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August 5, 2022

Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under IFRS)

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 Scheduled date to file quarterly securities report: August 5, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2022	35,441	12.4	1,431	26.0	1,425	24.4	906	9.0
June 30, 2021	31,539	10.1	1,136	14.9	1,146	17.3	832	12.3

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
June 30, 2022	758	8.0	1,611	111.6	33.60	33.31
June 30, 2021	702	11.1	761	(46.6)	31.54	31.05

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of				
June 30, 2022	51,591	13,469	12,145	23.5
March 31, 2022	52,350	13,121	11,398	21.8

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	0.00	–	34.00	34.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		0.00	–	44.00	44.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ending September 30, 2022	67,000	4.8	2,250	(16.2)	2,190	(19.4)	1,575	(21.1)
Fiscal year ending March 31, 2023	140,000	6.8	5,600	2.3	5,490	3.7	3,870	0.4

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Six months ending September 30, 2022	1,250	(26.4)	55.38
Fiscal year ending March 31, 2023	3,330	1.3	147.53

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
- (i) Changes in accounting policies required by IFRS: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	22,867,700 shares
As of March 31, 2022	22,852,200 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2022	284,820 shares
As of March 31, 2022	284,820 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2022	22,572,255 shares
Three months ended June 30, 2021	22,275,957 shares

Note: The number of treasury shares at the end of the period includes the number of shares owned by executive stock compensation trust.
(279,441 shares as of June 30, 2022 and 279,441 shares as of March 31, 2022)

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements shown in these materials, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed to be reasonable. As such, they do not constitute guarantees by the Company of future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to “(3) Explanation of consolidated earnings forecasts and other forward-looking statements” under “1. Qualitative information on quarterly consolidated financial results” on page 4 of the attached material for the assumptions on which earnings forecasts are based, and cautions concerning the use thereof.

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1. Qualitative information on quarterly consolidated financial results

(1) Explanation of operating results

During the three months ended June 30, 2022, despite differences according to country, region, and industry, the global economy showed signs of recovery, as societies balanced COVID-19 countermeasures with social and economic activity. Nevertheless, with the prolongation of supply constraints caused by the situation between Russia and Ukraine, and by lockdowns and other issues in China, as well as monetary tightening, conditions continue to require careful attention. In Japan, the decline in the number of new COVID-19 infections as a result of progress in vaccinations, and the easing of restrictions on behavior, led to signs of a moderate economic recovery. However, further increases in prices and ongoing supply constraints for energy and other resources have led to a continuation of the uncertain outlook.

Under these circumstances, the Group worked on the WORK SHIFT Strategy, which aims to raise the operating margin through a portfolio shift and digital shift in preparation for achieving the goals of the “WILL-being 2023” Medium-Term Management Plan, which has entered its final year in the fiscal year ending March 31, 2023.

In Japan, the relaxation of restrictions on behavior resulted in strong performances of both temporary staffing and permanent placement.

In Singapore and Australia, which are the main areas in which the Company has expanded its business overseas, the lifting of restrictions on entering the country led to signs of economic recovery. This led to an increase in demand for human resources, resulting in strong performances of both temporary staffing and permanent placement.

As a result of the above, revenue for the three months ended June 30, 2022 was ¥35,441 million (up 12.4% year on year), operating profit was ¥1,431 million (up 26.0%), profit before tax was ¥1,425 million (up 24.4%), profit was ¥906 million (up 9.0%), profit attributable to owners of parent was ¥758 million (up 8.0%), and EBITDA (operating profit + depreciation and amortization) was ¥1,967 million (up 21.6%).

Results of operations by segment are as follows:

(i) Domestic WORK Business

The Domestic WORK Business offers temporary staffing, permanent placement, and business process outsourcing services in Japan, specifically for categories such as the sales outsourcing domain, call center outsourcing domain, factory outsourcing domain, nursing care domain, and construction management engineer domain. Due to delays in the supply chain, demand in the factory outsourcing domain declined, but the easing of restrictions on behavior led to strength in the sales outsourcing, call center outsourcing, nursing care, and HR support for startups domains. To prepare for the era of coexistence with coronavirus, each sector also focused on developing clients for new services, including a sales agency, and a contact center service in which all the staff work from home.

As for profit, in preparation for the Perm SHIFT (“Perm” refers to permanent placement and temporary staffing for highly specialized fields), we made upfront investments to increase the number of sales and consultants staff in the construction management engineer and HR support for startups domains, but temporary staffing and permanent placement sales increased, leading to a rise in gross profit and to higher earnings.

As a result of the above, the Domestic WORK Business recorded external revenue of ¥20,866 million (up 5.2% year on year), and segment profit of ¥1,186 million (up 21.4%).

