



Financial Results for the First Quarter of the Fiscal Year Ending February 29, 2024 (Japanese GAAP, Consolidated)

July 14, 2023

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 1st Quarter of FY'24/2 (from March 1, 2023 to May 31, 2023)

(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'24/2 Q1	14,027	13.6	3,342	5.8	3,276	6.0	2,153	7.3
FY'23/2 Q1	12,342	33.8	3,158	70.1	3,090	73.2	2,006	66.5

(Reference) Comprehensive income: FY'24/2 Q1 ¥2,095 million (-14.6%) FY'23/2 Q1 ¥2,454 million (101.1%)

	Net Income per Share	Diluted Net Income per Share
	¥	¥
FY'24/2 Q1	38.57	38.49
FY'23/2 Q1	35.96	35.88

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	¥ million	¥ million	%
FY'24/2 Q1	46,812	37,183	78.1
FY'23/2	50,167	38,242	75.0

(Reference) Shareholders' equity: FY'24/2 Q1 ¥36,573 million FY'23/2 ¥37,623 million

2. Dividends

	Annual Dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	¥	¥	¥	¥	¥
FY'24/2	-	34.00	-	38.00	72.00
FY'23/2	-	-	-	-	-
FY'24/2 (forecast)	-	35.00	-	48.00	83.00

Note: Revisions to the latest dividend forecast: None

3. Consolidated Operating Results Forecast for FY'24/2 (from March 1, 2023 to February 29, 2024)

(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	56,300	14.1	14,500	25.7	14,100	21.6	9,400	18.5	168.26

Notes: Revisions to the latest operating results forecast: None
No forecast has been made for the first six months.

* Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries causing changes in the scope of consolidation): None

Newly included: None

Excluded: None

(2) Adoption of special accounting methods for the preparation of quarterly financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and restatements during the period under review

1. Changes in accounting policies resulting from revisions to accounting standards: None

2. Changes in accounting policies other than those in 1 above: None

3. Changes in accounting estimates: None

4. Restatements: None

(4) Number of outstanding shares (Common stock)

1. Number of shares issued at the end of period (including treasury shares)

FY'24/2 Q1	60,140,000 shares	FY'23/2	60,140,000 shares
FY'24/2 Q1	4,598,678 shares	FY'23/2	4,313,065 shares
FY'24/2 Q1	55,824,684 shares	FY'23/2 Q1	55,780,716 shares

2. Number of treasury shares at the end of period

3. Average number of shares outstanding during period

Treasury shares include the number of Company shares owned by the ESOP trust account (1,477,075 shares at the end of FY'23/2; 1,450,335 shares at the end of FY'24/2 Q1) and the number of Company shares owned by BIP trust account (91,462 shares at the end of FY'23/2; 91,462 shares at the end of FY'24/2 Q1).

* The summary report on quarterly financial results is 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 Friday, July 14, 2023.

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1. Qualitative Information

(1) Operating Results

Since its establishment in 1997, dip Corporation (hereinafter, the “Company”) has assisted its client companies with the recruiting and deployment of human resources by providing online job information sites, as well as creating an environment where each job seeker can work with enthusiasm and energy, based on its corporate philosophy of ‘Here at dip, we want to tap into dreams, ideas and passion to create a better society’.

Since FY’20/2, under the corporate vision of becoming a ‘Labor force solution company’, the Company has been striving to solve diverse labor-related issues and realize a society in which everyone can experience the joy and happiness of work through the offering of personnel recruiting services and DX (digital transformation) services.

Thanks to the steady expansion of the personnel recruiting services business and the high growth of the DX business, sales in FY’24/2 Q1 amounted to 14,027 million yen (up 13.6% year on year).

Regarding costs, the Company invested in human resources, such as recruiting new graduate employees in 2023 to boost its sales capabilities, and in advertising, among others. As a result, operating income, ordinary income, and net income attributable to owners of parent for FY’24/2 Q1 came to 3,342 million yen (up 5.8% year on year), 3,276 million yen (up 6.0% year on year), and 2,153 million yen (up 7.3% year on year), respectively.

