

* Notes

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

Newly included: None

Excluded: None

(2) Adoption of special accounting methods for the preparation of quarterly financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and restatements during the period under review

1. Changes in accounting policies resulting from revisions to accounting standards: None

2. Changes in accounting policies other than those in 1 above: None

3. Changes in accounting estimates: None

4. Restatements: None

(4) Number of outstanding shares (Common stock)

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

FY'22/2 Q2	60,140,000 shares	FY'21/2	60,140,000 shares
FY'22/2 Q2	4,430,702 shares	FY'21/2	4,815,802 shares
FY'22/2 1st Half	55,362,876 shares	FY'21/2 1st Half	54,307,190 shares

2. Number of treasury shares at the end of period

3. Average number of shares outstanding during period

Treasury shares include the number of Company shares owned by the ESOP trust account (1,644,240 shares at the end of FY'21/2; 1,603,265 shares at the end of FY'22/2 Q2) and the number of Company shares owned by BIP trust account (74,206 shares at the end of FY'21/2; 100,706 shares at the end of FY'22/2 Q2).

* The Financial Results are not subject to audit by a certified public accountant or an audit firm.

* Explanation on the appropriate use of operating results forecasts and other notes

(Notes on forward-looking statements)

The forward-looking statements contained herein are based on the information currently available to the Company's management and certain assumptions the Company deems reasonable at the time of preparing Financial Results. Actual results may differ significantly from the forecasts due to a variety of factors. For assumptions regarding operating results forecasts and notes on the use of the forecasts, see the section "(3) Operating Results Forecast" under "1. Qualitative Information" on page 3.

(Delivery of supplementary documents on the financial results)

Supplementary documents on the financial results are scheduled to be posted on the Company's website on October 14, 2021.

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1. Qualitative Information

A comparative analysis with FY'21/2 has not been made since the Group has adopted consolidated accounting from the third quarter of FY'21/2.

The AI/RPA business has been renamed DX business, starting FY'22/2.

(1) Operating Results

Since its establishment in 1997, dip Corporation (hereinafter, the "Company") has assisted its client companies with the recruiting and deployment of human resources by providing online job information sites, as well as creating an environment where each job seeker can work with enthusiasm and energy, based on its corporate philosophy of 'Here at dip, we want to tap into dreams, ideas and passion to create a better society.' Since FY'20/2, under the corporate vision of becoming a 'Labor force solution company,' the Company has been striving to solve diverse labor-related issues as a 'General Trading Company Dealing in Labor Force' that provides clients with personnel recruiting services and DX (digital transformation) services.

The first half of FY'22/2 saw a series of state of emergency declarations and the subsequent expansion and extension in duration of those declarations across various regions in Japan as COVID-19 continued to have an effect around the world, such as through the emergence of variant strains. These circumstances had a negative impact on client companies' job advertising, which resulted in sales ending at ¥17,614 million for the first half. With regard to expenses, the Company made aggressive advertising investments to boost recognition of Baitoru PRO and expand the user and customer bases in anticipation of a rapid recovery of the job market. As a result, operating income, ordinary income, and net income attributable to owners of parent for the first half of FY'22/2 ended at ¥3,040 million, ¥2,900 million, and ¥2,152 million, respectively.

The following is an overview of results by segment.

(i) Personnel Recruiting Services Business

The personnel recruiting services business operates job advertising platforms, including Baitoru, a job information site for part-time workers, Baitoru NEXT, a job information site for regular employees and contract employees, and Hatarako.net, a comprehensive job information site. The Company aims to expand the user and customer bases for these platforms through the vigorous efforts of its sales force and the award-winning quality of its websites.

Despite the state of emergency declarations and subsequent expansion and extension in duration of those declarations, sales remained on a recovery trend, resulting in segment sales of ¥16,528 million and segment profit of ¥5,156 million for the first half of FY'22/2. Furthermore, the growth of market share gathered pace as the Company focused on expanding its customer base despite the pandemic. The Company will aim to grow its share further by continuing to enhance its customer engagement in anticipation of a rapid recovery of the job market going forward.

