



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

January 11, 2024

Name of company: dip Corporation Stock exchange listing: Tokyo Stock Exchange
 Stock code: 2379 Company website: <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 Nine Months of FY'24/2 (the Period of March 1, 2023 to November 30, 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	%
First nine months of FY'24/2	40,255	9.6	9,818	3.4	9,709	4.6	6,830	9.2
First nine months of FY'23/2	36,718	30.8	9,491	146.1	9,281	153.6	6,253	134.4

(Note) Comprehensive income: First nine months of FY'24/2 ¥6,776 million (0.3%) First nine months of FY'23/2 ¥6,758 million (150.1%)

	Net Income per Share	Diluted Net Income per Share
	¥	¥
First nine months of FY'24/2	123.22	122.97
First nine months of FY'23/2	112.00	111.70

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	¥ million	¥ million	%
As of November 30, 2023	49,168	38,440	77.3
As of February 28, 2023	50,167	38,242	75.0

(Reference) Shareholders' equity: November 30, 2023 ¥37,985 million February 28, 2023 ¥37,623 million

2. Dividends

	Annual Dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	¥	¥	¥	¥	¥
FY'23/2	-	34.00	-	38.00	72.00
FY'24/2	-	40.00	-		
FY'24/2 (forecast)				48.00	88.00

(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	53,200	7.8	11,900	3.1	11,600	0.0	8,300	4.6	149.74

(Note) Revisions to the latest operating results forecast: None

* 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: Yes

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 Q3	60,140,000 shares	FY'23/2	60,140,000 shares
2. Number of treasury shares at the end of period	FY'24/2 Q3	4,900,790 shares	FY'23/2	4,313,065 shares
3. Average number of shares outstanding during period	FY'24/2 Q3	55,431,238 shares	FY'23/2 Q3	55,837,030 shares

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; 2,108,790 shares at the end of FY'24/2 Q3) and the number of Company shares owned by the BIP trust account (91,462 shares at the end of FY'23/2; 73,817 shares at the end of FY'24/2 Q3).

* 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 information currently available to the Company and certain assumptions the Company deems reasonable. They do not guarantee future performance. Actual results may differ significantly from the forecasts due to various factors. For assumptions regarding operating results forecasts and notes on the use of the forecasts, see the section "1. Qualitative Information (3) Operating Results Forecast" on page 4.

(Delivery of supplementary materials for financial results)

Supplementary materials for the financial results will be posted on the Company's website on Thursday, January 11, 2024.

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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 for the first nine months of FY’24/2 amounted to 40,255 million yen (up 9.6% year on year).

Regarding costs, the Company invested in human resources, such as recruiting new graduate employees in 2023 to boost its sales capabilities. As a result, operating income, ordinary income, and net income attributable to owners of parent for the first nine months of FY’24/2 came to 9,818 million yen (up 3.4% year on year), 9,709 million yen (up 4.6% year on year), and 6,830 million yen (up 9.2% year on year), respectively.

An overview of the results by segment is 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 the above 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 Nursing Care 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.

During the first nine months of FY’24/2, sales of the personnel recruiting services business saw steady progress. As a result, segment sales and segment profit stood at 35,866 million yen (up 7.9% year on year) and 12,638 million yen (up 6.4% 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.

During the first nine months of FY’24/2, the business saw an increase in sales of its products, including Interview Scheduling KOBOT, which automatically schedules interviews with job applicants, Temp Agency 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 4,389 million yen (up 25.8% year on year), and segment profit was 2,068 million yen (up 30.4% year on year).

(2) Financial Position

(i) Analysis of Financial Position

Total assets recorded at the end of FY'24/2 Q32 were 49,168 million yen, a decrease of 999 million yen from the end of the previous fiscal year. The main factors were a decrease of 3,818 million yen in cash and deposits and increases of 1,084 million yen in other current assets, 684 million yen in intangible assets, and 741 million yen in investments and other assets.

Total liabilities stood at 10,728 million yen, a decrease of 1,196 million yen from the end of the previous fiscal year. This mainly reflected a decrease of 1,515 million yen in income taxes payable, a decrease of 238 million yen in provision for bonuses, and an increase of 219 million yen in other current liabilities.

Net assets recorded at the end of FY'24/2 Q3 were 38,440 million yen, an increase of 197 million yen from the end of the previous fiscal year. The primary factors were an increase of 2,296 million yen in capital surplus due to a gain on the disposal of treasury shares associated with the extension of the ESOP trust, the additional granting of restricted shares and other factors, an increase of 2,352 million yen in retained earnings, and an increase of 4,234 million yen in treasury shares due to factors including market purchase and the extension of the ESOP trust.

