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

January 12, 2023

Name of company:	dip Corporation	Stock exchange listing:	Tokyo Stock Exchange
Stock code:	2379	URL:	https://www.dip-net.co.jp/en/
Representative:	Hideki Tomita, Representative Director, President and CEO		
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Scheduled date of filing financial statements:	January 13, 2023	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 First Nine Months of FY'23/2 (the Period of March 1, 2022 to November 30, 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	%
First nine months of FY'23/2	36,718	30.8	9,491	146.1	9,281	153.6	6,253	134.4
First nine months of FY'22/2	28,063	14.4	3,857	(35.0)	3,659	(29.7)	2,667	―

(Reference) Comprehensive income: First nine months of FY'23/2 ¥6,758 million (150.1%) First nine months of FY'22/2 ¥2,702 million (-%)

	Net Income per Share	Diluted Net Income per Share
	¥	¥
First nine months of FY'23/2	112.00	111.70
First nine months of FY'22/2	48.09	47.97

Note: Figures for the first nine months of 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 percentage changes are calculated using the consolidated earnings for the first nine months of FY'22/2 before applying said accounting standards.

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	¥ million	¥ million	%
As of November 30, 2022	47,353	36,552	75.9
As of February 28, 2022	42,454	32,989	76.4

(Reference) Shareholders' equity: November 30, 2022 ¥35,950 million February 28, 2022 ¥32,415 million

Note: Figures as of November 30, 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 at 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	―	34.00	―		
FY'23/2 (forecast)				― 34.00 ～43.00	68.00 ～77.00

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	%	¥
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: 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 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)	FY’23/2 Q3	60,140,000 shares	FY’22/2	60,140,000 shares
2. Number of treasury shares at the end of period	FY’23/2 Q3	4,180,186 shares	FY’22/2	4,371,937 shares
3. Average number of shares outstanding during period	FY’23/2 Q3	55,837,030 shares	FY’22/2 Q3	55,480,392 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; 1,483,240 shares at the end of FY’23/2 Q3) 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 Q3).

* 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, January 12, 2023.

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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 “(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.

Sales for the first nine months of FY’23/2 ended at ¥36,718 million (up 30.8% year on year), thanks to the steady growth of the personnel recruiting services business, which outpaced the market’s recovery, and the high year-on-year growth of the DX business .

With regard to costs, the Company continued from the first quarter to make investments in human resources, such as hiring 2022 new graduates to further strengthen the sales force, as well as aggressive advertising investments, among others.

As a result, operating income, ordinary income, and net income attributable to owners of parent for the first nine months of FY’23/2 came to ¥9,491 million (up146.1% year on year), ¥9,281 million (up 153.6% year on year), and ¥6,253 million (up 134.4% 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 by leveraging its strengths in sales, service development, and promotion.

During the first nine months of FY’23/2, sales of the personnel recruiting services business grew beyond pre-pandemic levels, while the part-time and temporary job information media market has not recovered to such levels. As a result, segment sales and segment profit ended at ¥33,228 million (up 26.9% year on year) and ¥11,873 million (up 70.9% year on year), respectively.

In particular, Baitoru PRO saw steady growth, recording sales of ¥3,129 million (up 113.7% year on year). The Company will continue to make efforts to increase sales in the specialized job sector by focusing on sales activities and promotion.

(ii) DX Business

Since September 2019, the DX business has been supporting the digital transformation (DX) of SMEs through the offering of the KOBOT series, a SaaS DX product series that offers reasonable and extensive customer service and is easy to introduce due to its specific design for small and medium sized companies.

During the first nine months of FY’23/2, a reinforcement of the sales promotion system, among others, led to an increase in sales of the Interview scheduling KOBOT, which automatically schedules interviews with job applicants, and Temp Agency 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 ¥3,489 million (up 86.1% year on year) and ¥1,586 million (up 311.0% 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 DX products in packaged deals. It will also promote upsell strategies by reducing cancellation rates through enhanced customer support.