Baitoru PRO, a comprehensive job information site for specialized jobs that was launched in May 2021, saw steady progress with more than 200,000 job postings and a significant rise in recognition. The Company will continue to make efforts to expand services in the specialized job sector, which is facing a serious labor shortage, by making the most of its sales force, customer base, and promotion know-how.

(ii) DX Business

Since September 2019, the DX business has been supporting the digital transformation (DX) of SMEs through the offering of KOBOT, a DX service packaged according to the workflows of client companies. The product is based on a subscription model, and is designed specifically for small and medium sized companies and is packaged with a limited number of functions.

During the first half of FY'22/2, efforts to strengthen the sales system led to a growth in sales of the KOBOT series, primarily the Interview Scheduling KOBOT, which automatically schedules interviews with job applicants, and the Corporate Recruiting Page KOBOT, which creates client recruiting pages featuring Baitoru's unique functions, such as workplace introduction videos. As a result, segment sales were ¥1,086 million and segment profit was ¥154 million.

The Company will strive to further expand its business by continuing to enhance its customer base and product lineup and strengthening the customer success function, thereby ensuring stable stock revenue.

(2) Financial Position

(i) Analysis of Financial Position

Total assets recorded at the end of FY'22/2 Q2 were ¥39,373 million, an increase of ¥3,504 million from the end of the previous fiscal year. The major factors were increases of ¥2,353 million in cash and deposits, ¥353 million in property, plant and equipment, and ¥469 million in intangible assets.

Total liabilities were ¥6,431 million, an increase of ¥1,740 million from the end of the previous fiscal year. This mainly reflected increases of ¥1,247 million in income taxes payable and ¥300 million in other current liabilities.

Net assets recorded at the end of FY'22/2 Q2 were ¥32,942 million, an increase of ¥1,764 million from the end of the previous fiscal year. The major factors were increases of ¥1,165 million in capital surplus and ¥687 million in retained earnings.

(ii) Status of Cash Flows

Cash and cash equivalents (hereinafter referred to as "cash") stood at ¥14,816 million at the end of FY'22/2 1st Half.

The breakdown of the cash flow is as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥5,781 million. This mainly reflected net income before income taxes of ¥3,092 million, depreciation of ¥1,185 million, share-based remuneration expenses of ¥355 million, an increase in accounts payable - other by ¥267 million, and an income tax refund of ¥607 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥2,131 million. This mainly reflected the purchase of intangible assets amounting to ¥1,604 million and the purchase of property, plant and equipment of ¥477 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥1,296 million. This was mainly due to ¥1,651 million in dividends paid exceeding ¥292 million in proceeds from exercise of employee share options.

(3) Operating Result Forecasts

There are no changes to the FY'22/2 consolidated operating result forecasts that were published in the summary report on financial results for the fiscal year ended February 28, 2021, dated April 7, 2021.

Consolidated operating results forecast for FY'22/2 (from March 2021 to February 2022)

	FY'21/2 (Actual)	FY'22/2 (Forecast)	Change (in amount)	Change (in percentage)
	¥ million	¥ million	¥ million	%
Sales	32,494	42,800 ~ 49,000	10,305 ~ 16,505	+31.7% ~ +50.8%
Operating Income	7,312	7,700 ~ 11,800	387 ~ 4,487	+5.3% ~ +61.4%
Ordinary Income	6,501	7,300 ~ 11,400	798 ~ 4,898	+12.3% ~ +75.4%
Net Income Attributable to Owners of Parent	607	4,950 ~ 7,800	4,342 ~ 7,192	+714.6% ~ -%

