

# Financial Results for FY2021 Q1 Ending February 28, 2021 (Japanese standard, Non-Consolidated)

July 8, 2020

Name of Company: DIP Corporation Listed on: First Section of the Tokyo Stock Exchange  
Code No.: 2379 URL <https://www.dip-net.co.jp/>  
Representative: Hideki Tomita, Executive President and CEO  
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Scheduled date of filing financial statements: July 15, 2020 Dividends to be paid from: -  
Supplementary documents to the financial results: Yes  
Financial results briefing: Yes (for investors and analysts)

(All figures are rounded down to the nearest million yen)

1. Operating Results for the First Quarter of FY 2021 ending February 28, 2021 (from March 1, 2020 to May 31, 2020)

(1) Operating results (Percentage figures indicate year-on-year change)

	Sales		Operating Income		Ordinary Income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2021 Q1	9,168	(23.7)	2,803	(25.4)	2,811	(25.5)	1,930	(25.8)
FY2020 Q1	12,011	11.1	3,757	17.8	3,774	18.2	2,599	18.6

	Net Income per Share	Diluted Net Income per Share
	¥	¥
FY2021 Q1	35.56	—
FY2020 Q1	47.11	47.11

The Company had announced consolidated operating results for FY2020 Q1 but announces FY2021 Q1 results on a non-consolidated basis. The results for FY2020 Q1 are stated here on a non-consolidated basis for purposes of comparison. Diluted net income per share for FY2021 Q1 is not disclosed due to the lack of dilution effects although dilutive shares exist.

(2) Financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	¥ million	¥ million	%
FY2021 Q1	36,232	30,113	80.4
FY2020	41,114	31,512	74.3

(Reference) Shareholders' Equity: FY2021 Q1 ¥29,120 million FY2020 ¥30,566 million

2. Dividends

	Annual Dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	¥	¥	¥	¥	¥
FY2020	—	27.00	—	29.00	56.00
FY2021	—				
FY2021 (forecast)		-	-	-	-

(Note) Revisions to the latest dividend forecast: None

Although the Company's Articles of Incorporation prescribes the dividend record date to be the last days of the second quarter and the fiscal year, the Company has not yet determined its dividend forecasts for such record dates.

3. Operating results forecast for FY2021 (from March 1, 2020 to February 28, 2021)

We have not yet determined our full-year results forecasts, since drastic changes in the environment surrounding the Company's business caused by the spread of the new coronavirus make it extremely difficult to forecast full-year operating results at this moment. We are disclosing forecast figures for the first half of FY2021 only within ranges as follows at this time. For our forecast for FY2021 Q2, please see page 4.

(Percentage figures indicate year-on-year change)

	Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
FY2021	16,150	(29.2)	3,500	(51.6)	3,500	(51.8)	2,400	(51.3)	44.20
1st Half	~ 17,200	~ (24.6)	~ 4,500	~ (37.8)	~ 4,500	~ (38.0)	~ 3,100	~ (37.1)	~ 57.10

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

\* Notes

(1) Adoption of special accounting methods for the preparation of quarterly financial statements: No

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

- |   |      |
|---|------|
| 1. Changes in accounting policies resulting from revisions in accounting standards: | None |
| 2. Changes in accounting policies other than 1:                                     | None |
| 3. Changes in accounting estimates:   | None |
| 4. Restatements:  | None |

(3) Number of outstanding shares (Common stock)

1. Number of outstanding shares at the end of period (including treasury shares):	FY2021 Q1	62,000,000 shares	FY2020	62,000,000 shares
2. Number of treasury shares at the end of period:	FY2021 Q1	7,703,223 shares	FY2020	7,720,493 shares
3. Average number of shares during the period:	FY2021 first three months	54,282,885 shares	FY2020 first three months	55,181,582 shares

Treasury shares include the number of Company shares owned by the ESOP trust account (1,718,935 shares at the end of FY2020; 1,701,665 shares at the end of FY2021 Q1) and the number of Company shares owned by BIP trust account (74,206 shares at the end of FY2020; 74,206 shares at the end of FY2020 Q1).

