer lifetime value (LTV). Accordingly, annual recurring revenue (ARR) continued to climb, reaching 1,900 million yen.

We are making steady progress with activities based on the medium-term business plan, including the first step in July of the updating of our products. Expenses increased because of higher product development and other expenses associated with these updating activities.

Consequently, NJSS sales increased 24.0% year-on-year to 958 million yen, EBITDA was down 0.8% to 370 million yen and segment profit was down 1.0% to 367 million yen.

NJSS KPI	FY3/21				FY3/22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Fee-paying contracts	3,395	3,571	3,749	3,960	4,139	4,388	-	-
ARPU (Yen)	1,188	1,207	1,221	1,223	1,227	1,199	-	-
Churn rate (%)	2.0	2.0	1.9	1.7	1.6	1.5	-	-
LTV (Thousands of yen)	1,594	1,695	1,748	1,917	2,153	2,229	-	-
ARR (Millions of yen)	1,467	1,585	1,684	1,744	1,848	1,936	-	-

Notes: 1. ARPU: Daily sales per fee-paying contracts
2. Churn rate: Ratio of cancellations during a month to the number of fee-paying contracts at the end of the previous month; 12-month averages are shown in this table.
3. LTV: ARPU × (1/Churn rate) × Gross profit margin of 90%
4. ARR: Quarterly subscription sales multiplied by four

2) CGS fondesk

In the CGS business, there was an increase in expenses in the fondesk SaaS business because of expenditures for marketing and other activities to generate growth. The performance of fondesk benefited from the increasing awareness of this service as a method for supporting the digital transformation of back office tasks, which is needed due to the growth of remote work during the pandemic. By successfully targeting the demand for this support, fondesk consistently increased the number of fee-paying contracts. The result was 2,814 contracts at the end of September 2021, 584 more than at the end of March 2021.

Sales of fondesk increased 105.3% to 212 million yen, EBITDA was 3 million yen compared with a 19 million yen loss one year earlier and segment profit was 3 million yen compared with a 19 million yen loss one year earlier.

fondesk KPI	FY3/21				FY3/22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Fee-paying contracts	1,017	1,540	1,897	2,230	2,552	2,814	-	-

3) CGS photo

The en-photo SaaS business was affected by the spread of the COVID-19 infections. As a result, face-to-face sales activities to win new nursery school and kindergarten contracts were restricted. Nevertheless, we were able to steadily increase the number of nursery school and kindergarten contracts using telephone, e-mails and video conference systems. Moreover, frequency of use of our service increased in individual facilities. The negative impact of the COVID-19 pandemic on nursery school and kindergarten events was limited and the demand for photos of daily activities remained firm. At the same time, we carried out activities aimed at providing greater convenience for customers and further growth of services. These included creating synergies with OurPhoto Co., Ltd. that became a wholly owned subsidiary in December 2020. The company operates an on-site photography matching service "OurPhoto." In August, we launched Isshonipurinto (β)," a new combined print service that allows customers to receive prints of their private photos at the same time they purchase nursery school and kindergarten photos.

Sales of photo services increased 116.0% to 191 million yen, EBITDA was a loss of 86 million yen compared with a 74 million yen loss one year earlier and the segment loss was 101 million yen compared with a 74 million yen loss one year earlier.

Photo KPI	FY3/21				FY3/22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
en-photo contracted facilities	2,547	2,639	2,717	2,922	3,072	3,207	-	-

4) BPO

The performance of this business was supported by orders associated with the increasing demand for replacing paper with electronic documents as the use of remote work grew due to the COVID-19 crisis. Furthermore, this business has launched in April an "eas" (Entry Automation System) service, which is a new SaaS data automation service that combines AI-OCR utilization with tasks performed by human resources (crowd workers). In September, there was more progress with numerous initiatives for growth including the launch of AI NeSot. By using a link with ULURU's "eas" service for automatically creating SaaS data, AI NeSot supports SNS and other marketing campaigns where customers use receipts for valid purchases to participate.