An overview of the results by segment is as detailed below.

Effective FY’24/2 Q1, the presentation of the breakdown information of revenue generated from contracts with customers has been changed from “Baitoru, Baitoru NEXT, Baitoru PRO, Hatarako.net, DX, Other” to “Media (job advertising) services, Permanent Placement services, DX services, Other services” due to a revision of the Company’s sales management categories according to service type. There are no changes to reported segments due to this change.

(i) Personnel Recruiting Services Business

The personnel recruiting services business operates the following platforms as media (job advertising) services: 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 also operates the following platforms as Permanent Placement services: Nurse de Hatarako, a job agency service for medical professionals, and Kaigo de Hatarako, a job agency service for nursing jobs. The Company aims to expand the user and customer bases for these services through the vigorous efforts of its sales force and its service development and promotional capabilities.

In FY’24/2 Q1, sales of the personnel recruiting services business saw steady progress. As a result, segment sales and segment profit stood at 12,614 million yen (up 12.2% year on year) and 4,436 million yen (up 7.0% year on year).

(ii) DX Business

Since September 2019, the DX business has been supporting the digital transformation (DX) of small and medium-sized enterprises (SMEs) through the offering of the KOBOT series. This SaaS DX product series is priced for SMEs, features simple functions, and is easy to introduce as it is designed for SMEs.

In FY’24/2 Q1, the business saw an increase in sales of its products, including Interview KOBOT, which automatically schedules interviews with job applicants, HR KOBOT, which supports dispatch companies’ sales activities with automated sales list creation services, and Corporate Recruiting Page KOBOT, which creates client recruiting pages featuring Baitoru’s unique functions, such as workplace introduction videos. As a result, segment sales were 1,413 million yen (up 29.0% year on year), and segment profit was 640 million yen (up 30.9% year on year).

* 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'24/2 Q1 were 46,812 million yen, a decrease of 3,355 million yen from the end of the previous fiscal year. The major factors were decreases of 3,221 million yen in cash and deposits and 796 million yen in investments and other assets.

Total liabilities stood at 9,629 million yen, a decrease of 2,295 million yen from the end of the previous fiscal year. This mainly reflected decreases of 1,777 million yen in income taxes payable and 432 million yen in other current liabilities.

Net assets recorded at the end of FY'24/2 Q1 were 37,183 million yen, a decrease of 1,059 million yen from the end of the previous fiscal year. The primary factor was an increase of 104 million yen in treasury shares.

(ii) Status of Cash Flows

Cash and cash equivalents (hereinafter "cash") stood at 16,752 million yen in FY'24/2 Q1.

The breakdown of the cash flow is as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was 468 million yen (a decrease of 2,129 million yen year on year). This was mainly attributable to net income before income taxes of 3,247 million yen, depreciation of 765 million yen, and a decrease in trade receivables of 636 million yen, which offset a decrease in accounts payable - other of 1,465 million yen and the payment of income taxes amounting to 2,806 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 2,600 million yen (an increase of 1,747 million yen year on year). This was mainly attributable to payments into time deposits amounting to 2,000 million yen and the purchase of intangible assets totaling 860 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 3,091 million yen (an increase of 1,236 million yen year on year). This was mainly attributable to the purchase of treasury shares amounting to 1,013 million yen and a dividend payment totaling 2,156 million yen.

(3) Operating Results Forecast

Our consolidated operating results forecast for FY'24/2 is based on a gradual recovery of the labor and job ad markets. There are no changes to the forecast published in the financial results summary report on April 14, 2023, as both sales and profits for FY'24/2 Q1 have made progress as planned at the beginning of the period.

In our business, we expect to achieve record-high sales and operating income by promoting efficient operation while continuing to make aggressive advertising investments and by investing in human resources, such as hiring new graduates and mid-career employees in 2023, and in system development.

For reference, operating margin is expected to be slightly lower in the first half due to the sales contribution by new graduate employees hired in 2023; however, it is forecast to rise to approximately 30% in the second half. Personnel expenses as a percentage of sales are also expected to improve to around 32–33% in the second half.

