Financial Results for the Third quarter of the Fiscal Year Ending February 28, 2022
(Japanese GAAP, Consolidated)

January 14, 2022

Name of company:	dip Corporation	Stock exchange listing:	Tokyo Stock Exchange
Stock code:	2379	URL:	https://www.dip-net.co.jp/en/
Representative:	Hideki Tomita, Representative Director, President and CEO		
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Scheduled date of filing financial statements:	January 14, 2022	Dividend payment date:	-
Supplementary documents to the financial results:	Available		
Financial results briefing:	Scheduled (for institutional investors and analysts)		

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

1. Consolidated Operating Results for the Nine Months Ended November 30, 2021

(1) Consolidated business performance (Percentage figures indicate year-on-year change)

	Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Nine months ended November 30, 2021	28,063	14.4	3,857	(35.0)	3,659	(29.7)	2,667	-
Nine months ended November 30, 2020	24,534	-	5,938	-	5,204	-	98	-

(Reference) Comprehensive income: FY’22/2 Q3 ¥2,702 million (-%) FY’21/2 Q3 72 million (-%)

	Net Income per Share	Diluted Net Income per Share
	¥	¥
Nine months ended November 30, 2021	48.09	47.97
Nine months ended November 30, 2020	1.80	-

Note: Year-on-year changes for the nine months ended November 30, 2020 are not shown since consolidated accounting has been adopted from FY’21/2 Q3.
Diluted net income per share for the nine months ended November 30, 2020 is not shown since the issuable shares did not have a dilutive effect.

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders’ Equity Ratio
	¥ million	¥ million	%
FY’22/2 Q3	41,053	32,128	76.9
FY’21/2	35,869	31,178	84.4

(Reference) Shareholders’ equity: FY’22/2 Q3 ¥31,566 million FY’21/2 ¥30,269 million

2. Dividends

	Annual Dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	¥	¥	¥	¥	¥
FY’21/2	-	27.00	-	29.00	56.00
FY’22/2	-	27.00	-		
FY’22/2 (forecast)				29.00	56.00

(Note) Revisions to the latest dividend forecast: Yes

3. Consolidated Operating Results Forecast for FY’22/2 (from March 1, 2021 to February 28, 2022)

(Percentage figures indicate year-on-year change)

	Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full-year	38,800 ~41,000	19.4 ~26.2	4,800 ~6,200	(34.4) ~(15.2)	4,500 ~5,900	(30.8) ~(9.2)	3,100 ~4,100	410.1 ~ 574.7	55.88 ~73.90

(Note) Revisions to the latest operating results forecast: Yes

* 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 Q3	60,140,000 shares	FY’21/2	60,140,000 shares
2. Number of treasury shares at the end of period	FY’22/2 Q3	4,356,467 shares	FY’21/2	4,815,802 shares
3. Average number of shares outstanding during period	FY’22/2 First Nine Months	55,480,392 shares	FY’21/2 First Nine Months	54,642,286 shares

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; 1,582,465 shares at the end of FY’22/2 Q3) 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 Q3).

* 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 January 14, 2022.

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1. Qualitative Information

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

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 (previously Baitoru RHP) from the personnel recruiting services business to the DX business, effective FY’22/2. For purposes of comparison, figures for the nine months ended November 30, 2020, are based on the new categorization.

(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.

Thanks to the steady recovery of the personnel recruiting services business following the lifting of the state of emergency on September 30, 2021 and the continued high growth of the DX business, sales for the nine months ended November 30, 2021, amounted to ¥28,063 million (up 14.4% year on year).

With regard to costs, the Company made upfront, large-scale advertising investments to further increase market share by capturing the rapid recovery of the job market and to increase recognition of Baitoru PRO. As a result, for the nine months ended November 30, 2021, operating income, ordinary income and net income attributable to owners of parent stood at ¥3,857 million (down 35.0% year on year), ¥3,659 million (down 29.7% year on year) and ¥2,667 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.

