# Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2023
# (Japanese GAAP, Consolidated)

July 13, 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 | | |
| Contact: | Haruhiko Arai, Corporate Officer, CFO, Head of Corporate Management Group<br>Phone: +81-3-5114-1177 | | |

| | | | |
|---|---|---|---|
| Scheduled date of filing financial statements: | July 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 1st Quarter of FY’23/2 (from March 1, 2022 to May 31, 2022)

(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 | % |
| FY’23/2 Q1 | 12,342 | 33.8 | 3,158 | 70.1 | 3,090 | 73.2 | 2,006 | 66.5 |
| FY’22/2 Q1 | 9,226 | – | 1,856 | – | 1,784 | – | 1,204 | – |

(Reference) Comprehensive income: FY’23/2 Q1 ¥2,454 million (101.1%) FY’22/2 Q1 ¥1,220 million (-%)

| | Net Income per Share | Diluted Net Income per Share |
|---|---|---|
| | ¥ | ¥ |
| FY’23/2 Q1 | 35.96 | 35.88 |
| FY’22/2 Q1 | 21.77 | 21.74 |

Note: Figures for FY’22/2 Q1 represent figures that have been applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and others, which were adopted from the beginning of FY’23/2 Q1. The percentage changes were calculated using the consolidated earnings for FY’22/2 Q1 before applying said accounting standard and others. However, year-on-year changes for FY’22/2 Q1 are not shown since consolidated accounting was adopted from FY’21/2 Q3.

(2) Consolidated financial position

| | Total Assets | Net Assets | Shareholders’ Equity Ratio |
|---|---|---|---|
| | ¥ million | ¥ million | % |
| FY’23/2 Q1 | 43,065 | 33,624 | 76.7 |
| FY’22/2 | 42,454 | 32,989 | 76.4 |

(Reference) Shareholders’ equity: FY’23/2 Q1 ¥33,051 million FY’21/22 ¥32,415 million

Note: Figures for FY’22/2 Q1 represent figures that have been applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and others, which were adopted from the beginning of FY’23/2 Q1.

2. Dividends

| | Annual Dividends | | | | |
|---|---|---|---|---|---|
| | End of Q1 | End of Q2 | End of Q3 | Year-end | Total |
| | ¥ | ¥ | ¥ | ¥ | ¥ |
| FY’22/2 | - | 27.00 | - | 34.00 | 61.00 |
| FY’23/2 | - | | | | |
| FY’23/2 (forecast) | | 27.00 ~44.00 | - | 29.00 ~57.00 | 56.00 ~101.00 |

Note: Revisions to the latest dividend forecast: None

3. Consolidated Operating Results Forecast for FY’23/2 (from March 1, 2022 to February 28, 2023)

(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 | % | ¥ |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1st half | 23,800 ～27,500 | 35.1 ～56.1 | 4,400 ～7,300 | 44.7 ～140.1 | 4,300 ～7,200 | 48.3 ～148.2 | 2,800 ～4,800 | 30.1 ～123.0 | 50.40 ～86.40 |
| Full-year | 49,400 ～59,300 | 25.0 ～50.1 | 9,400 ～16,900 | 67.8 ～201.7 | 9,100 ～16,600 | 71.0 ～212.0 | 5,900 ～11,100 | 69.2 ～218.3 | 106.20 ～199.80 |

Notes: Revisions to the latest operating results forecast: None

The consolidated operating results forecast above represents figures that have been applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and others, which were adopted from the beginning of FY’23/2 Q1. The percentage changes were calculated using the consolidated earnings for the same fiscal period of the previous year before applying said accounting standard and others.

* 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: Yes
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’23/2 Q1 | 60,140,000 shares | FY’22/2 | 60,140,000 shares |
| 2. Number of treasury shares at the end of period | FY’23/2 Q1 | 4,332,599 shares | FY’22/2 | 4,371,937 shares |
| 3. Average number of shares outstanding during period | FY’23/2 Q1 | 55,780,716 shares | FY’22/2 Q1 | 55,330,423 shares |

Treasury shares include the number of Company shares owned by the ESOP trust account (1,562,485 shares at the end of FY’22/2; 1,532,895 shares at the end of FY’23/2 Q1) and the number of Company shares owned by BIP trust account (100,706 shares at the end of FY’22/2; 100,706 shares at the end of FY’23/2 Q1).

* The summary report on quarterly financial results are not subject to quarterly audits 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 Wednesday, July 13, 2022.