* 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 Q3 were ¥47,353 million, an increase of ¥4,899 million from the end of the previous fiscal year. The major factors were increases of ¥2,372 million in cash and deposits, ¥1,035 million in notes and accounts receivable - trade, ¥574 million in intangible assets, and ¥1,037 million in investment securities.

Total liabilities stood at ¥10,801 million, an increase of ¥1,336 million from the end of the previous fiscal year. This mainly reflected an increase of ¥1,350 million in other current liabilities.

Net assets recorded at the end of FY’23/2 Q3 were ¥36,552 million, an increase of ¥3,563 million from the end of the previous fiscal year. The major factors were increases of ¥484 million in capital surplus, ¥2,416 million in retained earnings, and ¥506 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 ¥18,942 million in the first nine months of FY’23/2.
The breakdown of the cash flows is as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥9,114 million (an increase of ¥945 million year on year). This was mainly attributable to net income before income taxes of ¥9,143 million, depreciation of ¥2,055 million, share-based remuneration expenses of ¥676 million, and an increase in other liabilities of ¥1,271 million, which offset an increase in trade receivables amounting to ¥923 million and the payment of income taxes amounting to ¥3,056 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥3,059 million (an increase of ¥253 million year on year). This was mainly attributable to the purchase of intangible assets and the purchase of investment securities amounting to ¥2,614 million and ¥462 million, respectively.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥3,681 million (an increase of ¥1,094 million year on year). This was mainly attributable to a dividend payment of ¥3,887 million.

(3) Operating Results Forecast

The Company’s operating results forecast has not changed from the forecast announced on October 13, 2022.

2. Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousand yen)

	FY'22/2 As of February 28, 2022	FY'23/2 Q3 As of November 30, 2022
Assets		
Current assets		
Cash and deposits	16,569,547	18,942,052
Notes and accounts receivable - trade	4,885,098	5,920,212
Supplies	14,672	5,734
Other	1,299,280	1,685,199
Allowance for doubtful accounts	(114,967)	(133,077)
Total current assets	22,653,631	26,420,121
Non-current assets		
Property, plant and equipment	1,964,350	1,839,363
Intangible assets		
Software	7,690,693	6,997,329
Other	47,415	1,315,389
Total intangible assets	7,738,109	8,312,719
Investments and other assets		
Investment securities	5,891,709	6,929,223
Other	4,218,662	3,865,706
Allowance for doubtful accounts	(12,092)	(13,464)
Total investments and other assets	10,098,279	10,781,464
Total non-current assets	19,800,739	20,933,547
Total assets	42,454,370	47,353,669
Liabilities		
Current liabilities		
Accounts payable - trade	398,655	428,198
Income taxes payable	2,127,770	2,279,070
Provision for repayment	20,124	—
Provision for bonuses	551,605	313,025
Provision for loss on contracts	56,250	75,000
Asset retirement obligations	—	2,799
Other	4,878,166	6,228,906
Total current liabilities	8,032,572	9,327,000
Non-current liabilities		
Provision for share-based remuneration	78,599	80,454
Provision for share-based remuneration for directors	152,520	147,399
Provision for loss on contracts	165,000	103,125
Asset retirement obligations	482,239	472,038
Other	554,305	671,389
Total non-current liabilities	1,432,663	1,474,406
Total liabilities	9,465,236	10,801,407
Net assets		
Shareholders' equity		
Share capital	1,085,000	1,085,000
Capital surplus	4,650,102	5,134,790
Retained earnings	28,742,311	31,158,578
Treasury shares	(2,072,330)	(1,944,632)
Total shareholders' equity	32,405,083	35,433,736
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,532	517,094
Total accumulated other comprehensive income	10,532	517,094
Share acquisition rights	557,418	587,073
Non-controlling interests	16,100	14,358
Total net assets	32,989,134	36,552,262
Total liabilities and net assets	42,454,370	47,353,669

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousand yen)