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY'21/2 As of February 28, 2021	FY'22/2 1st Half As of August 31, 2021
Assets		
Current assets		
Cash and deposits	12,462,677	14,816,204
Notes and accounts receivable - trade	3,564,913	3,480,765
Supplies	5,421	6,585
Other	1,862,167	1,592,716
Allowance for doubtful accounts	(113,149)	(104,014)
Total current assets	17,782,031	19,792,257
Non-current assets		
Property, plant and equipment	1,698,070	2,051,370
Intangible assets		
Software	6,155,008	6,805,489
Other	676,615	495,273
Total intangible assets	6,831,623	7,300,762
Investments and other assets		
Investment securities	5,663,928	5,839,717
Other	3,905,191	4,401,641
Allowance for doubtful accounts	(11,455)	(12,020)
Total investments and other assets	9,557,664	10,229,338
Total non-current assets	18,087,358	19,581,471
Total assets	35,869,390	39,373,729
Liabilities		
Current liabilities		
Accounts payable - trade	283,333	320,651
Income taxes payable	-	1,247,382
Provision for repayment	19,912	25,440
Provision for bonuses	203,690	286,075
Asset retirement obligations	44,715	44,975
Other	3,024,936	3,325,057
Total current liabilities	3,576,588	5,249,582
Non-current liabilities		
Provision for share-based remuneration	78,260	79,050
Provision for share-based remuneration for directors	116,840	136,584
Asset retirement obligations	480,554	481,396
Other	438,946	484,848
Total non-current liabilities	1,114,601	1,181,879
Total liabilities	4,691,190	6,431,461
Net assets		
Shareholders' equity		
Share capital	1,085,000	1,085,000
Capital surplus	3,234,282	4,399,304
Retained earnings	28,270,725	28,957,866
Treasury shares	(2,287,095)	(2,123,348)
Total shareholders' equity	30,302,911	32,318,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(33,575)	(16,472)
Total accumulated other comprehensive income	(33,575)	(16,472)
Share acquisition rights	892,247	624,094
Non-controlling interests	16,615	15,823
Total net assets	31,178,199	32,942,267
Total liabilities and net assets	35,869,390	39,373,729

(2) Consolidated Statements of Income and Comprehensive Income
 Consolidated Statement of Income

(Thousands of yen)

	FY'22/2 Q2 Six months ended August 31, 2021
Sales	17,614,819
Cost of sales	2,152,536
Gross profit	15,462,282
Selling, general and administrative expenses	12,421,883
Operating income	3,040,399
Non-operating income	
Interest income	3,466
Insurance claim income	4,800
Subsidy income	4,456
Other	11,896
Total non-operating income	24,618
Non-operating expenses	
Share of loss of entities accounted for using equity method	87,694
Amortization of restricted stock remuneration	67,692
Other	9,284
Total non-operating expenses	164,671
Ordinary income	2,900,346
Extraordinary income	
Gain on reversal of share acquisition rights	191,663
Total extraordinary income	191,663
Profit before income taxes	3,092,010
Income taxes – current	1,134,930
Income taxes – deferred	(194,463)
Total income taxes	940,467
Net income	2,151,543
Net (loss) income attributable to non-controlling interests	(1,146)
Net income attributable to owners of parent	2,152,689

Consolidated Statement of Comprehensive Income

(Thousands of yen)

FY'22/2 Q2
Six months ended
August 31, 2021

Net income	2,151,543
Other comprehensive income	
Valuation difference on available-for-sale securities	17,445
Share of other comprehensive income of entities accounted for using equity method	(21)
Total other comprehensive income	17,423
Comprehensive income	2,168,966
(Breakdown)	
Comprehensive income attributable to owners of parent	2,170,112
Comprehensive income attributable to non-controlling interests	(1,146)