(ii) Overseas WORK Business

With regard to the human resources services that the Company has rolled out in the ASEAN and Oceania regions, the full-scale resumption of entry into Australia and Singapore and other factors led to signs of economic recovery. With regard to demand for human resources, the number of job openings has reached record levels in both Australia and Singapore, resulting in strength in both temporary staffing and permanent placement. In addition, as for exchange rates, the yen depreciated

against both the Singapore dollar and the Australian dollar compared to the same period of the previous year.

As for profit, in addition to the increase in personnel expenses, there was a decrease in income from employment support government subsidies aimed at tackling COVID-19 that we received in Singapore for the same period of the previous fiscal year, but the increase in permanent placement sales, which resulted in a rise in gross profit, and the shift in foreign exchange rates toward yen depreciation led to higher earnings.

As a result of the above, the Overseas WORK Business recorded external revenue of ¥14,042 million (up 23.0% year on year), and segment profit of ¥855 million (up 12.6%).

(iii) Others

In the Others segment, we worked to expand non-labor-intensive businesses by continuing to strengthen the development of new platforms such as “ENPORT,” which comprehensively provides support services for foreigners living in Japan. In terms of profit, we continue to invest in the development of new platforms, but because restrictions on entry to Japan have remained in place, the Company has scaled back some services aimed at foreign workers until such time as there has been a full-fledged resumption of foreign workers entering Japan. These measures resulted in lower selling, general and administrative expenses.

As a result of the above, the Others segment recorded external revenue of ¥532 million (up 83.7% year on year), and a segment loss of ¥66 million (a segment loss of ¥108 million was recorded in the same period of the previous fiscal year).

(2) Explanation of financial position

(i) Assets, liabilities and equity

Assets

Current assets as of June 30, 2022 were ¥26,651 million, a decrease of ¥637 million from the end of the previous fiscal year. This was mainly due to a decrease in cash and cash equivalents of ¥938 million, despite increases in trade and other receivables of ¥189 million, and in other current assets of ¥116 million.

Non-current assets stood at ¥24,939 million, a decrease of ¥121 million from the end of the previous fiscal year. This was mainly due to decreases in right-of-use assets of ¥284 million, and in deferred tax assets of ¥107 million, despite an increase in goodwill of ¥216 million.

As a result, total assets amounted to ¥51,591 million, a decrease of ¥758 million from the end of the previous fiscal year.

Liabilities

Current liabilities as of June 30, 2022 were ¥27,329 million, a decrease of ¥2,031 million from the end of the previous fiscal year. This was mainly due to decreases in other financial liabilities of ¥1,855 million, and in trade and other payables of ¥368 million, despite an increase in other current liabilities of ¥610 million.

Non-current liabilities stood at ¥10,792 million, an increase of ¥924 million from the end of the previous fiscal year. This was mainly due to an increase in borrowings of ¥1,137 million, despite a decrease in other financial liabilities of ¥128 million.

As a result, total liabilities amounted to ¥38,121 million, a decrease of ¥1,107 million from the end of the previous fiscal year.

Equity

Total equity as of June 30, 2022 was ¥13,469 million, an increase of ¥348 million from the end of the previous fiscal year. This was mainly due to an increase in exchange differences on translation of foreign operations of ¥602 million among other components of equity, despite a decrease in non-controlling interests of ¥398 million.

As a result of the above, the ratio of equity attributable to owners of parent to total assets was 23.5% (21.8% at the end of the previous fiscal year). After excluding the effect from temporary factor of ¥1,399 million in written put options (¥3,509 million at the end of the previous fiscal year), the adjusted figure for the ratio of equity attributable to owners of parent to total assets became 26.3% (28.5% at the end of the previous fiscal year).

(ii) Cash flows

Cash and cash equivalents as of June 30, 2022 decreased ¥938 million from the end of the previous fiscal year to ¥8,034 million. Status of cash flows for the three months ended June 30, 2022 and the main factors driving them are as follows:

Cash flows from operating activities

Net cash provided by operating activities was ¥1,383 million (¥769 million provided in the same period of the previous fiscal year). This was mainly due to a recording of profit before tax of ¥1,425 million, a recording of depreciation and amortization of ¥535 million, and an increase in trade payables of ¥435 million, despite factors such as income taxes paid of ¥751 million, and payments included in other of ¥409 million.

Cash flows from investing activities

Net cash used in investing activities was ¥89 million (¥313 million provided in the same period of the previous fiscal year). This was mainly due to purchase of property, plant and equipment, and intangible assets of ¥107 million, despite proceeds from investing activities and other transactions of ¥17 million.