In the BPO business, sales increased 28.4% to 545 million yen, EBITDA increased 32.4% to 69 million yen and segment profit increased 41.5% to 56 million yen.

5) Crowdsourcing

The number of crowdworkers registered in the Shufti business was about 430,000 as of the end of September 2021. To enable this business to function as a platform to supply resources to the CGS category, we continued to improve services to increase convenience for customers and for strengthening customer support for the stable operation of Shufti. Costs decreased as we transferred people to other businesses of the ULURU Group and took other actions in the previous fiscal year in order to optimize the utilization of resources across the entire group.

In the Crowdsourcing business, sales decreased 2.8% to 14 million yen, EBITDA was a loss of 16 million yen compared with a 52 million yen loss one year earlier and the segment loss was 16 million yen compared with a 52 million yen loss one year earlier.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets increased 10 million yen from the end of the previous fiscal year to 4,209 million yen as of the end of the second quarter. This was mainly due to a 299 million yen decrease in cash and deposits, a 292 million yen increase in investments and other assets, a 14 million yen increase in work in process, a 9 million yen increase in other intangible assets, and a 3 million yen decrease in property, plant and equipment.

The main reason for the increase of 292 million yen in investments and other assets is the payment of 250 million yen for investments in limited partnerships as reported in “Section 5. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes, Subsequent Events” of the Securities Report for the previous fiscal year.

Total liabilities increased 80 million yen from the end of the previous fiscal year to 2,070 million yen. This was mainly due to a 209 million yen increase in advances received, a 25 million yen decrease in accounts payable-trade, a 22 million yen decrease in income taxes payable, a 21 million yen decrease in long-term borrowings and a 57 million yen decrease in other current liabilities.

Total net assets decreased 69 million yen from the end of the previous fiscal year to 2,138 million yen. This was due to a 74 million yen decrease in retained earnings and a 2 million yen increase each in share capital and capital surplus.

2) Cash flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year was 2,992 million yen, down 299 million yen over the end of the previous fiscal year.

The cash flow components during the first half of the current fiscal year and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash provided by operating activities decreased 82.6% to 71 million yen. The main factors include profit before income taxes of 43 million yen, depreciation of 21 million yen, amortization of goodwill of 14 million yen, share-based payment expenses of 19 million yen, an increase in advances received of 209 million yen and income taxes paid of 107 million yen.

Cash flows from investing activities

Net cash used in investing activities increased 726.4% to 353 million yen. The main factors include purchase of investment securities of 318 million yen.

Cash flows from financing activities

Net cash used in financing activities decreased 7.6% to 17 million yen. The main factors include repayments of long-term borrowings of 21 million yen.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

We maintain the full-year consolidated forecast that was announced in the Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 dated May 14, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	3,291,810	2,992,588
Accounts receivable-trade	239,330	198,189
Work in process	17,618	32,093
Other	138,331	192,234
Allowance for doubtful accounts	(678)	(1,999)
Total current assets	3,686,412	3,413,107
Non-current assets		
Property, plant and equipment	152,147	148,297
Intangible assets		
Goodwill	220,308	206,094
Other	28,423	38,286
Total intangible assets	248,731	244,380
Investments and other assets	111,152	403,613
Total non-current assets	512,032	796,292
Total assets	4,198,444	4,209,399
Liabilities		
Current liabilities		
Accounts payable-trade	131,209	105,224
Current portion of long-term borrowings	42,320	42,320
Income taxes payable	120,036	97,178
Advances received	977,037	1,186,050
Other	622,882	565,601
Total current liabilities	1,893,485	1,996,374
Non-current liabilities		
Long-term borrowings	80,690	59,530
Other	15,829	14,833
Total non-current liabilities	96,519	74,363
Total liabilities	1,990,005	2,070,737
Net assets		
Shareholders' equity		
Share capital	1,031,168	1,033,381
Capital surplus	1,013,468	1,015,681
Retained earnings	164,077	89,879
Treasury shares	(275)	(275)
Total shareholders' equity	2,208,439	2,138,666
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	(5)
Total accumulated other comprehensive income	-	(5)
Total net assets	2,208,439	2,138,661
Total liabilities and net assets	4,198,444	4,209,399