The forecast is as detailed below.

Consolidated operating results forecast for FY'24/2 (from March 2023 to February 2024)

	FY'23/2 (Actual)	FY'24/2 (Forecast)	Change (in amount)	Change (in percentage)
	¥ million	¥ million	¥ million	%
Sales	49,355	56,300	6,945	+14.1
Operating Income	11,538	14,500	2,962	+25.7
Ordinary Income	11,599	14,100	2,501	+21.6
Net Income Attributable to Owners of Parent	7,935	9,400	1,465	+18.5

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

(Thousands of yen)

	FY'23/2 As of February 28, 2023	FY'24/2 Q1 As of May 31, 2023
Assets		
Current assets		
Cash and deposits	21,974,394	18,752,502
Notes and accounts receivable - trade	5,499,254	5,161,974
Supplies	8,262	8,145
Other	1,464,160	2,199,728
Allowance for doubtful accounts	(129,807)	(130,481)
Total current assets	28,816,265	25,991,869
Non-current assets		
Property, plant and equipment	1,882,545	1,999,172
Intangible assets		
Software	8,456,371	7,973,202
Other	73,279	705,896
Total intangible assets	8,529,650	8,679,099
Investments and other assets		
Investment securities	7,099,833	6,081,071
Other	3,853,652	4,086,192
Allowance for doubtful accounts	(14,274)	(24,945)
Total investments and other assets	10,939,211	10,142,318
Total non-current assets	21,351,407	20,820,589
Total assets	50,167,672	46,812,459
Liabilities		
Current liabilities		
Accounts payable - trade	438,312	452,407
Income taxes payable	2,891,321	1,113,655
Provision for bonuses	633,291	384,210
Provision for loss on contracts	82,500	82,500
Asset retirement obligations	12,235	56,925
Other	6,419,066	5,986,478
Total current liabilities	10,476,726	8,076,178
Non-current liabilities		
Provision for share-based remuneration	81,028	81,139
Provision for share-based remuneration for directors	154,697	162,924
Asset retirement obligations	463,443	512,647
Provision for loss on contracts	82,500	61,875
Other	666,539	734,671
Total non-current liabilities	1,448,209	1,553,257
Total liabilities	11,924,935	9,629,436
Net assets		
Shareholders' equity		
Share capital	1,085,000	1,085,000
Capital surplus	5,142,864	5,181,340
Retained earnings	32,840,235	32,812,485
Treasury shares	(1,942,745)	(2,947,047)
Total shareholders' equity	37,125,354	36,131,778
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	497,876	441,450
Total accumulated other comprehensive income	497,876	441,450
Share acquisition rights	601,507	593,039
Non-controlling interests	17,997	16,753
Total net assets	38,242,736	37,183,023
Total liabilities and net assets	50,167,672	46,812,459

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

(Thousands of yen)

	FY'23/2 Q1 Three months ended May 31, 2022	FY'24/2 Q1 Three months ended May 31, 2023
Sales	12,342,666	14,027,423
Cost of sales	1,341,253	1,450,110
Gross profit	11,001,412	12,577,313
Selling, general and administrative expenses	7,843,399	9,234,853
Operating income	3,158,012	3,342,460
Non-operating income		
Interest income	851	981
Insurance claim income	4,800	-
Subsidy income	1,078	6,857
Other	4,681	9,516
Total non-operating income	11,412	17,354
Non-operating expenses		
Share of loss of entities accounted for using equity method	17,744	5,578
Amortization of restricted stock remuneration	53,227	72,748
Other	7,519	4,491
Total non-operating expenses	78,491	82,818
Ordinary income	3,090,933	3,276,997
Extraordinary income		
Gain on reversal of share acquisition rights	2,900	580
Gain on sale of investment securities	-	60,982
Total extraordinary income	2,900	61,562
Extraordinary losses		
Impairment losses	165,364	-
Loss on valuation of investment securities	-	91,499
Total extraordinary losses	165,364	91,499
Profit before income taxes	2,928,469	3,247,059
Income taxes – current	1,332,128	1,127,972
Income taxes – deferred	(409,397)	(32,946)
Total income taxes	922,731	1,095,025
Net income	2,005,738	2,152,034
Net (loss) income attributable to non-controlling interests	(340)	(1,244)
Net income attributable to owners of parent	2,006,078	2,153,278