Cash flows from financing activities

Net cash used in financing activities was ¥2,518 million (¥1,988 million used in the same period of the previous fiscal year). This was mainly due to purchase of shares of subsidiaries not resulting in change in scope of consolidation of ¥2,353 million, dividends paid of ¥759 million, repayments of long-term borrowings of ¥738 million, repayments of lease liabilities of ¥344 million, and a net decrease in short-term borrowings of ¥300 million, despite factors such as proceeds from long-term borrowings of ¥1,975 million.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

Consolidated earnings forecasts are unchanged from those announced on May 11, 2022.

Note that earnings forecasts are based on information currently available to the Company, and actual results may differ from forecasts for a variety of reasons going forward.

2. Condensed quarterly consolidated financial statements and significant notes thereto**(1) Condensed quarterly consolidated statement of financial position**

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	8,973	8,034
Trade and other receivables	17,458	17,647
Other financial assets	129	124
Other current assets	728	844
Total current assets	27,289	26,651
Non-current assets		
Property, plant and equipment	1,223	1,198
Right-of-use assets	6,809	6,524
Goodwill	6,514	6,731
Other intangible assets	6,154	6,230
Investments accounted for using equity method	477	472
Other financial assets	1,208	1,225
Deferred tax assets	1,850	1,743
Other non-current assets	822	812
Total non-current assets	25,061	24,939
Total assets	52,350	51,591

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Trade and other payables	15,297	14,929
Borrowings	5,786	5,585
Other financial liabilities	5,245	3,390
Income taxes payable	1,195	977
Other current liabilities	1,836	2,446
Total current liabilities	29,361	27,329
Non-current liabilities		
Borrowings	2,202	3,339
Other financial liabilities	6,285	6,157
Deferred tax liabilities	1,202	1,116
Other non-current liabilities	177	178
Total non-current liabilities	9,867	10,792
Total liabilities	39,228	38,121
Equity		
Share capital	2,163	2,169
Capital surplus	(2,266)	(2,170)
Treasury shares	(274)	(274)
Other components of equity	464	1,128
Retained earnings	11,310	11,292
Total equity attributable to owners of parent	11,398	12,145
Non-controlling interests	1,723	1,324
Total equity	13,121	13,469
Total liabilities and equity	52,350	51,591

(2) Condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income

Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Revenue	31,539	35,441
Cost of sales	24,639	27,407
Gross profit	6,900	8,033
Selling, general and administrative expenses	5,795	6,662
Other income	52	69
Other expenses	21	8
Operating profit	1,136	1,431
Share of profit (loss) of investments accounted for using equity method	(5)	(4)
Finance income	34	19
Finance costs	19	21
Profit before tax	1,146	1,425
Income tax expense	313	518
Profit	832	906
Profit attributable to		
Owners of parent	702	758
Non-controlling interests	129	148
Earnings per share		
Basic earnings per share (Yen)	31.54	33.60
Diluted earnings per share (Yen)	31.05	33.31

Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	832	906
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	36	21
Total of items that will not be reclassified to profit or loss	36	21
Items that may be reclassified to profit or loss		
Cash flow hedges	(10)	41
Exchange differences on translation of foreign operations	(96)	642
Total of items that may be reclassified to profit or loss	(107)	683
Other comprehensive income, net of tax	(70)	704
Comprehensive income	761	1,611
Comprehensive income attributable to		
Owners of parent	632	1,422
Non-controlling interests	128	189

(3) Condensed quarterly consolidated statement of changes in equity

Three months ended June 30, 2021

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Total	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of April 1, 2021	2,089	(1,786)	(279)	(343)	8,559	8,240	1,786	10,027
Profit	-	-	-	-	702	702	129	832
Other comprehensive income	-	-	-	(69)	-	(69)	(1)	(70)
Comprehensive income	-	-	-	(69)	702	632	128	761
Dividends of surplus	-	-	-	-	(541)	(541)	-	(541)
Disposal of treasury shares	-	(0)	0	-	-	0	-	0
Share-based payment transactions	9	79	-	-	-	88	-	88
Increase (decrease) by business combination	-	289	-	-	-	289	(478)	(189)
Other	-	-	-	-	-	-	0	0
Total transactions with owners	9	368	0	-	(541)	(162)	(478)	(640)
Balance as of June 30, 2021	2,099	(1,417)	(278)	(412)	8,721	8,712	1,437	10,149