During the nine months ended November 30, 2021, sales saw steady recovery as we launched large-scale promotional campaigns while competitors refrained from advertising. As a result, segment sales and segment profit for the nine months ended November 30, 2021, were ¥26,188 million (up 9.6% year on year) and ¥ 6,946 million (down 25.6% year on year). Sales recovered to pre-pandemic levels in December 2021. We will continue to capture the rapid recovery of the job market in an effort to grow our market share further.

With more than 300,000 job postings, Baitoru PRO, a comprehensive job information site for specialized jobs that was launched in May 2021, is seeing steady progress as it gained the largest number of job postings in the beauty care and childcare sectors in addition to the nursing care sector. 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 nine month ended November 30, 2021, sales of the Interview Scheduling KOBOT, which automatically schedules interviews with job applicants, accelerated, while sales of subscription-based SaaS products including the Corporate Recruiting Page KOBOT, which creates client recruiting pages featuring Baitoru’s unique functions such as workplace introduction videos, also grew. As a result, segment sales were ¥1,875 million (up 193.1 % year on year) and segment profit was ¥386 million, respectively.

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 Q3 were ¥41,053 million, an increase of ¥5,184 million from the end of the previous fiscal year. The main factors were increases of ¥2,774 million in cash and deposits, ¥1,139 million in notes and accounts receivable - trade, ¥750 million in intangible assets and ¥548 million in investments and other assets.

Total liabilities stood at ¥8,924 million, an increase of ¥4,233 million from the end of the previous fiscal year. The main factors were increases of ¥1,428 million in income taxes payable and ¥2,517 million in other current liabilities.

Net assets were ¥32,128 million, an increase of ¥950 million from the end of the previous fiscal year. The main factors were an increase of ¥1,399 million in capital surplus and a decrease of ¥347 million in retained earnings.

(ⅱ) Status of Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the third quarter of FY’22/2, were ¥15,237 million.
The breakdown of cash flows in the nine months ended November 30, 2021, is as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥8,168 million (an increase of ¥4,494 million year on year). This was mainly attributable to net income before income taxes of ¥3,862 million, depreciation of ¥1,816 million, share-based remuneration expenses of ¥572 million, an increase in accounts payable - other by ¥1,863 million and an income tax refund of ¥609 million, which offset a ¥1,140 million increase in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities was ¥2,806 million (a decrease of ¥9,125 million year on year). This was mainly attributable to the purchase of intangible assets amounting to ¥2,276 million and the purchase of property, plant and equipment totaling ¥481 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥2,587 million (a decrease of ¥481 million year on year). This was mainly attributable to a dividend payment of ¥3,183 million, which offset ¥487 million in proceeds from the exercise of employee share options.

(3) Operating Result Forecasts

Dip has revised its sales forecast for FY’22/2 Q4 in consideration of factors such as the expected impact of the resurgence of COVID-19 on client companies’ job advertisements. It also plans to make an upfront advertising investment of ¥1.4 billion in FY’22/2 Q4 in anticipation of a further increase in market share after the pandemic and sales growth in Baitoru PRO. Based on these factors, dip revises its full-year operating results forecasts for FY’22/2.

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	38,800 ~ 41,000	6,305 ~ 8,505	+19.4% ~ +26.2%
Operating Income	7,312	4,800 ~ 6,200	(2,512) ~ (1,112)	(34.4)% ~ (15.2)%
Ordinary Income	6,501	4,500 ~ 5,900	(2,001) ~ (601)	(30.8)% ~ (9.2)%
Net Income Attributable to Owners of Parent	607	3,100 ~ 4,100	2,492 ~ 3,492	+410.1% ~ +574.7%

