

Translation

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Summary of Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 2024 (Based on Japanese GAAP)

February 9, 2024

Company name: Interworks Confidence Inc.

Listing exchange: Tokyo Stock Exchange

Securities code: 7374

URL: <https://ciw.jp/>

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Scheduled date for filing quarterly securities report: February 9, 2024

Scheduled date for commencing dividend payments: -

Preparation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial results briefing session: No

(Amounts are rounded down to the nearest million yen, unless otherwise noted)

1. Consolidated Financial Results for the First Three Quarters (April 1, 2023 to December 31, 2023) of the Fiscal Year Ending March 31, 2024

(1) Consolidated Operating Results (Cumulative)

(Percentage figures represent year-on-year changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First three quarters ended December 31, 2023	5,377	39.3	895	20.7	843	13.7	547	8.7
First three quarters ended December 31, 2022	3,861	19.0	742	31.3	741	32.8	503	23.0

(Note) Comprehensive income

First three quarters ended December 31, 2023: 547 million yen [8.7%]

First three quarters ended December 31, 2022: 503 million yen [23.0%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First three quarters ended December 31, 2023	95.59	93.92
First three quarters ended December 31, 2022	109.92	106.54

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	6,747	5,762	85.1
As of March 31, 2023 (end of previous fiscal year)	2,892	2,023	69.6

(Reference) Total shareholders' equity

As of December 31, 2023: 5,740 million yen

As of March 31, 2023: 2,012 million yen

2. Cash Dividends

	Annual dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2023	-	20.00	-	28.00	48.00
Fiscal year ending March 2024	-	25.00	-	-	-
Fiscal year ending March 2024 (Forecast)	-	-	-	30.00	55.00

(Note) Revisions to the most recently announced dividend forecast: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentage figures indicate year-on-year changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,000	53.9	1,120	20.0	1,065	14.8	725	17.3	118.58

(Note) Revisions to the most recently announced earnings forecast: No

* Notes

(1) Changes in significant subsidiaries during the quarter (changes in specified subsidiaries resulting in change in scope of consolidation): No

(2) Application of accounting treatments specific to the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to revisions to accounting standards and other regulations: No

2) Changes in accounting policies other than those in 1) above: No

3) Changes in accounting estimates: Yes

4) Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of December 31, 2023	6,609,977 shares	As of March 31, 2023	4,623,000 shares
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2) Number of treasury shares at the end of the period

As of December 31, 2023	5,203 shares	As of March 31, 2023	46 shares
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3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

First three quarters ended December 31, 2023	5,726,771 shares	First three quarters ended December 31, 2022	4,582,667 shares
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* This summary of financial results is not subject to quarterly review procedures by a public accountant or audit corporation.

* Explanation regarding appropriate use of earnings forecasts, and other notes

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual financial results and the like may differ materially due to various factors.

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1. Quarterly Consolidated Financial Statements and Major Notes
(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Third quarter of current fiscal year (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	2,047,536	3,653,220
Accounts receivable - trade	572,768	768,996
Accounts receivable - other	418	16,894
Other	41,291	108,297
Allowance for doubtful accounts	-	(5,094)
Total current assets	2,662,015	4,542,315
Non-current assets		
Property, plant and equipment		
Buildings	46,334	123,452
Accumulated depreciation	(2,464)	(44,951)
Buildings, net	43,869	78,500
Tools, furniture and fixtures	47,859	102,755
Accumulated depreciation	(22,122)	(73,813)
Tools, furniture and fixtures, net	25,736	28,941
Total property, plant and equipment	69,606	107,442
Intangible assets		
Goodwill	-	1,581,062
Software	17,193	123,708
Software in progress	-	13,000
Trademark right	128	-
Total intangible assets	17,321	1,717,772
Investments and other assets		
Investment securities	20,900	35,900
Deferred tax assets	56,483	116,497
Guarantee deposits	64,693	224,509
Other	1,300	3,227
Allowance for doubtful accounts	-	(22)
Total investments and other assets	143,377	380,112
Total non-current assets	230,305	2,205,327
Total assets	2,892,320	6,747,643

(Thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Third quarter of current fiscal year (As of December 31, 2023)
Liabilities		
Current liabilities		
Current portion of long-term borrowings	22,500	-
Accounts payable - trade	2,270	73,981
Accounts payable - other	80,588	199,911
Accrued expenses	283,333	356,684
Income taxes payable	216,116	70,738
Accrued consumption taxes	129,222	139,410
Deposits received	18,953	73,586
Contract liabilities	-	2,727
Refund liabilities	97	7,443
Provision for bonuses	115,632	61,087
Total current liabilities	868,715	985,570
Non-current liabilities		
Deferred tax liabilities	11	-
Total non-current liabilities	11	-
Total liabilities	868,726	985,570
Net assets		
Shareholders' equity		
Share capital	508,034	509,484
Capital surplus	400,028	3,882,406
Retained earnings	1,104,231	1,357,071
Treasury shares	(83)	(8,390)
Total shareholders' equity	2,012,210	5,740,571
Share acquisition rights	11,383	21,500
Total net assets	2,023,594	5,762,072
Total liabilities and net assets	2,892,320	6,747,643

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive IncomeQuarterly Consolidated Statements of Income
(Cumulative)

(Thousands of yen)

	First three quarters of previous fiscal year (April 1, 2022 – December 31, 2022)	First three quarters of current fiscal year (April 1, 2023 – December 31, 2023)
Revenue	3,861,482	5,377,382
Cost of sales	2,497,095	2,954,414
Gross profit	1,364,387	2,422,968
Selling, general and administrative expenses	622,138	1,527,218
Operating profit	742,249	895,750
Non-operating income		
Interest income	8	42
Rental income from buildings	30	1,205
Subsidy income	-	279
Other	-	262
Total non-operating income	38	1,789
Non-operating expenses		
Interest expenses	645	37
Commission expenses	207	53,501
Other	-	678
Total non-operating expenses	852	54,217
Ordinary profit	741,435	843,322
Extraordinary income		
Gain on reversal of share acquisition rights	759	-
Total extraordinary income	759	-
Extraordinary losses		
Loss on retirement of non-current assets	2,873	-
Office relocation expenses	10,157	4,507
Total extraordinary losses	13,031	4,507
Profit before income taxes	729,164	838,814
Income taxes - current	204,084	219,179
Income taxes - deferred	21,366	72,232
Total income taxes	225,451	291,411
Profit	503,712	547,402
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	503,712	547,402

Quarterly Consolidated Statements of Comprehensive Income
(Cumulative)

(Thousands of yen)

	First three quarters of previous fiscal year (April 1, 2022 – December 31, 2022)	First three quarters of current fiscal year (April 1, 2023 – December 31, 2023)
Profit	503,712	547,402
Other comprehensive income		
Total other comprehensive income	-	-
Comprehensive income	503,712	547,402
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	503,712	547,402
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in the Amounts of Shareholder's Equity)

The Company merged with Interworks, Inc. as of August 1, 2023, and allotted and issued 0.205 shares of common stock of Confidence for each share of common stock of Interworks. As a result of the merger, capital surplus increased by 3,480,927 thousand yen to 3,882,406 thousand yen as of the end of the third quarter of the current consolidated fiscal year.

(Change in Accounting Estimate)

(Change in estimated useful life)

The Company made a resolution at its Board of Directors' meeting held on November 17, 2023 regarding the relocation of the Tokyo Office. In association with this, the useful life of non-current assets that are unlikely to be used after the relocation has been shortened, which will be applied prospectively.

As a result of this change in the estimate, operating profit, ordinary profit and profit before income taxes for the first three quarters of the current fiscal year decreased by 5,934 thousand yen, respectively, compared with the previous estimate method.

(Segment Information, Etc.)