\* The Financial Results are not subject to audits by a certified public accountant or an audit firm.

\* Explanations 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 currently-available information and certain assumptions the Company deems rational at the time of writing, and are not commitments made by the Company. Actual results may significantly differ from the forecasts depending on a variety of factors. For assumptions regarding operating results forecasts and notes on the use of the forecasts, see “1. Analysis of Operating Results and Financial Position (3) Outlook” on page 4.

(How to obtain supplementary documents on the financial results)

Supplementary documents on the financial results are scheduled to be posted on the Company’s website on July 8, 2020.

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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’ recruiting and utilization of human resources by providing online job information sites, as well as creating an environment where each individual 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.”

In the fiscal year ended February 29, 2020 (FY2020) the Company began developing and providing a service utilizing AI/RPA<sup>\*1</sup> (Digital labor force) in addition to Human labor force under its new corporate vision of becoming a “Labor force solution company.” In terms of human labor force, it will make efforts to solve the various issues related to the securing of labor while maintaining close communication with its customers and users. In terms of digital labor force, the Company will offer solutions using technology as an alternative to manpower. Furthermore, it aims to achieve further evolution and growth by generating such synergies.

\*1 RPA=Robotic Process Automation

	FY 2020 Q1	FY 2021 Q1	Change (yen)	Change (%)
Sales	¥12,011 million	9,168 million	(¥2,842) million	(23.7)%
Operating Income	¥3,757 million	2,803 million	(¥954) million	(25.4)%
Ordinary Income	¥3,774 million	2,811 million	(¥963) million	(25.5)%
Net Income	¥2,599 million	1,930 million	(¥669) million	(25.8)%

The Company had announced consolidated operating results for FY2020 Q1 but announces FY2021 Q1 results on a non-consolidated basis. The results for FY2020 Q1 are stated here on a non-consolidated basis for purposes of comparison.

Sales for the first quarter of the fiscal year decreased 23.7% year on year to ¥9,168 million. This was attributable to a substantial decrease in job advertisements by client companies due to the spread of COVID-19, which led to the government’s declaration of a state of emergency, forcing restaurants and retail stores to reduce their business hours or suspend business as the state of emergency was expanded nationwide and extended in duration.

In terms of costs, the Company made investments in human resources such as in recruiting new graduates,<sup>\*2</sup> while cutting other costs including expenses for training and a welcoming ceremony for new employees by conducting them online. As a result, operating loss in May 2020 was minimal despite sales dropping by 50% year on year. For the first quarter of the fiscal year under review, operating income ended at ¥2,803 million (down 25.4% year on year), ordinary income totaled ¥2,811 million (down 25.5% year on year) and net income amounted to ¥1,930 million (down 25.8% year on year).

\*2. The Company hired 399 new graduates in April 2020.

The following is an overview of results by segment.

The Company changed its reported segments, effective the first quarter of the fiscal year. For details of the change, please refer to “3. Matters related to Changes in Reported Segments” under “[Segment Information]” of “2. Quarterly Financial Statements and Principal Notes, (4) Notes on quarterly financial statements, (Segment Information).”

	FY 2020 Q1	FY 2021 Q1	Change (yen)	Change (%)
1. Personnel Recruiting Services				
Sales	¥12,011 million	¥9,108 million	(¥2,902) million	(24.2)%
Segment Income	¥4,944 million	¥3,946 million	(¥998) million	(20.2)%
2. AI/RPA				
Sales	-	¥60 million	+¥60 million	-
Segment Income (Loss)	(¥49 million)	(¥194 million)	(¥145 million)	-

\*The AI/RPA business started to provide the service in September 2019. The result figures for the same quarter of the previous year are for reference only. Sales and segment loss for the fiscal year ended February 2020 were ¥46 million and ¥535 million, respectively.

## 1. 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, and Hatarako.net, a comprehensive job information site. The Company continues to expand the user and customer base for these platforms through the vigorous efforts of its sales force and the award-winning quality of its websites.