	First nine months of FY’22/2 (March 1, 2021– November 30, 2021	First nine months of FY’23/2 (March 1, 2022– November 30, 2022
Sales	28,063,805	36,718,644
Cost of sales	3,329,043	3,925,212
Gross profit	24,734,761	32,793,432
Selling, general and administrative expenses	20,877,164	23,301,556
Operating income	3,857,597	9,491,875
Non-operating income		
Interest income	4,308	2,619
Foreign exchange gains	1,274	4,667
Insurance claim income	4,800	4,800
Dividend income of insurance	16,356	17,701
Other	28,731	26,051
Total non-operating income	55,471	55,840
Non-operating expenses		
Share of loss of entities accounted for using equity method	106,621	142,735
Amortization of restricted stock remuneration	131,615	107,191
Other	15,423	16,169
Total non-operating expenses	253,660	266,096
Ordinary income	3,659,407	9,281,618
Extraordinary income		
Gain on sale of investment securities	—	24,273
Gain on reversal of share acquisition rights	202,915	2,900
Total extraordinary income	202,915	27,173
Extraordinary losses		
Impairment losses	—	165,364
Total extraordinary losses	—	165,364
Profit before income taxes	3,862,323	9,143,428
Income taxes – current	1,511,503	3,232,882
Income taxes – deferred	(315,582)	(341,389)
Total income taxes	1,195,921	2,891,492
Net income	2,666,402	6,251,936
Net (loss) income attributable to non-controlling interests	(1,501)	(1,922)
Net income attributable to owners of parent	2,667,903	6,253,858

Consolidated Statement of Comprehensive Income

(Thousand yen)

	First nine months of FY’22/2 (March 1, 2021– November 30, 2021	First nine months of FY’23/2 (March 1, 2022– November 30, 2022
Net income	2,666,402	6,251,936
Other comprehensive income		
Valuation difference on available-for-sale securities	35,941	506,562
Share of other comprehensive income of entities accounted for using equity method	(21)	—
Total other comprehensive income	35,920	506,562
Comprehensive income	2,702,322	6,758,498
(Breakdown)		
Comprehensive income attributable to owners of parent	2,703,824	6,760,421
Comprehensive income attributable to non-controlling interests	(1,501)	(1,922)

(3) Consolidated Statement of Cash Flows

(Thousand yen)

	First nine months of FY’22/2 (March 1, 2021– November 30, 2021	First nine months of FY’23/2 (March 1, 2022– November 30, 2022
Cash flows from operating activities		
Net income before income taxes	3,862,323	9,143,428
Depreciation	1,816,989	2,055,555
Share-based remuneration expenses	572,099	676,213
Interest and dividend income	(4,308)	(2,619)
Insurance claim income	(4,800)	(4,800)
Commission expenses	13,504	13,720
Share of loss (profit) of entities accounted for using equity method	106,621	142,735
Gain on reversal of share acquisition rights	(202,915)	(2,900)
Loss (gain) on sale of investment securities	—	(24,273)
Impairment losses	—	165,364
Decrease (increase) in trade receivables	(1,140,728)	(923,626)
Increase (decrease) in trade payables	95,421	29,542
Increase (decrease) in accounts payable - other	1,863,069	(144,747)
Increase (decrease) in unearned revenue	135,138	—
Increase (decrease) in contract liabilities	—	139,741
Increase (decrease) in allowance for doubtful accounts	2,772	19,482
Increase (decrease) in provision for bonuses	78,254	(238,579)
Increase (decrease) in provision for refund	1,006	—
Increase (decrease) in provision for loss on contracts	—	(43,125)
Decrease (increase) in other assets	90,420	(141,906)
Increase (decrease) in other liabilities	463,059	1,271,296
Other, net	(1,824)	34,392
Subtotal	7,746,101	12,164,895
Interest and dividends received	2,193	58
Proceeds from insurance income	4,800	4,800
Income taxes paid	(194,055)	(3,056,185)
Income taxes refund	609,242	465
Cash flows from operating activities	8,168,282	9,114,032
Cash flows from investing activities		
Purchase of property, plant and equipment	(481,108)	(53,986)
Purchase of intangible assets	(2,276,181)	(2,614,024)
Purchase of investment securities	(50,000)	(462,082)
Proceeds from sale of investment securities	—	36,023
Payments of leasehold and guarantee deposits	(889)	(950)
Proceeds from refund of leasehold and guarantee deposits	2,106	76,275
Payments associated with fulfillment of asset retirement obligations	—	(31,485)
Other	—	(9,350)
Cash flows from investing activities	(2,806,074)	(3,059,580)
Cash flows from financing activities		
Purchase of treasury shares	(90,255)	(265)
Proceeds from sales of treasury shares	210,947	151,535
Proceeds from exercise of employee share options	487,544	68,249
Dividends paid	(3,183,669)	(3,887,926)
Proceeds from share issuance to non-controlling shareholders	1,333	180
Other payments	(13,504)	(13,720)
Cash flows from financing activities	(2,587,603)	(3,681,947)
Increase (decrease) in cash and cash equivalents	2,774,604	2,372,504
Cash and cash equivalents at beginning of period	12,462,677	16,569,547
Cash and cash equivalents at end of period	15,237,282	18,942,052