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 Q3 As of November 30, 2021
Assets		
Current assets		
Cash and deposits	12,462,677	15,237,282
Notes and accounts receivable - trade	3,564,913	4,704,699
Supplies	5,421	23,178
Other	1,862,167	1,518,502
Allowance for doubtful accounts	(113,149)	(114,979)
Total current assets	17,782,031	21,368,682
Non-current assets		
Property, plant and equipment	1,698,070	1,997,012
Intangible assets		
Software	6,155,008	6,382,512
Other	676,615	1,199,438
Total intangible assets	6,831,623	7,581,951
Investments and other assets		
Investment securities	5,663,928	5,847,332
Other	3,905,191	4,271,201
Allowance for doubtful accounts	(11,455)	(12,397)
Total investments and other assets	9,557,664	10,106,136
Total non-current assets	18,087,358	19,685,100
Total assets	35,869,390	41,053,783
Liabilities		
Current liabilities		
Accounts payable – trade	283,333	378,754
Income taxes payable	-	1,428,711
Provision for repayment	19,912	20,918
Provision for bonuses	203,690	281,944
Asset retirement obligations	44,715	45,104
Other	3,024,936	5,542,151
Total current liabilities	3,576,588	7,697,585
Non-current liabilities		
Provision for share-based remuneration	78,260	77,813
Provision for share-based remuneration for directors	116,840	130,237
Asset retirement obligations	480,554	481,818
Other	438,946	537,539
Total non-current liabilities	1,114,601	1,227,408
Total liabilities	4,691,190	8,924,993
Net assets		
Shareholders' equity		
Share capital	1,085,000	1,085,000
Capital surplus	3,234,282	4,633,423
Retained earnings	28,270,725	27,922,812
Treasury shares	(2,287,095)	(2,076,829)
Total shareholders' equity	30,302,911	31,564,406
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(33,575)	2,024
Total accumulated other comprehensive income	(33,575)	2,024
Share acquisition rights	892,247	546,239
Non-controlling interests	16,615	16,118
Total net assets	31,178,199	32,128,789
Total liabilities and net assets	35,869,390	41,053,783

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY'21/2 Q3 Nine months ended November 30, 2020	FY'22/2 Q3 Nine months ended November 30, 2021
Net sales	24,534,424	28,063,805
Cost of sales	2,394,455	3,329,043
Gross profit	22,139,968	24,734,761
Selling, general and administrative expenses	16,201,297	20,877,164
Operating income	5,938,671	3,857,597
Non-operating income		
Interest income	2,584	4,308
Insurance claim income	5,353	4,800
Dividend income of insurance	14,887	16,356
Subsidy income	990	12,342
Other	9,273	17,664
Total non-operating income	33,089	55,471
Non-operating expenses		
Share of loss of entities accounted for using equity method	692,371	106,621
Amortization of restricted stock remuneration	64,990	131,615
Other	9,893	15,423
Total non-operating expenses	767,255	253,660
Ordinary profit	5,204,505	3,659,407
Extraordinary income		
Gain on change in equity	46,807	-
Gain on reversal of share acquisition rights	199,490	202,915
Total extraordinary income	246,297	202,915
Extraordinary losses		
Loss on valuation of investment securities	5,017,997	-
Total extraordinary losses	5,017,997	-
Profit before income taxes	432,805	3,862,323
Income taxes - current	1,646,009	1,511,503
Income taxes - deferred	(1,311,007)	(315,582)
Total income taxes	335,001	1,195,921
Net Income	97,803	2,666,402
Net (loss) income attributable to non-controlling interests	(376)	(1,501)
Net income attributable to owners of parent	98,179	2,667,903

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Nine months ended November 30, 2020	Nine months ended November 30, 2021
Net income	97,803	2,666,402
Other comprehensive income		
Valuation difference on available-for-sale securities	(27,125)	35,941
Share of other comprehensive income of entities accounted for using equity method	2,117	(21)
Total other comprehensive income	(25,008)	35,920
Comprehensive income	72,795	2,702,322
(Breakdown)		
Comprehensive income attributable to owners of parent	73,171	2,703,824
Comprehensive income attributable to non-controlling interests	(376)	(1,501)