(ii) Status of Cash Flows

Cash and cash equivalents (hereinafter "cash") stood at 15,155 million yen in the first nine months of FY'24/2.

The breakdown of the cash flow is as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was 6,226 million yen (a decrease of 2,887 million yen year on year). This was mainly attributable to net income before income taxes of 9,637 million yen and depreciation of 2,288 million yen, which offset an increase in other assets of 1,870 million yen and the payment of income taxes amounting to 4,698 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 5,965 million yen (an increase of 2,905 million yen year on year). This was mainly attributable to payments into time deposits amounting to 5,000 million yen and the purchase of intangible assets totaling 2,748 million yen, offsetting proceeds from withdrawal of time deposits of 2,000 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 7,061 million yen (an increase of 3,379 million yen year on year). This was mainly attributable to the purchase of treasury shares amounting to 5,509 million yen and a dividend payment totaling 4,451 million yen, which offset proceeds from the sale of treasury shares mainly to the ESOP trust amounting to 2,670 million yen.

(3) Operating Results Forecast

We revised our FY'24/2 full-year operating results forecast downward on January 11, 2024.

This is due to a decline in sales to staffing companies since the third quarter as a result of the rapid deterioration of the job advertisement market for call center and clerical jobs and the slower, albeit continued, recovery of the market for the restaurant sector than initially expected.

Details are as follows.

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	53,200	3,845	7.8
Operating Income	11,538	11,900	362	3.1
Ordinary Income	11,599	11,600	1	0.0
Net Income Attributable to Owners of Parent	7,935	8,300	365	4.6

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 Q3 As of November 30, 2023
Assets		
Current assets		
Cash and deposits	21,974,394	18,155,565
Notes and accounts receivable - trade	5,499,254	5,598,362
Supplies	8,262	9,162
Other	1,464,160	2,548,165
Allowance for doubtful accounts	(129,807)	(128,304)
Total current assets	28,816,265	26,182,952
Non-current assets		
Property, plant and equipment	1,882,545	2,090,768
Intangible assets		
Software	8,456,371	7,496,369
Other	73,279	1,717,983
Total intangible assets	8,529,650	9,214,352
Investments and other assets		
Investment securities	7,099,833	6,369,537
Other	3,853,652	5,356,302
Allowance for doubtful accounts	(14,274)	(45,531)
Total investments and other assets	10,939,211	11,680,308
Total non-current assets	21,351,407	22,985,429
Total assets	50,167,672	49,168,382
Liabilities		
Current liabilities		
Accounts payable - trade	438,312	421,248
Income taxes payable	2,891,321	1,375,582
Provision for bonuses	633,291	394,633
Provision for loss on contracts	82,500	82,500
Asset retirement obligations	12,235	57,675
Other	6,419,066	6,638,161
Total current liabilities	10,476,726	8,969,800
Non-current liabilities		
Provision for share-based remuneration	81,028	202,785
Provision for share-based remuneration for directors	154,697	122,933
Provision for loss on contracts	82,500	20,625
Asset retirement obligations	463,443	614,141
Other	666,539	797,720
Total non-current liabilities	1,448,209	1,758,205
Total liabilities	11,924,935	10,728,005
Net assets		
Shareholders' equity		
Share capital	1,085,000	1,085,000
Capital surplus	5,142,864	7,439,303
Retained earnings	32,840,235	35,193,212
Treasury shares	(1,942,745)	(6,177,516)
Total shareholders' equity	37,125,354	37,539,998
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	497,876	445,581
Total accumulated other comprehensive income	497,876	445,581
Share acquisition rights	601,507	435,720
Non-controlling interests	17,997	19,075
Total net assets	38,242,736	38,440,376
Total liabilities and net assets	50,167,672	49,168,382

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

(Thousands of yen)