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY'22/2 Q2 Six months ended August 31, 2021
Cash flows from operating activities	
Net income before income taxes	3,092,010
Depreciation	1,185,684
Share-based remuneration expenses	355,698
Interest and dividend income	(3,466)
Insurance claim income	(4,800)
Commission expenses	9,234
Share of loss (profit) of entities accounted for using equity method	87,694
Gain on reversal of share acquisition rights	(191,663)
Decrease (increase) in trade receivables	83,582
Increase (decrease) in trade payables	37,318
Increase (decrease) in accounts payable - other	267,022
Increase (decrease) in unearned revenue	45,461
Increase (decrease) in allowance for doubtful accounts	(8,568)
Increase (decrease) in provision for bonuses	82,384
Increase (decrease) in provision for repayment	5,528
Decrease (increase) in other assets	(27,814)
Increase (decrease) in other liabilities	147,880
Other, net	21,703
Subtotal	5,184,889
Interest and dividends received	1,755
Proceeds from insurance income	4,800
Income taxes paid	(17,507)
Income taxes refund	607,545
Cash flows from operating activities	5,781,482
Cash flows from investing activities	
Purchase of property, plant and equipment	(477,118)
Purchase of intangible assets	(1,604,870)
Purchase of investment securities	(50,000)
Payments of leasehold and guarantee deposits	(889)
Proceeds from refund of leasehold and guarantee deposits	1,846
Cash flows from investing activities	(2,131,032)
Cash flows from financing activities	
Purchase of treasury shares	(89,877)
Proceeds from sales of treasury shares	160,201
Proceeds from exercise of employee share options	292,659
Dividends paid	(1,651,355)
Proceeds from share issuance to non-controlling shareholders	683
Other, net	(9,234)
Cash flows from financing activities	(1,296,923)
Increase (decrease) in cash and cash equivalents	2,353,526
Cash and cash equivalents at the beginning of period	12,462,677
Cash and cash equivalents at the end of period	14,816,204

(4) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

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

Significant change in scope of application of equity method

During FY'22/2 Q2, GAUSS Co., Ltd. and JOLLY GOOD Inc. were removed from the scope of equity method application since they ceased to fall under affiliated companies pursuant to the effective control approach.

(Additional Information)

(Employee Stock Ownership Plan (ESOP) Trust)

In May 2012, the Company introduced an employee stock ownership plan trust ("ESOP trust") to enhance corporate value in the medium and long term by motivating Company employees to work harder, to create a greater awareness of participation in management and to further promote management aimed at increasing the value of Company shares.

(1) Summary of plan

By contributing funds for the acquisition of Company shares, the Company established a trust with employees who satisfy certain requirements as the beneficiaries. Over a predetermined acquisition period, the trust acquires from the stock market Company shares in the number expected to be delivered to Company employees in accordance with pre-established Stock Granting Regulations. Subsequently, the trust delivers or pays to employees without compensation, either whilst in employment or on retirement, Company shares or the proceeds from their sale according to the rank and years of service of employees during the trust period in accordance with the Stock Granting Regulations.

(2) Company shares remaining in the trust

Company shares held in the ESOP trust account are recorded as treasury shares under net assets at book value to the trust (excluding ancillary expenses). The book value and number of treasury shares are ¥105,409 thousand and 1,644,240 shares, respectively, at the end of the previous fiscal year, and ¥102,779 thousand and 1,603,265 shares, respectively, at the end of the second quarter of FY'22/2.

(Board Incentive Plan (BIP) Trust)

In August 2016, the Company introduced a Board Incentive Plan (BIP) trust for directors (excluding outside directors and overseas residents; the same applies hereinafter) to increase their motivation to contribute to improving corporate value in the medium to long term and to share a common sense of interest with the shareholders. The Board of Directors resolved to extend the duration of the Plan at its meeting held on June 22, 2021.

(1) Summary of plan

By contributing funds for the acquisition of Company shares, the Company established a trust with directors who satisfy certain requirements as the beneficiaries. The trust acquires, by way of third-party allotment from the Company, Company shares in the number expected to be delivered to Company directors in accordance with pre-established Stock-based Compensation Regulations. Subsequently, the trust delivers to directors who meet certain beneficiary requirements on the fixed date of the beneficiary right such as their retirement Company shares or the cash equivalent of the proceeds from their sale determined according to performance indicators, etc. each fiscal year in accordance with the Stock-Based Compensation Regulations.