[Segment information]

I. First three quarters of the previous fiscal year (April 1, 2022 – December 31, 2022)

1. Information on revenue and profit or loss and revenue breakdown by reportable segment

(Thousands of yen)

	Reportable segment				Adjustments (Note 1)	Amount recorded in quarterly statements of income (Note 2)
	HR Solution business - Staffing/ Outsourcing	HR Solution business - Recruitment	Media & Solutions business	Total		
Revenue						
Staffing	3,631,660	-	-	3,631,660	-	3,631,660
Recruitment	-	31,856	-	31,856	-	31,856
Job advertisement	-	-	-	-	-	-
Outsourcing and other	161,095	-	36,870	197,965	-	197,965
Sales to outside customers	3,792,756	31,856	36,870	3,861,482	-	3,861,482
Inter-segment sales or transfers	14,251	-	-	14,251	(14,251)	-
Total	3,807,007	31,856	36,870	3,875,734	(14,251)	3,861,482
Segment profit	1,014,952	5,631	18,736	1,039,320	(297,070)	742,249

(Notes) 1. Adjustments of segment profit (-297,070 thousand yen) include corporate expenses of 297,070 thousand yen that are not allocated to each reportable segment.

2. Segment profit has been adjusted with the operating profit in the Quarterly Consolidated Statements of Income.

2. Information on impairment losses on non-current assets by reportable segment and goodwill

Not applicable.

II. First three quarters of the current fiscal year (April 1, 2023 – December 31, 2023)

1. Information on revenue and profit or loss and revenue breakdown by reportable segment

(Thousands of yen)

	Reportable segment				Adjustments (Note 1)	Amount recorded in quarterly statements of income (Note 2)
	HR Solution business - Staffing/ Outsourcing	HR Solution business - Recruitment	Media & Solutions business	Total		
Revenue						
Staffing	4,017,162	-	-	4,017,162	-	4,017,162
Recruitment	-	623,249	-	623,249	-	623,249
Job advertisement	-	-	431,508	431,508	-	431,508
Outsourcing and other	149,044	-	156,417	305,461	-	305,461
Sales to outside customers	4,166,207	623,249	587,925	5,377,382	-	5,377,382
Inter-segment sales or transfers	-	-	-	-	-	-
Total	4,166,207	623,249	587,925	5,377,382	-	5,377,382
Segment profit	1,074,012	184,781	150,497	1,409,291	(513,541)	895,750

(Notes) 1. Adjustments of segment profit (-513,541 thousand yen) include amortization of goodwill of 27,496 thousand yen and corporate expenses of 486,044 thousand yen that are not allocated to each reportable segment.

2. Segment profit has been adjusted with the operating profit in the Quarterly Consolidated Statements of Income.

2. Information on changes in reportable segments, etc.

As of August 1, 2023, during the second quarter of the current fiscal year, the Company merged with Interworks, Inc., the absorbed and dissolving company, and changed its name to Interworks Confidence Inc. As the merger expanded the Group's business domain significantly, the reportable segment classification has been changed to "HR Solution business - Staffing/Outsourcing," "HR Solution business - Recruitment," and "Media & Solutions business" since the second quarter of the current fiscal year.

The segment information for the first three quarters of the previous fiscal year has been reclassified based on the new reportable segment classification.

3. Information on impairment losses on non-current assets and goodwill, etc. by reportable segment

(Significant changes in the amount of goodwill)

With respect to the business combination with Interworks, Inc. conducted in the second quarter of the current fiscal year, the amount of goodwill was tentatively calculated because the allocation of the acquisition cost had not been completed. As the allocation of the acquisition cost was completed in the third quarter of the current fiscal year and the tentative accounting treatment was finalized, the relevant amount has been allocated to the reportable segments.

(Thousands of yen)

	Reportable segment				Elimination or corporate	Total
	HR Solution business - Staffing/Outsourcing	HR Solution business - Recruitment	Media & Solutions business	Total		
Amortization for the first three quarters of the current fiscal year	-	26,809	14,435	41,245	27,496	68,741
Balance at the end of the first three quarters of the current fiscal year	-	616,614	332,023	948,637	632,424	1,581,062

(Note) "Elimination or corporate" indicates the amount that is related to the entire company and does not belong to any reportable segment.

(Business Combinations, Etc.)

Finalization of the amount of generated goodwill

With respect to the absorption-type merger of Interworks, Inc. as of August 1, 2023, tentative accounting treatment had been conducted in the first two quarters of the current fiscal year and was finalized in the third quarter.

There is no change in the amount due to the finalization of the tentative accounting treatment.

(Significant Subsequent Events)

Not applicable.