



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

October 13, 2022

Name of company: dip Corporation Stock exchange listing: Tokyo Stock Exchange
 Stock code: 2379 URL: <https://www.dip-net.co.jp/en/>
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 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 First Half of FY'23/2 (the Period of March 1, 2022 to August 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 H1	23,819	35.2	5,783	90.2	5,564	91.8	3,692	71.5
FY'22/2 H1	17,614	-	3,040	-	2,900	-	2,152	-

(Reference) Comprehensive income: FY'23/2 H1 ¥4,215 million (94.4%) FY'22/2 H1 ¥2,168 million (-%)

	Net Income per Share	Diluted Net Income per Share
	¥	¥
FY'23/2 H1	66.18	66.02
FY'22/2 H1	38.88	38.81

Note: Figures for FY'23/2 H1 represent figures that have been applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and others, which were adopted at the beginning of FY'23/2 Q1. The percentage changes were calculated using the consolidated earnings for FY'22/2 H1 before applying said accounting standards. However, year-on-year changes for FY'22/2 H1 are not shown since consolidated accounting was adopted in FY'21/2 Q3.

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	¥ million	¥ million	%
As of August 31, 2022	45,536	35,911	77.6
As of February 28, 2022	42,454	32,989	76.4

(Reference) Shareholders' equity: August 31, 2022 ¥35,324 million February 28, 2022 ¥32,415 million

Note: Figures as of August 31, 2022, represent figures that have been applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and others, which were adopted on March 1, 2022.

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	-	34.00			
FY'23/2 (forecast)			-	34.00 ~ 43.00	68.00 ~ 77.00

Note: Revisions to the latest dividend forecast: Yes

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	%	¥
Full-year	49,400 ~ 51,500	25.0 ~ 30.3	10,400 ~ 12,600	85.6 ~ 124.9	10,100 ~ 12,300	89.8 ~ 131.2	6,800 ~ 8,400	95.0 ~ 140.9	121.89 ~ 150.57

Notes: Revisions to the latest operating results forecast: Yes

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 at 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 standards.

* 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)
2. Number of treasury shares at the end of period
3. Average number of shares outstanding during period

FY'23/2 Q2	60,140,000 shares	FY'22/2	60,140,000 shares
FY'23/2 Q2	4,205,799 shares	FY'22/2	4,371,937 shares
FY'23/2 H1	55,787,462 shares	FY'22/2 H1	55,362,876 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; 1,507,675 shares at the end of FY'23/2 Q2) and the number of Company shares owned by BIP trust account (100,706 shares at the end of FY'22/2; 91,462 shares at the end of FY'23/2 Q2).

* 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 Thursday, October 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 aiming to realize a society in which everyone can experience the joy and happiness of work by providing human resource services and DX services and working to solve various problems in the labor market.

Thanks to the steady recovery of the personnel recruiting services business and the high growth of the DX business, sales in FY'23/2 H1 amounted to ¥23,819 million (up 35.2% year on year).

With regard to costs, the Company made upfront investments to increase recognition of Baitoru PRO and aggressive advertising investments in the part-time and personnel dispatch media to expand its user and customer bases in view of intensifying labor shortage.

As a result, operating income, ordinary income, and net income attributable to owners of parent for FY'23/2 H1 came to ¥5,783 million (up 90.2% year on year), ¥5,564 million (up 91.8% year on year), and ¥3,692 million (up 71.5% year on year), 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, 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 its strong service development and promotion capacities.

During FY'23/2 H1, 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 ¥21,563 million (up 30.5% year on year) and ¥7,489 million (up 45.2% year on year), respectively. By placing emphasis on expanding the customer base even during the COVID-19 pandemic, the Company's share of the part-time and temporary job information media market grew at an accelerated pace to 23.7% (estimated by the Company based on a third-party market size survey). The Company will make continued efforts to increase its market share.

Baitoru PRO saw steady growth, recording sales of ¥1,977 million (up 93.7% year on year). The Company will continue to make efforts to increase sales in the specialized job sector by building on its strengths such as its sales force of 1,500 and unique promotion methods that combine digital and mass advertising.

(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 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 H1, 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 and segment profit ended at ¥2,255 million (up 107.6% year on year) and ¥1,015 million (up 556.7% year on year), respectively.