(2) Company shares remaining in trust

Company shares held in the BIP trust account are recorded as treasury shares under net assets at book value to the trust (excluding ancillary expenses). The book value and number of treasury shares are ¥221,950 thousand and 74,206 shares, respectively, at the end of the previous fiscal year, and ¥311,652 thousand and 100,706 shares, respectively, at the end of the second quarter of FY'22/2.

(Restricted Stock-Based Compensation Plan for Employees)

In August 2020, the Company introduced a restricted stock-based compensation plan (the “Plan”) in order to motivate its employees to maximize the social and economic value of the Company by strengthening their alignment with shareholders and thereby contributing toward the realization of the Company’s corporate vision of becoming a ‘Labor force solution company’.

At the board of directors meeting held on June 22, 2021, the Company resolved to allot shares to employees who were hired on April 2, 2020 and onwards and who were promoted after May 2020.

(1) Summary of plan

The eligible employees will pay all monetary claims granted by the Company under the Plan as payment in kind, and, in return, be subject to issuance or disposition of common stock of Company shares. The amount to be paid per common stock that will be issued or disposed of to the eligible employees by the Company under the Plan will be determined by the Board of Directors based on the closing price of common stock of Company shares on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution by the Board of Directors (if there is no closing price on such date, the amount will be based on the closing price on the most recent trading day) to the extent that such amount will not be an amount particularly favorable to the eligible employees who subscribe for such common stock.

In addition, when issuing or disposing of the Company’s common stock under the Plan, a restricted share allotment agreement will be executed between the Company and the eligible employees. The contents of such agreement will include, among other matters, (i) a provision preventing the eligible employees from transferring, creating security interest, or otherwise disposing of the Company’s common stock that has been allotted to the eligible employees under the restricted share allotment agreement for a certain period, and (ii) a provision that, if certain events should arise, the Company will acquire such common stock for no consideration.

(2) Conditions to release transfer restriction

The transfer restriction will be released at the expiry of the period of restriction on transfer in question (or on the date the summary report on financial results for the year ending February 2025 is released, if such report is released prior to the expiry of the period of restriction on transfer) for all or part of the allotted shares, subject to the enrollment conditions, which require such employees to remain in a position of director, corporate officer (who does not hold a position as director), employee or equivalent throughout the period of restriction on transfer in question and based on the position conditions and the performance conditions, which are set forth below. The Company will automatically acquire the allotted shares for which the transfer restriction is unreleased, for no consideration.

However, if an employee from among the eligible allottees retires or resigns from the position of director, corporate officer (who does not hold a position as director), employee or equivalent prior to the expiry of the period of restriction on transfer in question for reasons deemed justifiable by the Board of Directors, the number of allotted shares for which the transfer restriction will be released and the timing of releasing the transfer restriction shall be adjusted reasonably as needed.

The details of the performance conditions are as follows:

a. Eligible employees belonging to the DX Business Group

The restriction on transfer will be released depending on the level to which the DX business achieves the sales and operating income targets disclosed in the summary report on financial results for the year ending February 2025. The targets will be ¥45 billion for sales and ¥10.8 billion for operating income.

b. Eligible employees belonging to any other department than the DX Business Group

The restriction on transfer will be released depending on the level to which the Company achieves consolidated sales and consolidated operating income (or non-consolidated sales and non-consolidated operating income if non-consolidated) targets disclosed in the summary report on financial results for the year ending February 2025. The targets will be ¥100 billion for sales and ¥30 billion for operating income.