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## 1. Qualitative Information

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and others since the beginning of FY'23/2 Q1. The year-on-year comparisons and comparison with the end of FY'22/2 in "(1) Operating Results" and "(i) Analysis of Financial Position" and "(ii) Status of Cash Flows" under "(2) Financial Position" are based on the consolidated earnings for FY'22/2 before applying said Accounting Standard and others. For further details, see "2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Consolidated Financial Statements, (Changes in Accounting Policies)."

### (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 and the high growth of the DX business, sales in FY'23/2 Q1 amounted to ¥12,342 million (up 33.8% year on year).

With regard to costs, the Company made investments in human resources,* such as in the recruitment of new graduate employees, to boost its sales capabilities, as well as upfront, aggressive advertising investments to further increase market share in the part-time and personnel dispatch media and to increase recognition of Baitoru PRO.

As a result, operating income, ordinary income, and net income attributable to owners of parent for FY'23/2 Q1 came to ¥3,158 million (up 70.1% year on year), ¥3,090 million (up 73.2% year on year), and ¥2,006 million (up 66.5% year on year), respectively.

* The Company hired 414 new graduate employees in April 2022.

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, Hatarako.net, a comprehensive job information site, and Baitoru PRO, a comprehensive job information site for specialized jobs. 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 FY'23/2 Q1, sales of the personnel recruiting services business recovered to pre-pandemic levels in the part-time and temporary job information media market that have not recovered to such levels. As a result, segment sales and segment profit stood at ¥11,246 million (up 28.9% year on year) and ¥4,145 million (up 37.2% year on year).

In particular, Baitoru PRO saw steady growth, recording sales of ¥1,052 million (up 58.7% year on year). The Company will continue to make efforts to increase sales in the specialized job sector through its sales force, and promotion.

(ii) DX Business

The DX business has been supporting the digital transformation (DX) of SMEs through the offering of KOBOT, a DX service packaged to facilitate introduction and continuous use of the service. The product is designed specifically for small and medium sized companies and is packaged with a limited number of functions.

During FY'23/2 Q1, a reinforcement of the sales promotion system, among others, led to an increase in sales of the Interview KOBOT, which automatically schedules interviews with job applicants, and HR KOBOT, which supports dispatch companies' sales activities with automated sales list creation services, as well as recurring products* including 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 ¥1,096 million (up 118.5% year on year) and segment profit was ¥489 million (up 902.0% year on year).

The Company will continue to make efforts to enhance the quality of its products and improve its marketing efficiency by selling multiple DX products in packaged deals. It will also strive to reduce cancellation rates by improving the efficiency of CS operations and boost upselling.

* Recurring products: Products with automatic renewal or long-term contracts

## (2) Financial Position

(i) Analysis of Financial Position

Total assets recorded at the end of FY’23/2 Q1 were ¥43,065 million, an increase of ¥610 million from the end of the previous fiscal year. The major factors were a decrease of ¥110 million in cash and deposits and increases of ¥224 million in notes and accounts receivable - trade, and ¥628 million in investment securities.

Total liabilities stood at ¥9,440 million, a decrease of ¥25 million from the end of the previous fiscal year. This mainly reflected decreases of ¥709 million in income taxes payable and ¥246 million in provision for bonuses and an increase of ¥856 million in other current liabilities.

Net assets recorded at the end of FY’23/2 Q1 were ¥33,624 million, an increase of ¥635 million from the end of the previous fiscal year. The major factors were increases of ¥124 million in retained earnings and ¥448 million in valuation difference on available-for-sale securities.

(ii) Status of Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) stood at ¥16,459 million in FY’23/2 Q1.
The breakdown of the cash flow is as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥2,598 million (a decrease of ¥1,592 million year on year). This was mainly attributable to net income before income taxes of ¥2,928 million, depreciation of ¥705 million, an increase in contract liabilities of ¥279 million, and an increase in other liabilities of ¥918 million, which offset a decrease in accounts payable - other of ¥358 million and the payment of income taxes amounting to ¥1,975 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥853 million (a decrease of ¥88 million year on year). This was mainly attributable to the purchase of intangible assets amounting to ¥881 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥1,855 million (an increase of ¥315 million year on year). This was mainly attributable to a dividend payment of ¥1,928 million.

## (3) Operating Results Forecast

There are no changes to the FY’23/2 consolidated operating results forecast that was published in the summary report on financial results for the fiscal year ended February 28, 2022, dated April 14, 2022.