Since April 2020, client companies' motivation to hire has rapidly declined due to the declaration of a state of emergency and its subsequent expansion and extension in duration following the COVID-19 pandemic. This led to a significant drop in the sales of Baitoru and Hatarako.net. As a result, sales and profit of the segment for the first quarter of the fiscal year decreased 24.2% year on year to ¥9,108 million and 20.2% year on year to ¥3,946 million, respectively.

Following much discussion and reflections on what it can do under the COVID-19 crisis, the Company has been offering various support measures including free short-term job postings for client companies and relief compensation to users who are unable to work due to contracting COVID-19.

Going forward, the Company will continue to strive to meet the needs of its clients and users while establishing a new sales style incorporating online business meetings as the country resumes and expands economic activity, all the while making sure to prevent the spread of the virus.

## 2. AI/RPA Business

AI/RPA has recently been attracting considerable attention as a technology with the potential to solve labor shortages and improve productivity. Furthermore, coupled with the proliferation of working from home and changes in work styles due to the COVID-19 pandemic, the needs for business automation using RPA have been increasing rapidly.

The Company launched its AI/RPA business in the fiscal year ended February 2020 and has been offering KOBOT, a FAST RPA service that can be introduced easily and used at a low cost since September 2019. The Company's uniquely packaged KOBOT that combines existing AI and RPA tools is mainly offered on a monthly subscription basis and includes maintenance and support.

During the first quarter of FY2021, we worked to increase the sales of KOBOT as well as bringing forward our initial schedule to strengthen non-recruiting-related services on the back of rising needs due to the spread of COVID-19. As for new products, we launched Real Estate KOBOT in June 2020 and are actively developing a new customer base by promoting its sales through a dedicated salesforce of the personnel recruiting services business.

We will stay committed to developing and marketing products that accommodate customer needs, leveraging our contact points with the wide range of customers that we have cultivated in the personnel recruiting services business. We will also make efforts to further expand the business by increasing sales of KOBOT through agencies of job ads and offering consulting services for medium/large clients.

As a result of the above initiatives, sales for the first quarter of the fiscal year ended at ¥60 million and segment loss amounted to ¥194 million.

## (2) Financial Position

### (i) Analysis of Financial Position

Total assets recorded at the end of the first quarter of the fiscal year amounted to ¥36,232 million, a decrease of ¥4,882 million from the end of the previous fiscal year. This was attributable primarily to a decrease of ¥9,927 million in cash and deposits, a decrease of ¥2,820 million in notes and accounts receivable (trade), an increase of ¥309 million in intangible assets and an increase of ¥6,996 million in investment securities.

Total liabilities recorded at the end of the first quarter of the fiscal year amounted to ¥6,119 million, a decrease of ¥3,482 million from the end of the previous fiscal year. This was attributable primarily to a decrease of ¥1,877 million in income taxes payable and a decrease of ¥1,538 million in other current liabilities.

Total net assets recorded at the end of the first quarter of the fiscal year amounted to ¥30,113 million, a decrease of ¥1,399 million from the end of the previous fiscal year. This was attributable primarily to an increase of ¥304 million in retained earnings and a decrease of ¥1,751 million in valuation difference on available-for-sale securities.

### (ii) Status of Cash Flows

Cash and cash equivalents (hereinafter, "cash") in the first quarter of the fiscal year totaled ¥9,314 million.

The cash flow breakdown is as follows:

#### (Cash flow from operating activities)

Net cash provided by operating activities amounted to ¥2,004 million. This was mainly because inflows such as net income before income taxes of ¥2,817 million, depreciation of ¥488 million and a decrease of ¥2,818 million in trade receivables exceeded outflows such as a decrease of ¥1,620 million in other liabilities and income taxes paid of ¥2,485 million.

#### (Cash flow from investment activities)

Net cash used in investment activities amounted to ¥10,346 million. This mainly reflects the purchase of intangible assets amounting to ¥696 million and purchase of investment securities amounting to ¥9,519 million.

(Cash flow from financing activities)

Net cash used in financing activities amounted to ¥1,585 million. This was mainly attributable to ¥1,602 million of dividends paid.