(3) Total number of shares to be held by eligible employees

1,043,726 shares

(Restricted Stock-Based Compensation Plan for Directors)

The Company obtained approval for the following at its 24th Annual General Meeting of Shareholders (the “General Meeting of Shareholders”) held on May 26, 2021: i) introducing a compensation plan utilizing restricted stock (with performance-based conditions) for directors (the “Plan”) in order to encourage the Company’s directors (excluding outside directors; hereinafter the “Eligible Directors”) to maximize the social and economic value of the Company by strengthening their alignment with our shareholders and thereby contributing toward the realization of our corporate vision of becoming a ‘Labor force solution company’ and ii) setting the upper limit of the total annual amount of monetary claims paid to Eligible Directors as compensation utilizing restricted stock based on the Director Compensation Plan at 900,000 thousand yen. However, said total amount of monetary claims is based on the assumption that, as a rule, an amount equivalent to consideration for the execution of duties over four fiscal years will be paid in a lump sum. In reality, this is equivalent to payments of up to 225,000 thousand yen per fiscal year.

The Company has also obtained approval for the following: i) that the upper limit of the total number of restricted stock to be allotted each fiscal year to Eligible Directors will be 350,000 shares (the assumption is, as a rule, that shares equivalent to the consideration for the execution of duties over four fiscal years will be allotted in a lump sum; in reality, this is equivalent to allotments of up to 87,500 shares (0.15% of issued shares) per fiscal year); and ii) that the period of restriction on transfer of the restricted stock will be a period within four years stipulated by the Board of Directors (the “Period of Restriction on Transfer”).

(1) Summary of plan

The Eligible Directors will pay all monetary claims granted by the Company as payment in kind in accordance with the resolution of the Company’s Board of Directors, and, in return, be subject to issuance or disposition of common stock of Company shares. The amount to be paid per restricted stock will be determined by the Board of Directors based on the closing price of common stock of Company shares on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution by the Board of Directors on the issuance or disposal of such restricted stock (if there is no closing price on such date, the amount will be based on the closing price on the most recent trading day) to the extent that such amount will not be an amount particularly favorable to the Eligible Directors who subscribe for such restricted stock.

In addition, when issuing or disposing of the Company’s common stock under the Plan, a restricted share allotment agreement will be executed between the Company and the Eligible Directors. The contents of such agreement will include, among other matters, (i) a provision preventing the Eligible Directors from transferring, creating security interest, or otherwise disposing of the Company’s common stock that has been allotted to the Eligible Directors under the restricted share allotment agreement for a certain period, and (ii) a provision that, if certain events should arise, the Company will acquire such common stock for no consideration.

(2) Conditions to release transfer restriction

The transfer restriction will be released at the expiry of the period of restriction on transfer in question (or on the date the summary report on financial results for the year ending February 2025 is released, if such report is released prior to the expiry of the period of restriction on transfer) for all or part of the allotted shares, subject to the enrollment conditions, which require Eligible Directors to remain in a position of director of the Company, a director of a subsidiary of the Company or equivalent throughout the period of restriction on transfer and based on the position conditions and the performance conditions, which are set forth below. The Company will automatically acquire the allotted shares for which the transfer restriction is unreleased, for no consideration.

However, if an Eligible Director retires or resigns from the position of director of the Company, a director of a subsidiary of the Company or equivalent prior to the expiry of the period of restriction on transfer for reasons deemed justifiable by the Board of Directors, the number of allotted shares for which the transfer restriction will be released and the timing of releasing the transfer restriction shall be adjusted reasonably as needed.

With regard to the performance conditions, the restriction on transfer will be released depending on the level of achievement of consolidated sales and consolidated operating income targets (non-consolidated sales and non-consolidated operating income targets if non-consolidated) disclosed in the summary report on financial results for the year ending February 2025. The targets will be ¥100 billion for sales and ¥30 billion for operating income.

(3) Total number of shares to be held by Eligible Directors

160,000 shares

(Accounting Estimates Following the COVID-19 Pandemic)

The spread of COVID-19 has had a spillover effect on client companies’ job advertisements, affecting the Company’s business activities as well.