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	1,411,479	1,922,433
Cost of sales	421,135	559,912
Gross profit	990,344	1,362,521
Selling, general and administrative expenses	929,210	1,327,051
Operating profit	61,134	35,469
Non-operating income		
Interest income	21	14
Income from point programs	64	142
Reversal of allowance for doubtful accounts	478	-
Subsidy income	26,790	18,082
Other	754	237
Total non-operating income	28,110	18,476
Non-operating expenses		
Interest expenses	355	293
Loss on investments in investment partnerships	-	2,725
Loss on tax purpose reduction entry of non-current assets	11,269	7,628
Share issuance costs	142	83
Total non-operating expenses	11,767	10,731
Ordinary profit	77,477	43,214
Profit before income taxes	77,477	43,214
Income taxes-current	51,231	84,599
Income taxes-deferred	(6,083)	12,244
Total income taxes	45,147	96,843
Profit (loss)	32,329	(53,629)
Loss attributable to non-controlling interests	(17)	-
Profit (loss) attributable to owners of parent	32,346	(53,629)

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Profit (loss)	32,329	(53,629)
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(5)
Foreign currency translation adjustment	(509)	-
Total other comprehensive income	(509)	(5)
Comprehensive income	31,820	(53,634)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	31,842	(53,634)
Comprehensive income attributable to non-controlling interests	(22)	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	77,477	43,214
Depreciation	20,827	21,622
Amortization of goodwill	-	14,213
Share-based payment expenses	19,162	19,678
Loss on tax purpose reduction entry of non-current assets	11,269	7,628
Loss (gain) on investments in investment partnerships	-	2,725
Increase (decrease) in allowance for doubtful accounts	(904)	1,320
Interest income	(21)	(14)
Subsidy income	(26,790)	(18,082)
Interest expenses	355	293
Decrease (increase) in trade receivables	(1,913)	41,140
Decrease (increase) in inventories	(6,962)	(14,474)
Increase (decrease) in trade payables	(7,162)	(25,984)
Increase (decrease) in advances received	270,447	209,012
Other, net	(12,189)	(140,865)
Subtotal	343,595	161,428
Interest received	21	14
Subsidies received	26,790	18,082
Interest paid	(355)	(293)
Income taxes paid	(4,430)	(107,468)
Income taxes refund	46,340	-
Net cash provided by (used in) operating activities	411,962	71,762
Cash flows from investing activities		
Purchase of property, plant and equipment	(40,757)	(21,500)
Purchase of intangible assets	(2,022)	(14,799)
Purchase of investment securities	-	(318,006)
Other, net	-	782
Net cash provided by (used in) investing activities	(42,780)	(353,524)
Cash flows from financing activities		
Repayments of long-term borrowings	(20,140)	(21,160)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,000	4,425
Repayments of lease obligations	(708)	(725)
Other, net	(46)	-
Net cash provided by (used in) financing activities	(18,895)	(17,460)
Effect of exchange rate change on cash and cash equivalents	(509)	-
Net increase (decrease) in cash and cash equivalents	349,776	(299,222)
Cash and cash equivalents at beginning of period	2,865,001	3,291,810
Cash and cash equivalents at end of period	3,214,778	2,992,588

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition

Beginning with the first quarter of the current fiscal year, ULURU has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). Based on this standard, revenue expected to be received in exchange for the provision of products and services is recognized when the control of the products and services is transferred to customers.

Due to this change, for some transactions where revenue was previously recognized when products were delivered, revenue is instead recognized when customers complete their acceptance inspections.