### (3) Operating Result Forecast

As COVID-19 infections fail to subside in Japan, economic recovery may yet take some time. Accordingly, the business environment surrounding the Company remains uncertain, making it extremely difficult to foresee full-year earnings for FY2021. Therefore, the Company has not determined its full-year financial results forecasts. At this time, it will only disclose the forecasts for FY2021 Q2 as a reference.

#### ■ Non-consolidated operating results forecast for the first half of FY2021 (from March to August 2020)

	First half of FY 2020 (actual)	First half of FY 2021 (forecast)	Change (yen)	Change (%)
	¥ million	¥ million	¥ million	%
Sales	22,825	16,150 ~ 17,200	(6,675) ~ (5,625)	(29.2) ~ (24.6)
Operating Income	7,230	3,500 ~ 4,500	(3,730) ~ (2,730)	(51.6) ~ (37.8)
Ordinary Income	7,256	3,500 ~ 4,500	(3,756) ~ (2,756)	(51.8) ~ (38.0)
Net Income	4,928	2,400 ~ 3,100	(2,528) ~ (1,828)	(51.3) ~ (37.1)

#### ■ Non-consolidated operating results forecast for FY2021 Q2 (from June to August 2020)

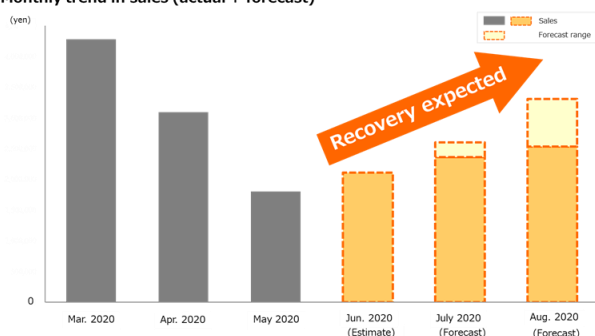
\*Calculated by subtracting the actual figures for FY2021 Q1 from the forecast for the first half of FY2021 (from March to August 2020)

	FY 2020 Q2 (actual)	FY 2021 Q2 (forecast)	Change (yen)	Change (%)
	¥ million	¥ million	¥ million	%
Sales	10,813	6,981 ~ 8,031	(3,832) ~ (2,782)	(35.4) ~ (25.7)
Operating Income	3,473	696 ~ 1,696	(2,776) ~ (1,776)	(79.9) ~ (51.2)
Ordinary Income	3,481	688 ~ 1,688	(2,792) ~ (1,792)	(80.2) ~ (51.5)
Net Income	2,328	469 ~ 1,169	(1,858) ~ (1,158)	(79.8) ~ (49.8)

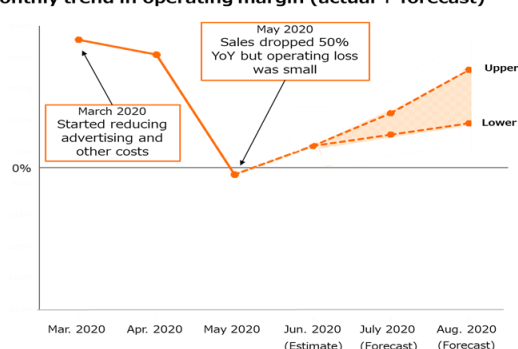
Please also refer to the following chart indicating the results and forecasts of monthly sales and operating margin, which are the basis of the above forecasts.