	First nine months of FY'23/2 (March 1, 2022– November 30, 2022)	First nine months of FY'24/2 (March 1, 2023– November 30, 2023)
Sales	36,718,644	40,255,893
Cost of sales	3,925,212	4,340,382
Gross profit	32,793,432	35,915,510
Selling, general and administrative expenses	23,301,556	26,097,211
Operating income	9,491,875	9,818,299
Non-operating income		
Interest income	2,619	3,326
Share of profit of entities accounted for using equity method	-	9,880
Insurance claim income	4,800	-
Dividend income of insurance	17,701	17,181
Subsidy income	7,312	13,110
Other	23,407	25,302
Total non-operating income	55,840	68,800
Non-operating expenses		
Share of loss of entities accounted for using equity method	142,735	-
Amortization of restricted stock remuneration	107,191	166,391
Other	16,169	10,734
Total non-operating expenses	266,096	177,125
Ordinary income	9,281,618	9,709,973
Extraordinary income		
Gain on reversal of share acquisition rights	2,900	81,822
Gain on sale of investment securities	24,273	60,982
Other	-	485
Total extraordinary income	27,173	143,289
Extraordinary losses		
Impairment losses	165,364	43,080
Loss on valuation of investment securities	-	172,444
Total extraordinary losses	165,364	215,524
Profit before income taxes	9,143,428	9,637,738
Income taxes – current	3,232,882	3,260,133
Income taxes – deferred	(341,389)	(451,415)
Total income taxes	2,891,492	2,808,718
Net income	6,251,936	6,829,019
Net (loss) income attributable to non-controlling interests	(1,922)	(1,422)
Net income attributable to owners of parent	6,253,858	6,830,442

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	First nine months of FY'23/2 (March 1, 2022– November 30, 2022)	First nine months of FY'24/2 (March 1, 2023– November 30, 2023)
Net income	6,251,936	6,829,019
Other comprehensive income		
Valuation difference on available-for-sale securities	506,562	(52,295)
Total other comprehensive income	506,562	(52,295)
Comprehensive income	6,758,498	6,776,724
(Breakdown)		
Comprehensive income attributable to owners of parent	6,760,421	6,778,146
Comprehensive income attributable to non-controlling interests	(1,922)	(1,422)

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	First nine months of FY'23/2 (March 1, 2022– November 30, 2022)	First nine months of FY'24/2 (March 1, 2023– November 30, 2023)
Cash flows from operating activities		
Net income before income taxes	9,143,428	9,637,738
Depreciation	2,055,555	2,288,742
Share-based remuneration expenses	676,213	403,434
Interest and dividend income	(2,619)	(3,326)
Insurance claim income	(4,800)	-
Commission expenses	13,720	8,553
Share of loss (profit) of entities accounted for using equity method	142,735	(9,880)
Loss (gain) on sale of investment securities	(24,273)	(60,982)
Loss (gain) on valuation of investment securities	-	172,444
Gain on reversal of share acquisition rights	(2,900)	(81,822)
Impairment losses	165,364	43,080
Decrease (increase) in trade receivables	(923,626)	(130,365)
Increase (decrease) in trade payables	29,542	(17,063)
Increase (decrease) in accounts payable - other	(144,747)	(564,048)
Increase (decrease) in contract liabilities	139,741	106,939
Increase (decrease) in allowance for doubtful accounts	19,482	29,753
Increase (decrease) in provision for bonuses	(238,579)	(238,658)
Increase (decrease) in provision for loss on contracts	(43,125)	(61,875)
Decrease (increase) in other assets	(141,906)	(1,870,406)
Increase (decrease) in other liabilities	1,271,296	563,757
Other, net	34,392	200,279
Subtotal	12,164,895	10,416,295
Interest and dividends received	58	508,891
Proceeds from insurance income	4,800	-
Income taxes paid	(3,056,185)	(4,698,364)
Income taxes refund	465	-
Net cash provided by (used in) operating activities	9,114,032	6,226,822
Cash flows from investing activities		
Payments into time deposits	-	(5,000,000)
Proceeds from withdrawal of time deposits	-	2,000,000
Proceeds from collection of long-term loans receivable	-	75,000
Purchase of property, plant and equipment	(53,986)	(242,553)
Purchase of intangible assets	(2,614,024)	(2,748,200)
Payments of leasehold and guarantee deposits	(950)	(55,900)
Proceeds from refund of leasehold and guarantee deposits	76,275	25,866
Payments associated with fulfillment of asset retirement obligations	(31,485)	(70,413)
Purchase of investment securities	(462,082)	(348,000)
Proceeds from sale of investment securities	36,023	399,020
Other	(9,350)	-
Net cash provided by (used in) investing activities	(3,059,580)	(5,965,180)
Cash flows from financing activities		
Purchase of treasury shares	(265)	(5,509,484)
Proceeds from sale of treasury shares	151,535	2,670,980
Proceeds from exercise of employee share options	68,249	233,671
Dividends paid	(3,887,926)	(4,451,041)
Proceeds from share issuance to non-controlling shareholders	180	2,500
Other payments	(13,720)	(8,553)
Net cash provided by (used in) financing activities	(3,681,947)	(7,061,926)
Effect of exchange rate change on cash and cash equivalents	-	(18,544)
Increase (decrease) in cash and cash equivalents	2,372,504	(6,818,828)
Cash and cash equivalents at beginning of period	16,569,547	21,974,394
Cash and cash equivalents at end of period	18,942,052	15,155,565