Consolidated operating results forecast for FY’23/2 (from March 2022 to February 2023)

| | FY’22/2 (Actual) | FY’23/2 (Forecast) | Change (in amount) | Change (in percentage) |
|---|---|---|---|---|
| | ¥ million | ¥ million | ¥ million | % |
| Sales | 39,515 | 49,400 ~ 59,300 | 9,884 ~ 19,784 | +25.0% ~ +50.1% |
| Operating Income | 5,602 | 9,400 ~ 16,900 | 3,797 ~ 11,297 | +67.8% ~ +201.7% |
| Ordinary Income | 5,320 | 9,100 ~ 16,600 | 3,779 ~ 11,279 | +71.0% ~ +212.0% |
| Net Income Attributable to Owners of Parent | 3,487 | 5,900 ~ 11,100 | 2,412 ~ 7,612 | +69.2% ~ +218.3% |

Note: Figures for FY’23/2 represent figures that have been applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and others, which were adopted from the beginning of FY’23/2 Q1. The actual figures for FY’22/2 and the percentage changes were calculated using the consolidated earnings for FY’22/2 Q1 before applying said accounting standard and others.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Consolidated Balance Sheet

(Thousands of yen)

| | FY’22/2<br>As of February 28, 2022 | FY’23/2 Q1<br>As of May 31, 2022 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 16,569,547 | 16,459,088 |
| Notes and accounts receivable - trade | 4,885,098 | 5,109,968 |
| Supplies | 14,672 | 8,660 |
| Other | 1,299,280 | 1,232,246 |
| Allowance for doubtful accounts | (114,967) | (119,950) |
| Total current assets | 22,653,631 | 22,690,013 |
| Non-current assets | | |
| Property, plant and equipment | 1,964,350 | 1,907,451 |
| Intangible assets | | |
| Software | 7,690,693 | 7,031,385 |
| Other | 47,415 | 751,737 |
| Total intangible assets | 7,738,109 | 7,783,123 |
| Investments and other assets | | |
| Investment securities | 5,891,709 | 6,520,104 |
| Other | 4,218,662 | 4,175,478 |
| Allowance for doubtful accounts | (12,092) | (11,125) |
| Total investments and other assets | 10,098,279 | 10,684,458 |
| Total non-current assets | 19,800,739 | 20,375,032 |
| Total assets | 42,454,370 | 43,065,045 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 398,655 | 421,919 |
| Income taxes payable | 2,127,770 | 1,417,853 |
| Provision for repayment | 20,124 | — |
| Provision for bonuses | 551,605 | 305,285 |
| Provision for loss on contracts | 56,250 | 63,750 |
| Other | 4,878,166 | 5,734,731 |
| Total current liabilities | 8,032,572 | 7,943,539 |
| Non-current liabilities | | |
| Provision for share-based remuneration | 78,599 | 77,375 |
| Provision for share-based remuneration for directors | 152,520 | 161,382 |
| Asset retirement obligations | 482,239 | 482,663 |
| Provision for loss on contracts | 165,000 | 144,375 |
| Other | 554,305 | 630,826 |
| Total non-current liabilities | 1,432,663 | 1,496,622 |
| Total liabilities | 9,465,236 | 9,440,161 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,085,000 | 1,085,000 |
| Capital surplus | 4,650,102 | 4,701,527 |
| Retained earnings | 28,742,311 | 28,866,931 |
| Treasury shares | (2,072,330) | (2,060,905) |
| Total shareholders' equity | 32,405,083 | 32,592,553 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 10,532 | 458,953 |
| Total accumulated other comprehensive income | 10,532 | 458,953 |
| Share acquisition rights | 557,418 | 557,616 |
| Non-controlling interests | 16,100 | 15,760 |
| Total net assets | 32,989,134 | 33,624,884 |
| Total liabilities and net assets | 42,454,370 | 43,065,045 |