(Reference) Monthly trend of sales and operating margin (March to May are actual results, June to August are forecasts)

#### ■ Monthly trend in sales (actual + forecast)



#### ■ Monthly trend in operating margin (actual + forecast)



## 2. Quarterly Financial Statements and Principal Notes

### (1) Balance Sheet

(Thousand Yen)

	FY2020 February 29, 2020	FY2021 Q1 February 29, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	19,241,526	9,314,412
Notes and accounts receivable - trade	5,803,914	2,983,783
Supplies	4,764	5,086
Other	523,933	453,662
Allowance for doubtful accounts	(127,595)	(106,181)
Total current assets	25,446,542	12,650,764
Non-current assets		
Property, plant and equipment	1,878,166	1,861,060
Intangible assets		
Software	5,241,568	4,904,419
Other	2,778	649,718
Total intangible assets	5,244,346	5,554,137
Investments and other assets		
Investment securities	4,194,419	11,190,422
Other	4,364,451	4,991,311
Allowance for doubtful accounts	(13,456)	(15,301)
Total investments and other assets	8,545,414	16,166,431
Total non-current assets	15,667,928	23,581,629
Total assets	41,114,471	36,232,393
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	254,604	204,065
Income taxes payable	2,648,750	771,463
Allowance for refunds	25,274	56,705
Provision for bonuses	255,696	140,275
Other	5,381,590	3,842,627
Total current liabilities	8,565,916	5,015,137
Non-current liabilities		
Provision for share-based remuneration	76,774	76,985
Provision for share-based remuneration for directors (and other officers)	100,105	103,497
Asset retirement obligations	511,391	523,629
Other	347,709	399,861
Total non-current liabilities	1,035,981	1,103,973
Total liabilities	9,601,898	6,119,111
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,085,000	1,085,000
Capital surplus	2,194,544	2,194,544
Retained earnings	31,431,155	31,735,351
Treasury shares	(4,125,064)	(4,123,955)
Total shareholders' equity	30,585,635	30,890,940
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(19,205)	(1,770,486)
Total valuation and translation adjustments	(19,205)	(1,770,486)
Share acquisition rights	946,142	992,827
Total net assets	31,512,572	30,113,281
Total liabilities and net assets	41,114,471	36,232,393

## (2) Statement of Income

(First three months of the fiscal year)

	(Thousand Yen)
	FY2021 Q1 From March 01, 2020 To May 31, 2020
Sales	9,168,795
Cost of sales	801,966
Gross profit	8,366,829
Selling, general and administrative expenses	5,563,589
Operating income	2,803,240
Non-operating income	
Interest income	851
Insurance claim income	5,174
Other	4,042
Total non-operating income	10,068
Non-operating expenses	
Commission expenses	1,682
Other	343
Total non-operating expenses	2,026
Ordinary income	2,811,282
Extraordinary income	
Gain on reversal of share acquisition rights	5,998
Total extraordinary income	5,998
Net income before income taxes	2,817,281
Income taxes - current	721,776
Income taxes - deferred	165,201
Total income taxes	886,977
Net income	1,930,303



## (3) Statement of Cash Flows

	(Thousand Yen)
	First three months of FY2021 From March 01, 2020 To May 31, 2020
Cash flow from operating activities	
Net income before income taxes	2,817,281
Depreciation	488,795
Share-based remuneration expenses	52,683
Interest and dividend income	(851)
Insurance claim income	(5,174)
Commission expenses	1,682
Gain on reversal of share acquisition rights	(5,998)
Decrease (increase) in trade receivables	2,818,285
Increase (decrease) in trade payables	(50,538)
Increase (decrease) in unearned revenue	7,340
Increase (decrease) in allowance for doubtful accounts	(19,568)
Increase (decrease) in provision for bonuses	(115,421)
Increase (decrease) in allowance for refunds	31,431
Decrease (increase) in other assets	65,918
Increase (decrease) in other liabilities	(1,620,576)
Other	19,719
Subtotal	4,485,007
Interest and dividends received	0
Proceeds from insurance income	5,174
Income taxes paid	(2,485,881)
Cash flow from operating activities	2,004,300
Cash flow from investment activities	
Purchase of property, plant and equipment	(115,964)
Purchase of intangible assets	(696,332)
Purchase of investment securities	(9,519,461)
Payments of leasehold and guarantee deposits	(3,407)
Proceeds from refund of leasehold and guarantee deposits	3,940
Other	(14,810)
Cash flow from investment activities	(10,346,035)
Cash flow from financing activities	
Proceeds from sales of treasury shares	18,332
Dividends paid	(1,602,028)
Other	(1,682)
Cash flow from financing activities	(1,585,379)
Increase (decrease) in cash and cash equivalents	(9,927,113)
Cash and cash equivalents at beginning of period	19,241,526
Cash and cash equivalents at end of period	9,314,412

(4) Notes to Financial Statements  
(Notes on 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 and creating a greater awareness of participation in management and by further promoting 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 treasury shares are ¥110,205 thousand and 1,718,935 shares, respectively, at the end of the previous fiscal year, and ¥109,096 thousand and 1,701,665 shares, respectively, at the end of FY2021 Q1.