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY'23/2 Q1 Three months ended May 31, 2022	FY'24/2 Q1 Three months ended May 31, 2023
Net income	2,005,738	2,152,034
Other comprehensive income		
Valuation difference on available-for-sale securities	448,421	(56,426)
Total other comprehensive income	448,421	(56,426)
Comprehensive income	2,454,159	2,095,607
(Breakdown)		
Comprehensive income attributable to owners of parent	2,454,499	2,096,852
Comprehensive income attributable to non-controlling interests	(340)	(1,244)

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY'23/2 Q1 Three months ended May 31, 2022	FY'24/2 Q1 Three months ended May 31, 2023
Cash flows from operating activities		
Net income before income taxes	2,928,469	3,247,059
Depreciation	705,214	765,443
Share-based remuneration expenses	211,107	146,683
Interest and dividend income	(851)	(981)
Insurance claim income	(4,800)	-
Commission expenses	5,189	4,268
Share of loss (profit) of entities accounted for using equity method	17,744	5,578
Loss (gain) on sale of investment securities	-	(60,982)
Loss (gain) on valuation of investment securities	-	91,499
Gain on reversal of share acquisition rights	(2,900)	(580)
Impairment losses	165,364	-
Increase (decrease) in trade receivables	(111,042)	636,664
Increase (decrease) in trade payables	23,263	14,095
Increase (decrease) in accounts payable - other	(358,219)	(1,465,154)
Increase (decrease) in contract liabilities	279,632	162,402
Increase (decrease) in allowance for doubtful accounts	4,015	11,344
Increase (decrease) in provision for bonuses	(246,320)	(249,080)
Increase (decrease) in provision for loss on contracts	(13,125)	(20,625)
Decrease (increase) in other assets	25,411	(986,828)
Increase (decrease) in other liabilities	918,090	459,844
Other, net	22,511	12,345
Subtotal	4,568,755	2,772,999
Interest and dividends received	0	502,472
Proceeds from insurance income	4,800	-
Income taxes paid	(1,975,477)	(2,806,800)
Net cash provided by (used in) operating activities	2,598,077	468,671
Cash flows from investing activities		
Payments into time deposits	-	(2,000,000)
Purchase of property, plant and equipment	(15,517)	(79,863)
Purchase of intangible assets	(881,713)	(860,420)
Payments of leasehold and guarantee deposits	(596)	(55,684)
Proceeds from refund of leasehold and guarantee deposits	76,121	4,397
Payments associated with fulfillment of asset retirement obligations	(31,485)	(7,858)
Proceeds from sale of investment securities	-	399,020
Net cash provided by (used in) investing activities	(853,190)	(2,600,408)
Cash flows from financing activities		
Purchase of treasury shares	(265)	(1,013,454)
Proceeds from sales of treasury shares	35,468	50,090
Proceeds from exercise of employee share options	42,656	31,992
Dividends paid	(1,928,015)	(2,156,134)
Other payments	(5,189)	(4,268)
Net cash provided by (used in) financing activities	(1,855,346)	(3,091,775)
Effect of exchange rate change on cash and cash equivalents	-	1,620
Increase (decrease) in cash and cash equivalents	(110,459)	(5,221,892)
Cash and cash equivalents at beginning of period	16,569,547	21,974,394
Cash and cash equivalents at end of period	16,459,088	16,752,502

(4) Notes to Consolidated Financial Statements
(Notes to Going Concern Assumption)

Not applicable

(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 the plan

By contributing funds to acquire 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 to employees at no cost on their retirement Company shares and the cash equivalent of the proceeds from the sale of such shares 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 94,677 thousand yen and 1,477,075 shares, respectively, in FY’23/2, and 92,961 thousand yen and 1,450,335 shares, respectively, in FY’24/2 Q1.