The alternative treatment specified in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition is also applied. For sales of products in Japan, revenue is recognized when a product is shipped in cases where the time between the shipment of a product and the transfer of control to a customer is the normal length of time.

For the application of the Accounting Standard for Revenue Recognition in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied at the beginning of the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, compared with the previous accounting method, the application of the new standard resulted in increases of 13 million yen in net sales, 3 million yen in cost of sales, 9 million yen each in operating profit, ordinary profit and profit before income taxes.

The cumulative effect on net assets at the beginning of the first quarter of the current fiscal year decreased the retained earnings balance at the beginning of the current fiscal year by 20 million yen.

Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), ULURU has not presented information on revenue from contracts with customers broken down for the first half of the previous fiscal year.

Application of the Accounting Standard for Measurement of Fair Value

ULURU has applied the Accounting Standard for Measurement of Fair Value (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value prospectively in accordance with the transitional treatment in the 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). There is no effect of the application of these standards on the quarterly consolidated financial statements.

Segment and Other Information

I First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)

1. Information related to net sales and profit or loss for reportable segments

(Thousands of yen)

	Reportable segment							Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	CGS NJSS	CGS fondesk	CGS photo	CGS others	BPO	Crowd-sourcing	Total		
Net sales									
External sales	773,260	103,610	88,765	6,394	424,558	14,889	1,411,479	-	1,411,479
Inter-segment sales and transfers	-	-	-	-	5,038	1,941	6,980	(6,980)	-
Total	773,260	103,610	88,765	6,394	429,597	16,831	1,418,460	(6,980)	1,411,479
Segment profit (loss)	370,719	(19,278)	(74,822)	518	39,631	(52,787)	263,980	(202,846)	61,134

Notes: 1. The negative adjustment of 202,846 thousand yen to segment profit (loss) includes elimination for inter-segment transactions of negative 259 thousand yen and corporate expenses (mainly selling, general and administrative expenses) of negative 202,586 thousand yen that are not allocated to any reportable segment.

2. Segment profit (loss) is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

3. Information related to changes in reportable segments, etc.

In prior fiscal years, there were four reportable segments: CGS NJSS, CGS others, BPO and Crowdsourcing. Due to the increasing importance of the services other than NJSS, which were previously included in CGS others, they have become separate reportable segments called CGS fondesk and CGS photo. As a result of these two new segments, there are six reportable segments beginning with FY3/21.

The information has been prepared based on the reportable segments after the change, and there are differences between the reportable segments for the first six months of FY3/21 and those disclosed in FY3/20.

II First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)

1. Information related to net sales and profit or loss for reportable segments

(Thousands of yen)

	Reportable segment							Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	CGS NJSS	CGS fondesk	CGS photo	CGS others	BPO	Crowd-sourcing	Total		
Net sales									
External sales	958,552	212,678	191,690	-	545,035	14,476	1,922,433	-	1,922,433
Inter-segment sales and transfers	-	-	-	-	695	3,451	4,146	(4,146)	-
Total	958,552	212,678	191,690	-	545,730	17,928	1,926,580	(4,146)	1,922,433
Segment profit (loss)	367,146	3,150	(101,985)	(4,103)	56,064	(16,709)	303,562	(268,093)	35,469

Notes: 1. The negative adjustment of 268,093 thousand yen to segment profit (loss) includes elimination for inter-segment transactions of negative 14,928 thousand yen and corporate expenses (mainly selling, general and administrative expenses) of negative 253,165 thousand yen that are not allocated to any reportable segment.

2. Segment profit (loss) is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

3. Information related to changes in reportable segments, etc.

As described in Changes in Accounting Policies, ULURU has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of FY3/22 and changed the accounting method for revenue recognition. Accordingly, the method for calculating segment profit or loss has been changed as well.

Compared with the previous method, net sales and segment profit increased 13,201 thousand yen and 9,611 thousand yen, respectively, in the BPO business in the first six months of FY3/22.