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

| | FY'22/2 Q1<br>Three months ended<br>May 31, 2021 | FY'23/2 Q1<br>Three months ended<br>May 31, 2022 |
|---|---|---|
| Sales | 9,226,878 | 12,342,666 |
| Cost of sales | 1,060,120 | 1,341,253 |
| Gross profit | 8,166,758 | 11,001,412 |
| Selling, general and administrative expenses | 6,310,640 | 7,843,399 |
| Operating income | 1,856,118 | 3,158,012 |
| Non-operating income | | |
| Interest income | 860 | 851 |
| Insurance claim income | 4,800 | 4,800 |
| Other | 9,751 | 5,760 |
| Total non-operating income | 15,412 | 11,412 |
| Non-operating expenses | | |
| Share of loss of entities accounted for using equity method | 49,208 | 17,744 |
| Amortization of restricted stock remuneration | 32,918 | 53,227 |
| Other | 4,990 | 7,519 |
| Total non-operating expenses | 87,116 | 78,491 |
| Ordinary income | 1,784,413 | 3,090,933 |
| Extraordinary income | | |
| Gain on reversal of share acquisition rights | 3,553 | 2,900 |
| Total extraordinary income | 3,553 | 2,900 |
| Extraordinary losses | | |
| Impairment losses | — | 165,364 |
| Total extraordinary losses | — | 165,364 |
| Profit before income taxes | 1,787,966 | 2,928,469 |
| Income taxes – current | 680,734 | 1,332,128 |
| Income taxes – deferred | (96,640) | (409,397) |
| Total income taxes | 584,093 | 922,731 |
| Net income | 1,203,873 | 2,005,738 |
| Net (loss) income attributable to non-controlling interests | (641) | (340) |
| Net income attributable to owners of parent | 1,204,515 | 2,006,078 |

Consolidated Statement of Comprehensive Income

(Thousands of yen)

| | FY'22/2 Q1<br>Three months ended<br>May 31, 2021 | FY'23/2 Q1<br>Three months ended<br>May 31, 2022 |
|---|---|---|
| Net income | 1,203,873 | 2,005,738 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 16,776 | 448,421 |
| Share of other comprehensive income of entities accounted for using equity method | (21) | — |
| Total other comprehensive income | 16,754 | 448,421 |
| Comprehensive income | 1,220,627 | 2,454,159 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 1,221,269 | 2,454,499 |
| Comprehensive income attributable to non-controlling interests | (641) | (340) |

## (3) Consolidated Statement of Cash Flows

(Thousands of yen)

| | FY'22/2 Q1<br>Three months ended<br>May 31, 2021 | FY'23/2 Q1<br>Three months ended<br>May 31, 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Net income before income taxes | 1,787,966 | 2,928,469 |
| Depreciation | 589,806 | 705,214 |
| Share-based remuneration expenses | 170,807 | 211,107 |
| Interest and dividend income | (860) | (851) |
| Insurance claim income | (4,800) | (4,800) |
| Commission expenses | 4,965 | 5,189 |
| Share of loss (profit) of entities accounted for using equity method | 49,208 | 17,744 |
| Gain on reversal of share acquisition rights | (3,553) | (2,900) |
| Impairment losses | — | 165,364 |
| Decrease (increase) in trade receivables | 341,339 | (111,042) |
| Increase (decrease) in trade payables | 24,019 | 23,263 |
| Increase (decrease) in accounts payable - other | 336,928 | (358,219) |
| Increase (decrease) in unearned revenue | 106,630 | — |
| Increase (decrease) in contract liabilities | — | 279,632 |
| Increase (decrease) in allowance for doubtful accounts | (8,911) | 4,015 |
| Increase (decrease) in provision for bonuses | (56,897) | (246,320) |
| Increase (decrease) in provision for refund | 23,746 | — |
| Increase (decrease) in provision for loss on contracts | — | (13,125) |
| Decrease (increase) in other assets | 177,030 | 25,411 |
| Increase (decrease) in other liabilities | 656,101 | 918,090 |
| Other, net | 9,927 | 22,511 |
| Subtotal | 4,203,455 | 4,568,755 |
| Interest and dividends received | 1 | 0 |
| Proceeds from insurance income | 4,800 | 4,800 |
| Income taxes paid | (17,501) | (1,975,477) |
| Cash flows from operating activities | 4,190,755 | 2,598,077 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (7,694) | (15,517) |
| Purchase of intangible assets | (883,149) | (881,713) |
| Purchase of investment securities | (50,000) | — |
| Payments of leasehold and guarantee deposits | (698) | (596) |
| Proceeds from refund of leasehold and guarantee deposits | — | 76,121 |
| Payments associated with fulfillment of asset retirement obligations | — | (31,485) |
| Cash flows from investing activities | (941,542) | (853,190) |
| Cash flows from financing activities | | |
| Purchase of treasury shares | (64) | (265) |
| Proceeds from sales of treasury shares | 20,942 | 35,468 |
| Proceeds from exercise of employee share options | 72,163 | 42,656 |
| Dividends paid | (1,627,869) | (1,928,015) |
| Proceeds from share issuance to non-controlling shareholders | 351 | — |
| Other payments | (4,965) | (5,189) |
| Cash flows from financing activities | (1,539,441) | (1,855,346) |
| Increase (decrease) in cash and cash equivalents | 1,709,771 | (110,459) |
| Cash and cash equivalents at beginning of period | 12,462,677 | 16,569,547 |
| Cash and cash equivalents at end of period | ※ 14,172,449 | ※ 16,459,088 |