(Board Incentive Plan (BIP) Trust)

In August 2016, the Company introduced a Board Incentive Plan (BIP) trust for its directors (excluding outside directors and overseas residents) 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. Furthermore, at our 26th annual shareholders meeting held on May 24, 2023, along with the transition to a company with an audit committee, it was approved to continue this system after reestablishing the remuneration framework for our directors (excluding directors who are part of the audit committee, external directors, and non-residents in Japan. The same shall apply hereafter).

(1) Summary of the plan

By contributing funds to acquire Company shares, the Company established a trust with its 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 the Company’s directors who meet certain beneficiary requirements Company shares in the number determined according to performance indicators, etc., of each fiscal year and the cash equivalent of the proceeds from the sale of such shares in accordance with the Stock-Based Compensation Regulations on the fixed date of the beneficiary right due to retirement, etc.

(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 283,045 thousand yen and 91,462 shares, respectively, in FY’23/2, and 283,045 thousand yen and 91,462 shares, respectively, in FY’24/2 Q1.

(Restricted Stock-Based Compensation Plan for Employees)

In August 2020, the Company introduced an incentive plan using restricted shares (with performance conditions, etc.) (the “Plan”) to motivate its employees (the “Eligible Employees”) to maximize the social and economic value of the Company by strengthening their alignment with shareholders and thereby contributing toward the realization of the Company’s corporate vision of becoming a ‘Labor force solution company’. At the board of directors meeting held on June 22, 2021, the Company resolved to allot shares to employees who were hired on April 2, 2020, and onwards and who were promoted after May 2020 and at the board of directors meeting held on July 13, 2022, to allot shares to employees who were hired or promoted after June 2021.

In the Plan, the Company had set performance targets five years in advance, the achievement of which was the condition for lifting transfer restrictions. However, due to revisions to its medium-term management strategy, the Board of Directors resolved on April 14, 2023, to extend the transfer restriction period by two years and to revise the performance conditions for those allottees who are the Company’s employees belonging to the DX Business Group, which had been sales and operating income of the DX business, to the same conditions as those applied to the Company employees belonging to departments other than the DX Business Group, which are consolidated sales and consolidated operating income (or non-consolidated sales and non-consolidated operating income if non-consolidated).

(1) Summary of the 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 the 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 a 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 transfer restriction period (or on the date the summary report on financial results for the year ending February 2027 is released, if such report is released prior to the expiry of the transfer restriction period) for all or part of the allotted shares, subject to the enrollment conditions, which require the Eligible Employees to remain in a position of director, corporate officer (who does not hold a position as director), employee or equivalent throughout the transfer restriction period in question, and based on the position conditions and the performance conditions. The Company will automatically acquire the allotted shares for which the transfer restriction is unreleased for no consideration.

However, if an Eligible Employee 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 transfer restriction period 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.

(3) Total number of shares held by Eligible Employees

FY’23/2: 919,686 shares; FY’24/2 Q1: 881,682 shares

(Restricted Stock-Based Compensation Plan for Directors)

The Company obtained approval for the following at its 24th Annual General Meeting of Shareholders held on May 26, 2021: i) introducing a compensation plan utilizing restricted stock (with performance-based conditions) for directors (the “Plan”) to encourage the Company’s directors (excluding outside 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 the Company’s directors (excluding outside directors) as compensation utilizing restricted stock based on the Director Compensation Plan at 900,000 thousand yen. Furthermore, the following was approved at the Company’s 26th Annual General Meeting of Shareholders held on May 24, 2023: i) to make procedural changes following the transition to a company with an Audit & Supervisory Committee; ii) to extend the transfer restriction period by two years; and iii) to decide and revise the remuneration for allotting restricted stock to the Company’s directors (excluding directors who are Audit & Supervisory Committee Members and outside directors; hereinafter, “Eligible Directors”).