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 customer support 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 Q2 were ¥45,536 million, an increase of ¥3,082 million from the end of the previous fiscal year. The major factors were increases of ¥2,020 million in cash and deposits, ¥318 million in intangible assets, and ¥803 million in investment securities.

Total liabilities stood at ¥9,624 million, an increase of ¥159 million from the end of the previous fiscal year. This mainly reflected a decrease of ¥129 million in other current liabilities.

Net assets recorded at the end of FY'23/2 Q2 were ¥35,911 million, an increase of ¥2,922 million from the end of the previous fiscal year. The major factors were increases of ¥453 million in capital surplus, ¥1,810 million in retained earnings, and ¥525 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 ¥18,589 million in FY'23/2 H1.

The breakdown of the cash flows is as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥5,749 million (a decrease of ¥32 million year on year). This was mainly attributable to net income before income taxes of ¥5,425 million, depreciation of ¥1,377 million, share-based remuneration expenses of ¥425 million, and an increase in other liabilities of ¥279 million, which offset a decrease in accounts payable - other of ¥343 million and the payment of income taxes amounting to ¥1,979 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥1,911 million (a decrease of ¥219 million year on year). This was mainly attributable to the purchase of intangible assets amounting to ¥1,772 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥1,816 million (an increase of ¥519 million year on year). This was mainly attributable to a dividend payment of ¥1,950 million.

(3) Operating Results Forecast

The Company's operating results forecast has been revised on October 13, 2022. The range of the full-year operating results forecast has been narrowed in view of the first half results. The upper end of the forecast range is based on the assumption of an early recovery to pre-pandemic levels of the labor and job ad markets, which have not recovered to such levels, while the lower end of the range is based on a mild recovery of those markets.

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 to 51,500	9,884 to 11,984	+25.0% to +30.3%
Operating Income	5,602	10,400 to 12,600	4,797 to 6,997	+85.6% to +124.9%
Ordinary Income	5,320	10,100 to 12,300	4,779 to 6,979	+89.8% to +131.2%
Net Income Attributable to Owners of Parent	3,487	6,800 to 8,400	3,312 to 4,912	+95.0% to +140.9%

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 at the beginning of FY'23/2 Q1. The actual results and change for FY'22/2 were calculated using the consolidated earnings for FY'22/2 before applying said accounting standards.

2. Quarterly Consolidated Financial Statements and Notes
(1) Consolidated Balance Sheet

(Thousands of yen)

	FY'22/2 As of February 28, 2022	FY'23/2 Q2 As of August 31, 2022
Assets		
Current assets		
Cash and deposits	16,569,547	18,589,858
Notes and accounts receivable - trade	4,885,098	5,042,881
Supplies	14,672	7,748
Other	1,299,280	1,383,431
Allowance for doubtful accounts	(114,967)	(121,410)
Total current assets	22,653,631	24,902,508
Non-current assets		
Property, plant and equipment	1,964,350	1,864,596
Intangible assets		
Software	7,690,693	7,428,955
Other	47,415	627,961
Total intangible assets	7,738,109	8,056,917
Investments and other assets		
Investment securities	5,891,709	6,695,134
Other	4,218,662	4,030,839
Allowance for doubtful accounts	(12,092)	(13,379)
Total investments and other assets	10,098,279	10,712,594
Total non-current assets	19,800,739	20,634,109
Total assets	42,454,370	45,536,617
Liabilities		
Current liabilities		
Accounts payable - trade	398,655	397,953
Income taxes payable	2,127,770	2,092,279
Provision for repayment	20,124	-
Provision for bonuses	551,605	613,546
Provision for loss on contracts	56,250	67,500
Asset retirement obligations	-	2,798
Other	4,878,166	5,007,425
Total current liabilities	8,032,572	8,181,503
Non-current liabilities		
Provision for share-based remuneration	78,599	79,434
Provision for share-based remuneration for directors	152,520	141,201
Provision for loss on contracts	165,000	123,750
Asset retirement obligations	482,239	471,621
Other	554,305	627,142
Total non-current liabilities	1,432,663	1,443,150
Total liabilities	9,465,236	9,624,653
Net assets		
Shareholders' equity		
Share capital	1,085,000	1,085,000
Capital surplus	4,650,102	5,103,835
Retained earnings	28,742,311	30,552,864
Treasury shares	(2,072,330)	(1,952,934)
Total shareholders' equity	32,405,083	34,788,765
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,532	536,002
Total accumulated other comprehensive income	10,532	536,002
Share acquisition rights	557,418	572,663
Non-controlling interests	16,100	14,531
Total net assets	32,989,134	35,911,964
Total liabilities and net assets	42,454,370	45,536,617