(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.

(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 its 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 is recorded as treasury shares under net assets at book value to the trust (excluding ancillary expenses). The book value and number of treasury shares are ¥221,950 thousand and 74,206 shares, respectively, at the end of the previous fiscal year, and ¥221,950 thousand and 74,206 shares, respectively, at the end of FY2021 Q1.

(Notes on Material Changes in Shareholders' Equity)  
Not applicable.

(Equity in Earnings of Affiliates, etc.)

	FY2020 (February 29, 2020)	FY2020 Q1 (May 31, 2020)
Amount of investment in affiliates	¥1,981,044 thousand	¥1,981,044 thousand
Amount of investment when applying the equity method	¥1,316,969 thousand	¥1,204,728 thousand

First three months of FY2021  
From March 01, 2020  
To May 31, 2020

Amount of investment loss when applying the equity method (loss)	(¥131,781 thousand)
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(Segment Information etc.)

[Segment information]

First three months of FY2021 (from March 1, 2020 to May 31, 2020)

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

(Thousand yen)

	Reported segment			Adjustment (Note 1)	Amount recorded in statement of income (Note 2)
	Personnel recruiting services business	AI/RPA business	Total		
Sales					
Sales — outside customers	9,108,790	60,005	9,168,795	—	9,168,795
Sales and transfer — inter-segment	—	—	—	—	—
Total	9,108,790	60,005	9,168,795	—	9,168,795
Segment profit (loss)	3,946,931	(194,162)	3,752,769	(949,529)	2,803,240

(Notes) 1. Adjustment of segment profit (loss) of (¥949,529) 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 (loss) was adjusted with operating income on the statement of income.

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

Not applicable.

3. Matters related to changes in reported segments

In the fiscal year ended February 29, 2020 (FY2020) the Company began developing and providing a service utilizing AI/RPA (Digital labor force) in addition to Human labor force under its new corporate vision of becoming a “Labor force solution company.” In view of ongoing efforts to strengthen the services of the AI/RPA business and the future expansion of the business, the business is no longer included in the “other” segment effective FY2021 Q1 but is reported as a separate segment due to a rise in its quantitative significance.

(Significant Subsequent Events)

(Cancellation of treasury shares)

DIP Corporation announces the following cancellation of treasury shares pursuant to Article 178 of the Companies Act, as resolved at the Board of Directors meeting held on July 8, 2020.

1. Class of shares to be cancelled: DIP common stock
2. Number of shares to be cancelled: 1,860,000 shares  
(Percentage of total number of shares outstanding prior to the cancellation: 3.00%)
3. Scheduled date of cancellation: July 31, 2020

(Reference)

The treasury shares held by DIP will account for 6.76% of total outstanding shares after the cancellation.

Total number of shares outstanding after the cancellation: 60,140,000 shares

Number of treasury shares after the cancellation: 4,067,352 shares (Note)

(Note): The number of treasury shares after the cancellation is based on the number of treasury shares as of July 8, 2020. Note that this does not include DIP shares held in the ESOP trust account (1,701,665 shares\*) or those held in the BIP trust account (74,206 shares\*).