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	Nine months ended November 30, 2020	Nine months ended November 30, 2021
Cash flows from operating activities		
Net income before income taxes	432,805	3,862,323
Depreciation	1,486,156	1,816,989
Share-based remuneration expenses	325,560	572,099
Interest and dividend income	(2,584)	(4,308)
Insurance claim income	(5,353)	(4,800)
Commission expenses	9,262	13,504
Share of loss (profit) of entities accounted for using equity method	692,371	106,621
Loss (gain) on change in equity	(46,807)	-
Gain on reversal of share acquisition rights	(199,490)	(202,915)
Loss (gain) on valuation of investment securities	5,017,997	-
Decrease (increase) in trade receivables	2,106,432	(1,140,728)
Increase (decrease) in trade payables	(40,195)	95,421
Increase (decrease) in accounts payable - other	(1,953,217)	1,863,069
Increase (decrease) in unearned revenue	(45,410)	135,138
Increase (decrease) in allowance for doubtful accounts	(5,272)	2,772
Increase (decrease) in provision for bonuses	(110,566)	78,254
Increase (decrease) in provision for repayment	(6,618)	1,006
Decrease (increase) in other assets	81,328	90,420
Increase (decrease) in other liabilities	(680,423)	463,059
Other, net	42,199	(1,824)
Subtotal	7,098,175	7,746,101
Interest and dividends received	38	2,193
Proceeds from insurance income	5,353	4,800
Income taxes paid	(3,430,018)	(194,055)
Income taxes refund	-	609,242
Cash flows from operating activities	3,673,548	8,168,282
Cash flows from investing activities		
Purchase of property, plant and equipment	(145,631)	(481,108)
Purchase of intangible assets	(2,267,408)	(2,276,181)
Purchase of investment securities	(9,519,461)	(50,000)
Payments of leasehold and guarantee deposits	(4,246)	(889)
Proceeds from refund of leasehold and guarantee deposits	4,969	2,106
Cash flows from investing activities	(11,931,779)	(2,806,074)
Cash flows from financing activities		
Purchase of treasury shares	-	(90,255)
Proceeds from sales of treasury shares	66,483	210,947
Proceeds from exercise of employee share options	-	487,544
Dividends paid	(3,150,849)	(3,183,669)
Proceeds from share issuance to non-controlling shareholders	25,008	1,333
Other, net	(9,262)	(13,504)
Cash flows from financing activities	(3,068,620)	(2,587,603)
Increase (decrease) in cash and cash equivalents	(11,326,851)	2,774,604
Cash and cash equivalents at the beginning of period	19,241,526	12,462,677
Cash and cash equivalents at the end of period	7,914,674	15,237,282

(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

In the second quarter of FY'22/2, 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 ¥101,443 thousand and 1,582,465 shares, respectively, at the end of the third 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 third 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

1,015,594 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 dip Group's business activities as well. However, sales have been recovering on the back of the lifting of the state of emergency on September 30, 2021, as well as the progress in vaccination, the effects of fiscal and monetary easing, and other government-led initiatives for economic recovery.

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 in FY'23/2.

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, are recorded as treasury shares.

Furthermore, treasury shares decreased by ¥112,266 thousand due to the disposal of 179,100 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 ¥588,319 thousand.

In addition, the Company removed GAUSS Co., Ltd. and JOLLY GOOD Inc. from the scope of application of the equity method in the second quarter 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 Q3 were ¥4,633,423 thousand, ¥27,922,812 thousand, and ¥2,076,829 thousand, respectively.

(Segment Information etc.)

[Segment information]

I Nine months ended November 30, 2020 (March 1, 2020 to November 30, 2020)

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	23,894,606	639,817	24,534,424	-	24,534,424
Sales and transfer – inter-segment	-	-	-	-	-
Total	23,894,606	639,817	24,534,424	-	24,534,424
Segment profit	9,340,541	(409,576)	8,930,964	(2,992,293)	5,938,671

(Notes) 1. Adjustment of segment profit (loss) of (¥ 2,992,293 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.

II Nine months ended November 30, 2021 (March 1, 2021 to November 30, 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	26,188,257	1,875,547	28,063,805	-	28,063,805
Sales and transfer – inter-segment	-	-	-	-	-
Total	26,188,257	1,875,547	28,063,805	-	28,063,805
Segment profit	6,946,863	386,077	7,332,940	(3,475,343)	3,857,597

(Notes) 1. Adjustment of segment profit (loss) of (¥ 3,475,343thousand) 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 previous 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”.

Segment information for the nine months ended November 30, 2020, shown above is based on the new categorization.

* 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.