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

(Thousands of yen)

	FY'22/2 H1 (March 1, 2021– August 31, 2021)	FY'23/2 H1 (March 1, 2022– August 31, 2022)
Sales	17,614,819	23,819,429
Cost of sales	2,152,536	2,593,584
Gross profit	15,462,282	21,225,845
Selling, general and administrative expenses	12,421,883	15,442,423
Operating income	3,040,399	5,783,421
Non-operating income		
Interest income	3,466	1,768
Foreign exchange gains	634	4,486
Insurance claim income	4,800	4,800
Other	15,718	9,353
Total non-operating income	24,618	20,409
Non-operating expenses		
Share of loss of entities accounted for using equity method	87,694	141,987
Amortization of restricted stock remuneration	67,692	85,871
Other	9,284	11,809
Total non-operating expenses	164,671	239,668
Ordinary income	2,900,346	5,564,162
Extraordinary income		
Gain on sale of investment securities	-	24,273
Gain on reversal of share acquisition rights	191,663	2,900
Total extraordinary income	191,663	27,173
Extraordinary losses		
Impairment losses	-	165,364
Total extraordinary losses	-	165,364
Profit before income taxes	3,092,010	5,425,972
Income taxes – current	1,134,930	1,945,158
Income taxes – deferred	(194,463)	(209,447)
Total income taxes	940,467	1,735,710
Net income	2,151,543	3,690,262
Net (loss) income attributable to non-controlling interests	(1,146)	(1,749)
Net income attributable to owners of parent	2,152,689	3,692,011

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY'22/2 H1 (March 1, 2021– August 31, 2021)	FY'23/2 H1 (March 1, 2022– August 31, 2022)
Net income	2,151,543	3,690,262
Other comprehensive income		
Valuation difference on available-for-sale securities	17,445	525,470
Share of other comprehensive income of entities accounted for using equity method	(21)	-
Total other comprehensive income	17,423	525,470
Comprehensive income	2,168,966	4,215,733
(Breakdown)		
Comprehensive income attributable to owners of parent	2,170,112	4,217,482
Comprehensive income attributable to non-controlling interests	(1,146)	(1,749)

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY'22/2 H1 (March 1, 2021– August 31, 2021)	FY'23/2 H1 (March 1, 2022– August 31, 2022)
Cash flows from operating activities		
Net income before income taxes	3,092,010	5,425,972
Depreciation	1,185,684	1,377,986
Share-based remuneration expenses	355,698	425,359
Interest and dividend income	(3,466)	(1,768)
Insurance claim income	(4,800)	(4,800)
Commission expenses	9,234	9,455
Share of loss (profit) of entities accounted for using equity method	87,694	141,987
Gain on reversal of share acquisition rights	(191,663)	(2,900)
Loss (gain) on sale of investment securities	-	(24,273)
Impairment losses	-	165,364
Decrease (increase) in trade receivables	83,582	(46,209)
Increase (decrease) in trade payables	37,318	(702)
Increase (decrease) in accounts payable - other	267,022	(343,298)
Increase (decrease) in unearned revenue	45,461	-
Increase (decrease) in contract liabilities	-	186,419
Increase (decrease) in allowance for doubtful accounts	(8,568)	7,729
Increase (decrease) in provision for bonuses	82,384	61,940
Increase (decrease) in provision for refund	5,528	-
Increase (decrease) in provision for loss on contracts	-	(30,000)
Decrease (increase) in other assets	(27,814)	69,918
Increase (decrease) in other liabilities	147,880	279,244
Other, net	21,703	26,309
Subtotal	5,184,889	7,723,732
Interest and dividends received	1,755	57
Proceeds from insurance income	4,800	4,800
Income taxes paid	(17,507)	(1,979,944)
Income taxes refund	607,545	465
Cash flows from operating activities	5,781,482	5,749,111
Cash flows from investing activities		
Purchase of property, plant and equipment	(477,118)	(19,667)
Purchase of intangible assets	(1,604,870)	(1,772,251)
Purchase of investment securities	(50,000)	(200,000)
Proceeds from sale of investment securities	-	36,023
Payments of leasehold and guarantee deposits	(889)	(736)
Proceeds from refund of leasehold and guarantee deposits	1,846	76,205
Payments associated with fulfillment of asset retirement obligations	-	(31,485)
Cash flows from investing activities	(2,131,032)	(1,911,911)
Cash flows from financing activities		
Purchase of treasury shares	(89,877)	(265)
Proceeds from sales of treasury shares	160,201	100,140
Proceeds from exercise of employee share options	292,659	42,656
Dividends paid	(1,651,355)	(1,950,143)
Proceeds from share issuance to non-controlling shareholders	683	180
Other payments	(9,234)	(9,455)
Cash flows from financing activities	(1,296,923)	(1,816,888)
Increase (decrease) in cash and cash equivalents	2,353,526	2,020,311
Cash and cash equivalents at beginning of period	12,462,677	16,569,547
Cash and cash equivalents at end of period	14,816,204	18,589,858