## (4) Notes to Consolidated Financial Statements

### (Notes to Going Concern Assumption)

Not applicable

### (Changes in Accounting Policies)

(Adoption of Accounting Standard for Revenue Recognition and Others)

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and others since the beginning of FY’23/2 Q1. As a result, the Company recognizes revenue at an amount expected to be received in exchange for a promised good or service when said good or service is transferred to the customer.

The main changes that have occurred due to the adoption of the Accounting Standard for Revenue Recognition, etc. are as follows:

(1) Consideration paid to customers

The sales incentives paid to sales agencies that were previously recorded under selling, general and administrative expenses (SG&A) are now deducted from sales, since they correspond to consideration paid to customers.

(2) Allocation of transaction price

Revenues pertaining to multiple performance obligations included in contracts were previously recognized at the transaction price agreed with the customer for each performance obligation. Deeming that the determination of the transaction price for each performance obligation is correlated, the revenue recognition method has been changed to a method in which revenue is recognized by allocating the transaction price for the entire contract to each performance obligation based on the ratio of independent selling prices.

(3) Revenue pertaining to proxy transactions

Where the total amount of consideration received from the customer was previously recognized as revenue, the recognition method has been changed to a method in which the net amount, which is the amount received from the customer minus the amount paid to parties such as the supplier of the product, is recognized as revenue for transactions deemed by the Group to correspond to a proxy transaction.

The adoption of the Accounting Standard for Revenue Recognition and others is conducted in accordance with the transitional treatment provided in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, under which the retained earnings as of the start of FY’23/2 Q1 is adjusted for the cumulative impact of when the new accounting policy is applied retrospectively to before the beginning of FY’23/2 Q1, and the new accounting policy is applied from said beginning balance.

As a result, the sales, cost of sales, and SG&A for the FY’23/2 Q1 have decreased by ¥679,351 thousand, ¥3,882 thousand, and ¥707,875 thousand, respectively. Operating income, ordinary income, and net income before income taxes have increased by ¥32,406 thousand each. The beginning balance of retained earnings have increased by ¥71,203 thousand.

Due to the adoption of the Accounting Standard for Revenue Recognition and others, the expected amount of future refunds set aside to prepare for future refunds of recruitment fees in Nurse de Hatarako, the human resources introduction services for nurses, that had been recorded as “provision for refund” under “current liabilities” on the consolidated balance sheet of FY’22/2 have been presented in “other” under “current liabilities” effective from FY’23/2 Q1.

Pursuant to the transitional treatment provided in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the financial statements for FY’22/2 have not been reclassified in accordance with the new presentation method. Furthermore, pursuant to the transitional treatment provided in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12; March 31, 2020), the breakdown information of revenue generated from contracts with customers has not been indicated for FY’22/2 Q1.

(Adoption of Accounting Standard for Fair Value Measurement and Others)

The Company has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019) and others since the beginning of FY’23/2 Q1, and will adopt the new accounting policy set forth in the Accounting Standard for Fair Value Measurement and others into the future in accordance with the transitional treatment provided in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019).

Due to this, the quarterly consolidated balance sheet value of the mostly investment securities that were deemed financial instruments for which fair value was recognized to be extremely to measure, namely corporate bonds and other marketable securities other than bonds, has been changed from acquisition cost to fair value.

## (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 said treasury shares were ¥100,161 thousand and 1,562,485 shares, respectively, in FY'22/2, and ¥98,261 thousand and 1,532,895 shares, respectively, in FY'23/2 Q1.

(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 said treasury shares were ¥311,652 thousand and 100,706 shares, respectively, in FY'22/2, and ¥311,652 thousand and 100,706 shares, respectively, in FY'23/2 Q1.

(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 held by eligible employees

FY'22/2: 983,499 shares; FY'23/2 Q1: 957,509 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 held by Eligible Directors

FY'22/2: 160,000 shares; FY'23/2 Q1: 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. However, the lifting of the state of emergency on September 30, 2021, and of the priority preventive measures on March 21, 2022, as well as the progress of vaccination have led to a recovery in sales.

Although the number of COVID-19 infections in Japan is expected to continue to fluctuate for the time being due to the emergence of new variant strains, we assume that the impact of the resurgence of infections will be reduced 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 quarterly consolidated financial statements under the assumption that the impact of the pandemic will continue for a certain period of time in FY'23/2 and afterwards.