The following was also approved: i) that the upper limit of the total number of restricted stock to be allotted each fiscal year to the 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 six fiscal years will be allotted in a lump sum; in reality, this is equivalent to allotments of up to 58,333 shares per fiscal year); and ii) that the transfer restriction period of the restricted stock will be a period within six years stipulated by the Board of Directors (the “Transfer Restriction Period”).

Furthermore, of the directors who were granted restricted stock based on the proposal at the 24th Annual General Meeting of Shareholders, one who retired due to the expiry of his term of office will continue to hold the restricted stock as a person equivalent to a director (corporate officer).

(1) Summary of the 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 the 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 a 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 Transfer Restriction Period (or on the date the summary report on financial results for the year ending February 2027 is released, if such report is released prior to the expiry of the Transfer Restriction Period) 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 Transfer Restriction Period, and based on the position conditions and the performance conditions. 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 Transfer Restriction Period 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.

(3) Total number of shares held by Eligible Directors

FY’23/2: 160,000 shares; FY’24/2 Q1: 160,000 shares

(Notes to Material Changes in Shareholders’ Equity)

The Company acquired 294,300 treasury shares for 1,013,454 thousand yen in accordance with a resolution passed at the Board of Directors meeting held on April 26, 2023. Mainly as a result of this, treasury shares at the end of FY’24/2 Q1 stood at 2,947,047 thousand yen.

(Segment Information etc.)

[Segment information]

I. FY'23/2 Q1 (March 1, 2022 to May 31, 2022)

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

(Thousands of yen)

	Reported segment			Adjustment (Note 1)	Amount recorded in consolidated statement of income (Note 2)
	Personnel recruiting services business	DX business	Total		
Sales					
Media (job advertising) services	10,594,150	-	10,594,150	-	10,594,150
Permanent Placement services	644,244	-	644,244	-	644,244
DX services	-	1,096,015	1,096,015	-	1,096,015
Other services	8,256	-	8,256	-	8,256
Revenue generated from contracts with customers	11,246,651	1,096,015	12,342,666	-	12,342,666
Other revenue	-	-	-	-	-
Sales — outside customers	11,246,651	1,096,015	12,342,666	-	12,342,666
Sales and transfers — inter-segment	-	-	-	-	-
Total	11,246,651	1,096,015	12,342,666	-	12,342,666
Segment profit	4,145,140	489,091	4,634,231	(1,476,218)	3,158,012

(Notes) 1. Adjustment of segment profit of (1,476,218) thousand yen 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 impairment losses were 165,364 thousand yen in FY'23/2 Q1.

II. FY'24/2 Q1 (March 1, 2023 to May 31, 2023)

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					
Media (job advertising) services	11,913,725	-	11,913,725	-	11,913,725
Permanent Placement services	689,053	-	689,053	-	689,053
DX services	-	1,413,419	1,413,419	-	1,413,419
Other services	11,225	-	11,225	-	11,225
Revenue generated from contracts with customers	12,614,003	1,413,419	14,027,423	-	14,027,423
Other revenue	-	-	-	-	-
Sales — outside customers	12,614,003	1,413,419	14,027,423	-	14,027,423
Sales and transfers — inter-segment	-	-	-	-	-
Total	12,614,003	1,413,419	14,027,423	-	14,027,423
Segment profit	4,436,670	640,130	5,076,801	(1,734,341)	3,342,460

(Notes) 1. Adjustment of segment profit of (1,734,341) thousand yen 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.

3. Effective FY'24/2 Q1, the presentation of the breakdown information of revenue generated from contracts with customers has been changed from “Baitoru, Baitoru NEXT, Baitoru PRO, Hatarako.net, DX, Other” to “Media (job advertising) services, Permanent Placement services, DX services, Other services” due to a revision of the Company’s sales management categories according to service type.

There are no changes to reported segments due to this change.

2. Information on impairment loss of non-current assets and goodwill, etc., by reported segment

Not applicable

(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 Japanese-language documents, the Japanese-language documents will prevail.