Although the number of COVID-19 infections in Japan is expected to continue to fluctuate within a small range for the time being, we assume that economic activity will become more normalized during the latter half of FY’22/2 and FY’23/2 due to the lifting of

the state of emergency on September 30, 2021, as well as to the progress in vaccination and the effects of fiscal and monetary easing in Japan and abroad.

However, since it is extremely difficult to accurately predict when the COVID-19 pandemic will abate, the accounting estimates for impairment loss on non-current assets, the collectability of deferred tax assets, and the valuation of investment securities are based on information available at the time of the preparation of consolidated financial statements under the assumption that the impact of the pandemic will continue for a certain period of time in FY'22/2 and afterwards.

(Notes on Material Changes in Shareholders' Equity)

The Company disposed of 267,477 shares of treasury shares as restricted stock-based compensation in accordance with a resolution passed at the Board of Directors meeting held on July 7, 2021. As a result, treasury shares decreased by ¥167,635 thousand and capital surplus increased due to the recording of a gain of ¥737,774 thousand from the disposal of treasury shares.

Additionally, the Company disposed of 26,500 shares of treasury shares following the continuation of the BIP Trust in accordance with a resolution passed at the Board of Directors meeting held on the same day. As a result, treasury shares decreased by ¥16,654 thousand and capital surplus increased due to the recording of a gain of ¥73,047 thousand from the disposal of treasury shares. In addition, 26,500 shares of the Company's stock acquired by the Trust, amounting to 89,702 thousand yen, were recorded as treasury shares.

Furthermore, treasury shares decreased by ¥66,704 thousand due to the disposal of 106,000 shares as a result of the exercise of stock options, and capital surplus increased due to the recording of a gain on disposal of treasury shares of ¥354,200 thousand.

In addition, the Company excluded GAUSS Co., Ltd. and JOLLY GOOD Inc. from the scope of application of the equity method during the first half of the current fiscal year. As a result, retained earnings increased due to the recording of ¥188,688 thousand in retained earnings brought forward.

Mainly due to these reasons, capital surplus, retained earnings, and treasury shares at the end of FY'22/2 Q2 were ¥4,399,304 thousand, ¥28,957,866 thousand, and ¥2,123,348 thousand, respectively.

(Segment Information etc.)

[Segment information]

First Half of FY'22/2 (March 1, 2021 to August 31, 2021)

1. Information on amounts of sales and profit or loss by reported segment

(Thousands of Yen)

	Reported segment			Adjustment (Note 1)	Amount recorded in consolidated statement of income (Note 2)
	Personnel recruiting services business	DX business	Total		
Sales					
Sales — outside customers	16,528,203	1,086,615	17,614,819	-	17,614,819
Sales and transfer – inter-segment	-	-	-	-	-
Total	16,528,203	1,086,615	17,614,819	-	17,614,819
Segment profit	5,156,248	154,644	5,310,892	(2,270,493)	3,040,399

(Notes) 1. Adjustment of segment profit (loss) of (¥2,270,493 thousand) is corporate expenses not allocated to any reported segment. Corporate expenses are mainly selling, general, and administrative expenses that are not attributable to reported segments.

2. Segment profit (loss) was reconciled with operating income on the consolidated statement of income.

2. Information on impairment loss of non-current assets and goodwill, etc. by reported segment

Not applicable.

3. Matters related to changes in reported segments

The reported segment that had previously been named the “AI/RPA business” has been renamed the “DX business” starting with the first quarter of FY'22/2. Additionally, to further promote the DX of the recruiting process of client companies, we have reviewed our business management categories and changed the reported segment category of Corporate Recruiting Page KOBOT (formerly Baitoru RHP), etc.*, which had previously been under the “personnel recruiting services business”, to the “DX business”.

* Corporate Recruiting Page KOBOT is a service for creating websites for recruiting activities and assisting companies in the recruiting process.

(Significant Subsequent Events)

None

(Note) English documents are prepared as a courtesy to our stakeholders. In the event of any inconsistency between English language documents and the Japanese-language documents, the Japanese-language documents will prevail.