### (Notes to Material Changes in Shareholders' Equity)

None

(Segment Information etc.)

[Segment information]

I. FY’22/2 Q1 (March 1, 2021 to May 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 | 8,725,204 | 501,674 | 9,226,878 | - | 9,226,878 |
| Sales and transfers — inter-segment | — | — | — | - | — |
| Total | 8,725,204 | 501,674 | 9,226,878 | - | 9,226,878 |
| Segment profit | 3,021,994 | 48,810 | 3,070,804 | (1,214,686) | 1,856,118 |

(Notes) 1. Adjustment of segment profit of (¥1,214,686 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 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

None

II. FY’23/2 Q1 (March 1, 2022 to May 31, 2022)

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

(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 | | | | | |
| Baitoru | 7,207,332 | — | 7,207,332 | — | 7,207,332 |
| Baitoru NEXT | 1,199,639 | — | 1,199,639 | — | 1,199,639 |
| Baitoru PRO | 1,052,352 | — | 1,052,352 | — | 1,052,352 |
| Hatarako.net | 1,779,070 | — | 1,779,070 | — | 1,779,070 |
| DX | — | 1,096,015 | 1,096,015 | — | 1,096,015 |
| Other | 8,256 | — | 8,256 | — | 8,256 |
| Revenue generated from contracts with customers | 11,246,651 | 1,096,015 | 12,342,666 | — | 12,342,666 |
| Other revenue | — | — | — | — | — |
| Sales — outside customers | 11,246,651 | 1,096,015 | 12,342,666 | — | 12,342,666 |
| Sales and transfers — inter-segment | — | — | — | — | — |
| Total | 11,246,651 | 1,096,015 | 12,342,666 | — | 12,342,666 |
| Segment profit | 4,145,140 | 489,091 | 4,634,231 | (1,476,218) | 3,158,012 |

(Notes) 1. Adjustment of segment profit of (¥1,476,218 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 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

(Significant impairment losses on non-current assets)

Impairment losses on non-current assets were recorded in the DX business segment. The recorded amount of said impairment losses were ¥165,364 thousand in FY’23/2 Q1.

3. Matters related to changes in reported segments

As described in Changes in Accounting Policies, the Company has adopted the Accounting Standard for Revenue Recognition and others since the beginning of FY’23/2 Q1 and changed the accounting method for revenue recognition. The calculation method of profit or loss of reported segments has also been changed accordingly.

Due to this change, sales of the personnel recruiting services business for FY’23/2 Q1 have decreased by ¥660,719 thousand and segment profit has increased by ¥32,518 thousand, while sales of the DX business have decreased by ¥18,632 thousand and segment profit by ¥112 thousand.

## (Significant Subsequent Events)

(Disposition of Treasury Stock as Restricted Stock Compensation for Employees)

At the Board of Directors meeting held on July 13, 2022, the Company resolved to dispose of treasury stock as restricted stock (with performance conditions, etc.) that will be granted to employees who joined the Company or were promoted in June 2021 onward.

1. Purpose of and reason for the disposition

At its Board of Directors meeting held on May 27, 2020, the Company decided to implement an incentive plan (the “Plan”) utilizing restricted stock (with performance-based conditions) with the aim of encouraging all employees 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’. The allotment was completed on August 27, 2020. Furthermore, at its Board of Directors meeting held on June 22, 2021, the Company decided on an allotment to employees who joined the company on or after April 2, 2020, or who were promoted in May 2020 onward. The allotment was completed on August 27, 2021.

This time, the Company will carry out an allotment to its employees who joined the company or were promoted in June 2021 onward. The Company has set performance targets three years in advance, the achievement of which will be the condition for lifting transfer restrictions. These performance targets are set as aspirations for the entire company to aim for.

The Company considers the Plan as a key strategy for achieving future growth and will continue to work to further advance its business. Going forward, the Company plans to continue carrying out allotments to new graduate and mid-career employees as well as employees who are promoted.

2. Outline of the disposition

| | |
|---|---|
| (1) Date of disposition | August 26, 2022 |
| (2) Type and number of shares to be disposed of | 132,039 shares of the Company’s common stock |
| (3) Disposition price | 3,700 yen per share |
| (4) Total value of disposition | 488,544,300 yen |
| (5) Allottees, number thereof, and number of shares to be disposed of | 962 employees of the Company; 132,039 shares |

(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.