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

Not applicable

(Changes in Accounting Estimates)

During FY'24/2 Q3, changes were made to the estimate for asset retirement obligations recorded as restoration obligations in association with each office's real estate lease contract based on new information obtained on restoration costs.

Asset retirement obligations have increased by 141,767 thousand yen as a result.

The impact of the above estimate change on the Company's income for the first nine months of FY'24/2 is minor.

(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 employees to realize the Company’s corporate vision of becoming a ‘Labor force solution company’. The Board of Directors passed a resolution to extend the plan at its meeting held on March 10, 2023, and to dispose of treasury shares on August 22, 2023, at its meeting held on August 1.

(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 2,582,758 thousand yen and 2,108,790 shares, respectively, in FY’24/2 Q3.

(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. The same shall apply 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. 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 re-establishing 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 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 228,440 thousand yen and 73,817 shares, respectively, in FY’24/2 Q3.

(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 between April 2, 2020, and May 31, 2021, and who were promoted between May 1, 2020, and May 31, 2021, and at the board of directors meeting held on July 13, 2022, to allot shares to employees who were hired or promoted between June 1, 2021, and June 1, 2022. At the Board of Directors meeting held on August 1, 2023, it also resolved to allot shares to employees hired or promoted between June 2, 2022, and June 1, 2023.

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 plan, 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 Q3: 1,014,485 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) 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) 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 Q3: 160,000 shares

(Notes to Material Changes in Shareholders' Equity)

The Company acquired 858,300 treasury shares for 2,999,984 thousand yen in accordance with a resolution passed at the Board of Directors meeting held on April 26, 2023.

Based on a resolution passed at the Board of Directors meeting held on August 1, 2023, the Company disposed of 180,875 treasury shares. As a result, treasury shares decreased by 225,900 thousand yen, and capital surplus increased due to the recording of a gain of 422,536 thousand yen from the disposal of treasury shares.

Furthermore, in accordance with the resolution passed at the Board of Directors meeting held on the same day, the Company disposed of 700,000 treasury shares in association with the continuation of the ESOP trust. This resulted in a decrease of 874,252 thousand yen in treasury shares and an increase in capital surplus due to the recording of 1,635,247 thousand yen in gain from the disposal of treasury shares. The 700,000 Company shares purchased by the trust for 2,509,500 thousand yen were recorded as treasury shares.

Due mainly to the impact of the above, capital surplus and treasury shares stood at 7,439,303 thousand yen and 6,177,516 thousand yen, respectively, as of November 30, 2023.

(Segment Information etc.)

[Segment information]

I. 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

(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	31,682,610	-	31,682,610	-	31,682,610
Permanent Placement services	1,483,239	-	1,483,239	-	1,483,239
DX services	-	3,489,920	3,489,920	-	3,489,920
Other services	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 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 the first nine months of FY'23/2.

II. First nine months of FY'24/2 (March 1, 2023 to November 30, 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	34,281,048	-	34,281,048	-	34,281,048
Permanent Placement services	1,538,643	-	1,538,643	-	1,538,643
DX services	-	4,389,386	4,389,386	-	4,389,386
Other services	46,815	-	46,815	-	46,815
Revenue generated from contracts with customers	35,866,507	4,389,386	40,255,893	-	40,255,893
Other revenue	-	-	-	-	-
Sales — outside customers	35,866,507	4,389,386	40,255,893	-	40,255,893
Sales and transfers — inter-segment	-	-	-	-	-
Total	35,866,507	4,389,386	40,255,893	-	40,255,893
Segment profit	12,638,293	2,068,361	14,706,654	(4,888,355)	9,818,299

(Notes) 1. Adjustment of segment profit of (4,888,355) 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.

The breakdown information of revenue generated from contracts with customers for the first nine months of FY'23/2 has been reclassified to reflect this change.

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

(Significant impairment losses relating to non-current assets)

Impairment losses for intangible assets were recorded in the personnel recruiting services business. The recorded amount of the impairment losses was 43,080 thousand yen for the first nine months of FY'24/2.

(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.