Three months ended June 30, 2022

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Total	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of April 1, 2022	2,163	(2,266)	(274)	464	11,310	11,398	1,723	13,121
Profit	-	-	-	-	758	758	148	906
Other comprehensive income	-	-	-	663	-	663	41	704
Comprehensive income	-	-	-	663	758	1,422	189	1,611
Dividends of surplus	-	-	-	-	(776)	(776)	-	(776)
Disposal of treasury shares	-	-	-	-	-	-	-	-
Share-based payment transactions	5	10	-	-	-	16	-	16
Increase (decrease) by business combination	-	85	-	-	-	85	(588)	(502)
Other	-	-	-	-	-	-	0	0
Total transactions with owners	5	95	-	-	(776)	(675)	(587)	(1,263)
Balance as of June 30, 2022	2,169	(2,170)	(274)	1,128	11,292	12,145	1,324	13,469

(4) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Cash flows from operating activities		
Profit before tax	1,146	1,425
Depreciation and amortization	481	535
Share-based payment expenses	15	25
Decrease (increase) in trade receivables	(108)	143
Increase (decrease) in trade payables	(124)	435
Other	(169)	(409)
Subtotal	1,241	2,154
Interest and dividends received	1	0
Interest paid	(19)	(20)
Income taxes paid	(454)	(751)
Net cash provided by (used in) operating activities	769	1,383
Cash flows from investing activities		
Purchase of property, plant and equipment, and intangible assets	(165)	(107)
Other	479	17
Net cash provided by (used in) investing activities	313	(89)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	400	(300)
Proceeds from long-term borrowings	–	1,975
Repayments of long-term borrowings	(723)	(738)
Repayments of lease liabilities	(296)	(344)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(858)	(2,353)
Dividends paid to non-controlling interests	(152)	(56)
Dividends paid	(523)	(759)
Other	165	57
Net cash provided by (used in) financing activities	(1,988)	(2,518)
Effect of exchange rate changes on cash and cash equivalents	(26)	286
Net increase (decrease) in cash and cash equivalents	(931)	(938)
Cash and cash equivalents at beginning of period	7,455	8,973
Cash and cash equivalents	6,524	8,034

(5) Notes to condensed quarterly consolidated financial statements**Notes on premise of going concern**

Not applicable.

Segment information, etc.**(1) Overview of reportable segments**

The Group determines reportable segments based on the operating segments that are components of the Group for which discrete financial information is available and regularly reviewed by the chief operating decision maker to make decisions about the allocation of management resources and assess the results of operations. The Group's reportable segments are comprised of the following two segments.

The details of each reportable segment are as follows:

Reportable segments	Business activities
Domestic WORK Business	Engaged primarily in temporary staffing, permanent placement and business process outsourcing services in Japan specifically for categories such as sales, call center, factory, care support facility and construction management engineer, and HR support services centered on permanent employee placements for startups developed by for Startups, Inc.
Overseas WORK Business	Engaged primarily in temporary staffing and permanent placement in the ASEAN and Oceania regions.

In addition to the above, human resources service in the HR Tech field, support services for foreigners living in Japan, and operations of apartment building for IT engineers and creative personnel (Tech Residence) are included in the "Others" segment.

(2) Information of the reportable segments

The figures for profit for reportable segments are given on an operating profit basis.

The information of each reportable segment is as follows:

Three months ended June 30, 2021

(Millions of yen)

	Reportable segments			Others	Adjustments (Note 2)	Amount recorded in the consolidated financial statements
	Domestic WORK Business	Overseas WORK Business	Total			
Revenue						
External revenue	19,832	11,417	31,249	289	–	31,539
Intersegment revenue (Note 1)	15	–	15	1	(16)	–
Total	19,847	11,417	31,265	291	(16)	31,539
Segment profit	977	759	1,737	(108)	(492)	1,136

(Note 1) Intersegment revenue is based on general market price.

(Note 2) Adjustments to segment profit of negative ¥492 million include intersegment eliminations of negative ¥0 million and corporate expenses not allocated to each business segment of negative ¥491 million. Corporate expenses mainly consist of general and administrative expenses that are not attributable to operating segments.

Three months ended June 30, 2022

(Millions of yen)

	Reportable segments			Others	Adjustments (Note 2)	Amount recorded in the consolidated financial statements
	Domestic WORK Business	Overseas WORK Business	Total			
Revenue						
External revenue	20,866	14,042	34,909	532	–	35,441
Intersegment revenue (Note 1)	17	–	17	1	(19)	–
Total	20,884	14,042	34,926	533	(19)	35,441
Segment profit	1,186	855	2,042	(66)	(543)	1,431

(Note 1) Intersegment revenue is based on general market price.

(Note 2) Adjustments to segment profit of negative ¥543 million include intersegment eliminations of negative ¥0 million and corporate expenses not allocated to each business segment of negative ¥543 million. Corporate expenses mainly consist of general and administrative expenses that are not attributable to operating segments.