(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 adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) and others at 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 FY'23/2 H1 have decreased by ¥1,461,290 thousand, ¥7,093 thousand, and ¥1,470,045 thousand, respectively. Operating income, ordinary income, and net income before income taxes have each increased by ¥15,848 thousand. The beginning balance of retained earnings has 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, which had been recorded as "provision for refund" under "current liabilities" on the consolidated balance sheet of FY'22/2, has 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 H1.

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

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019) and others and the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; June 17, 2021) at 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, paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019), and paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

Due to this, the quarterly consolidated balance sheet value of the mostly investment securities that had been deemed financial instruments of which fair value was recognized to be extremely difficult 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 ¥96,642 thousand and 1,507,675 shares, respectively, in FY’23/2 Q2.

(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 ¥283,045 thousand and 91,462 shares, respectively, in FY’23/2 Q2.

(Restricted Stock-Based Compensation Plan for Employees)

In August 2020, the Company introduced an incentive plan utilizing restricted stock (with performance conditions, etc.) (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 and after April 2, 2020, and who were promoted in May 2020 onward, and at the board of directors meeting held on July 13, 2022, it resolved to allot shares to employees who were hired or promoted in June 2021 onward.

(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 Q2: 1,069,652 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 conditions, etc.) 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 Q2: 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)

Based on the resolution passed at the board of directors meeting held on July 13, 2022, the Company has disposed of 130,003 treasury shares as restricted stock-based compensation. As a result, treasury shares have decreased by ¥78,703 thousand and capital surplus has increased due to the recording of a gain on disposal of treasury shares of ¥402,307 thousand.

Due mainly to the impact of the above, capital surplus and treasury shares stood at ¥5,103,835 thousand and ¥1,952,934 thousand as of August 31, 2022, respectively.

(Segment Information etc.)

[Segment information]

I. FY'22/2 H1 (March 1, 2021 to August 31, 2021)

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

(Thousands of yen)

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

(Notes) 1. Adjustment of segment profit of (¥2,270,493 thousand) is corporate expenses not allocated to any reported segment.

Corporate expenses are mainly selling, general, and administrative expenses that are not attributable to reported segments.

2. Segment profit 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 H1 (March 1, 2022 to August 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	13,820,747	-	13,820,747	-	13,820,747
Baitoru NEXT	2,349,555	-	2,349,555	-	2,349,555
Baitoru PRO	1,977,632	-	1,977,632	-	1,977,632
Hatarako.net	3,380,631	-	3,380,631	-	3,380,631
DX	-	2,255,453	2,255,453	-	2,255,453
Other	35,408	-	35,408	-	35,408
Revenue generated from contracts with customers	21,563,976	2,255,453	23,819,429	-	23,819,429
Other revenue	-	-	-	-	-
Sales — outside customers	21,563,976	2,255,453	23,819,429	-	23,819,429
Sales and transfers — inter-segment	-	-	-	-	-
Total	21,563,976	2,255,453	23,819,429	-	23,819,429
Segment profit	7,489,203	1,015,577	8,504,781	(2,721,359)	5,783,421

(Notes) 1. Adjustment of segment profit of (¥2,721,359 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 H1.

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 sales and 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 H1 have decreased by ¥1,407,151 thousand and segment profit has increased by ¥28,459 thousand, while sales of the DX business have decreased by ¥54,138 thousand and segment profit by ¥12,611 thousand.

(Significant Subsequent Events)

Not applicable.

(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.