\*As of the end of FY2021 Q1 (May 31, 2020)

## (Reference Information)

## (1) Statement of Income

(Thousand Yen)

	First three months of FY2020 From March 01, 2019 To May 31, 2019	First three months of FY2021 From March 01, 2020 To May 31, 2020	Change (yen)	Change (%)
Sales	12,011,452	9,168,795	(2,842,656)	(23.7)
Cost of sales	746,579	801,966	55,386	7.4
Gross profit	11,264,873	8,366,829	(2,898,043)	(25.7)
Selling, general and administrative expenses	7,507,618	5,563,589	(1,944,029)	(25.9)
Operating income	3,757,254	2,803,240	(954,014)	(25.4)
Non-operating income				
Interest income	851	851	0	0.00
Insurance claim income	12,966	5,174	(7,791)	(60.1)
Other	4,533	4,042	(491)	(10.8)
Total non-operating income	18,351	10,068	(8,282)	(45.1)
Non-operating expenses				
Commission expenses	107	1,682	1,575	1,464.3
Other	687	343	(343)	(50.0)
Total non-operating expenses	794	2,026	1,231	154.9
Ordinary income	3,774,811	2,811,282	(963,528)	(25.5)
Extraordinary income				
Gain on reversal of share acquisition rights	7,848	5,998	(1,849)	(23.6)
Total extraordinary income	7,848	5,998	(1,849)	(23.6)
Net income before income taxes	3,782,659	2,817,281	(965,378)	(25.5)
Income-taxes - current	1,066,748	721,776	(344,972)	(32.3)
Income taxes - deferred	116,144	165,201	49,056	42.2
Total income taxes	1,182,893	886,977	(295,915)	(25.0)
Net income	2,599,765	1,930,303	(669,462)	(25.8)

\* The Company had announced consolidated operating results for FY2020 Q1 but announces FY2021 Q1 results on a non-consolidated basis. The results for FY2020 Q1 are stated here on a non-consolidated basis for purposes of comparison.

## (2) Statement of Cash Flows

	(Thousand Yen)	
	First three months of FY2020 From March 01, 2019 To May 31, 2019	First three months of FY2021 From March 01, 2020 To May 31, 2020
Cash flow from operating activities		
Net income before income taxes	3,782,659	2,817,281
Depreciation	408,255	488,795
Share-based remuneration expenses	54,489	52,683
Interest and dividend income	(851)	(851)
Insurance claim income	(12,966)	(5,174)
Commission expenses	107	1,682
Gain on reversal of share acquisition rights	(7,848)	(5,998)
Decrease (increase) in deposits paid	(1,923,973)	-
Decrease (increase) in trade receivables	265,466	2,818,285
Increase (decrease) trade payables	(1,176)	(50,538)
Increase (decrease) in unearned revenue	78,151	7,340
Increase (decrease) in allowance for doubtful accounts	(185)	(19,568)
Increase (decrease) in provision for bonuses	(103,738)	(115,421)
Increase (decrease) in allowance for refunds	11,232	31,431
Decrease (increase) in other assets	(89,327)	65,918
Increase (decrease) in other liabilities	488,370	(1,620,576)
Other	9,062	19,719
Subtotal	2,957,726	4,485,007
Interest and dividends received	0	0
Proceeds from insurance income	12,966	5,174
Income taxes paid	(2,067,495)	(2,485,881)
Cash flow from operating activities	903,197	2,004,300
Cash flow from investment activities		
Purchase of property, plant and equipment	(36,612)	(115,964)
Purchase of intangible assets	(483,915)	(696,332)
Purchase of investment securities	(338,038)	(9,519,461)
Purchase of shares of subsidiaries and associates	(380,490)	-
Payments of leasehold and guarantee deposits	(1,935)	(3,407)
Proceeds from refund of leasehold and guarantee deposits	18,086	3,940
Payments for assets retirement obligations	(11,200)	-
Other	-	(14,810)
Cash flow from investment activities	(1,234,105)	(10,346,035)
Cash flow from financing activities		
Purchase of treasury shares	(1,075,910)	-
Proceeds from sales of treasury shares	7,120	18,332
Proceeds from exercise of employee share options	2,055	-
Dividends paid	(1,449,737)	(1,602,028)
Other	(107)	(1,682)
Cash flow from financing activities	(2,516,579)	(1,585,379)
Increase (decrease) in cash and cash equivalents	(2,847,488)	(9,927,113)
Cash and cash equivalents at beginning of period	14,741,455	19,241,526
Cash and cash equivalents at end of period	11,893,967	9,314,412

\*The Company had announced consolidated operating results for FY2020 Q1 but announces FY2021 Q1 results on a non-consolidated basis. The results for FY2020 Q1 are stated here on a non-consolidated basis for purposes of comparison.