(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 the first nine months of FY’23/2 have decreased by ¥2,294,269 thousand, ¥10,670 thousand, and ¥2,281,915 thousand, respectively. Operating income, ordinary income, and net income before income taxes have each decreased by ¥1,683 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 the first nine months of FY’22/2.

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(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 ¥95,073 thousand and 1,483,240 shares, respectively, in FY'23/2 Q3.

(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 Q3.

(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 Q3: 1,058,911 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 Q3: 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 ¥5,134,790 thousand and ¥1,944,632 thousand at the end of FY'23/2 Q3, respectively.

(Segment Information etc.)

[Segment information]

I. First nine months of FY’22/2 (March 1, 2021 to November 30, 2021)

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

(Thousand yen)

	Reported segment			Adjustment (Note 1)	Amount recorded in consolidated statement of income (Note 2)
	Personnel recruiting services business	DX business	Total		
Sales					
Sales — outside customers	26,188,257	1,875,547	28,063,805	—	28,063,805
Sales and transfers — inter-segment	—	—	—	—	—
Total	26,188,257	1,875,547	28,063,805	—	28,063,805
Segment profit	6,946,863	386,077	7,332,940	(3,475,343)	3,857,597

(Notes) 1. Adjustment of segment profit of (¥3,475,343 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. First nine months of FY’23/2 (March 1, 2022 to November 30, 2022)

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

(Thousand yen)

	Reported segment			Adjustment (Note 1)	Amount recorded in consolidated statement of income (Note 2)
	Personnel recruiting services business	DX business	Total		
Sales					
Baitoru	21,281,310	—	21,281,310	—	21,281,310
Baitoru NEXT	3,556,380	—	3,556,380	—	3,556,380
Baitoru PRO	3,129,068	—	3,129,068	—	3,129,068
Hatarako.net	5,199,091	—	5,199,091	—	5,199,091
DX	—	3,489,920	3,489,920	—	3,489,920
Other	62,873	—	62,873	—	62,873
Revenue generated from contracts with customers	33,228,723	3,489,920	36,718,644	—	36,718,644
Other revenue	—	—	—	—	—
Sales — outside customers	33,228,723	3,489,920	36,718,644	—	36,718,644
Sales and transfers — inter-segment	—	—	—	—	—
Total	33,228,723	3,489,920	36,718,644	—	36,718,644
Segment profit	11,873,182	1,586,668	13,459,850	(3,967,975)	9,491,875

(Notes) 1. Adjustment of segment profit of (¥3,967,975 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 the first nine months of FY’23/2.

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 the first nine months of FY’23/2 have decreased by ¥2,192,712 thousand and segment profit has increased by ¥29,834 thousand, while sales of the DX business have decreased by ¥101,556 thousand and segment profit by ¥31,517 thousand.

(Significant Subsequent Events)

Not applicable.