## (3) Selling, general and administrative expenses

(Thousand Yen)

	First three months of FY2020 From March 01, 2019 To May 31, 2019	First three months of FY2021 From March 01, 2020 To May 31, 2020	Change (yen)	Change (%)
Personnel expenses (Note)	3,143,509	3,111,794	(31,715)	(1.0)
Advertising and promotion expenses	3,213,425	1,421,820	(1,791,605)	(55.8)
Rent expenses on land and buildings	265,746	292,023	26,276	9.9
Other	884,936	737,951	(146,984)	(16.6)
<b>Total</b>	<b>7,507,618</b>	<b>5,563,589</b>	<b>(1,944,029)</b>	<b>(25.9)</b>

(Note) Personnel expenses include salaries, welfare benefits, etc., as well as recruitment-related expenses and educational expenses.

\*The Company had announced consolidated operating results for FY2020 Q1 but announces FY2021 Q1 results on a non-consolidated basis. The results for FY2020 Q1 are stated here on a non-consolidated basis for purposes of comparison.

(4) Segment Information

[Segment information]

I First three months of the previous fiscal year (From March 1, 2019 to May 31, 2019)

The Company had announced consolidated operating results for FY2020 Q1 but announces FY2021 Q1 results on a non-consolidated basis. The results for FY2020 Q1 are stated here on a non-consolidated basis for purposes of comparison.

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

(Thousand Yen)

	Reported segment			Adjustment (Note 1)	Amount posted on statement of income (Note 2)
	Personnel recruiting services business	AI/RPA business	Total		
Sales					
Sales – outside customers	12,011,452	—	12,011,452	—	12,011,452
Sales and transfer – inter- segment	—	—	—	—	—
Total	12,011,452	—	12,011,452	—	12,011,452
Segment profit (loss)	4,944,985	(49,118)	4,895,867	(1,138,612)	3,757,254

(Notes) 1. Adjustment of segment profit (loss) of (¥1,138,612 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 (loss) was adjusted with operating income on the statement of income.

2. Information on impairment loss or goodwill, etc. on non-current assets by reported segment  
Not applicable.

II First three months of the fiscal year under review (From March 1, 2020 to May 31, 2020)

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

(Thousand Yen)

	Reported segment			Adjustment (Note 1)	Amount posted on statement of income (Note 2)
	Personnel recruiting services business	AI/RPA business	Total		
Sales					
Sales – outside customers	9,108,790	60,005	9,168,795	—	9,168,795
Sales and transfer – inter- segment	—	—	—	—	—
Total	9,108,790	60,005	9,168,795	—	9,168,795
Segment profit (loss)	3,946,931	(194,162)	3,752,769	(949,529)	2,803,240

(Notes) 1. Adjustment of segment profit (loss) of (¥949,529 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 (loss) was adjusted with operating income on the statement of income.



2. Information on impairment loss or goodwill, etc. on non-current assets by reported segment  
Not applicable.

3. Information on changes to reported segment

In the fiscal year ended February 29, 2020 (FY2020) the Company began developing and providing a service utilizing AI/RPA (Digital labor force) in addition to Human labor force under its new corporate vision of becoming a “Labor force solution company.” In view of ongoing efforts to strengthen the services of the AI/RPA business and the future expansion of the business, the business is no longer included in the “other” segment effective FY2021 Q1 but is reported as a separate segment due to a rise in its quantitative significance.

Segment information of the first three months of the previous fiscal year disclosed here is based on the reported segments of the first three months of the fiscal year under review.

(Note) English documents are prepared as a courtesy to our stakeholders. In the event of any inconsistency between English-language documents and the Japanese-language documents, the Japanese-language documents will prevail.