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August 10, 2023

Consolidated Financial Results for the Six Months Ended June 30, 2023 (Under IFRS)

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 Listing: Tokyo Stock Exchange
 Securities code: 9164
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 Scheduled date to file quarterly securities report: August 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	29,135	21.0	6,962	37.8	6,903	34.8	4,673	36.4
June 30, 2022	24,072	–	5,052	–	5,123	–	3,425	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
June 30, 2023	4,673	36.4	4,673	36.4	46.73	–
June 30, 2022	3,425	–	3,425	–	34.25	–

	Adjusted EBITDA		Adjusted net income		Adjusted net income per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen
June 30, 2023	7,714	23.6	4,832	24.6	48.32
June 30, 2022	6,240	–	3,878	–	38.78

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2023	80,848	25,699	25,699	31.8
December 31, 2022	74,638	21,026	21,026	28.2

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2023	—	0.00			
Fiscal year ending December 31, 2023 (Forecast)			—	0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

* Notes

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

Newly included: —

Excluded: —

- (2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

- (3) Number of issued shares (ordinary shares)

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

As of June 30, 2023	100,000,000 shares
As of December 31, 2022	100,000,000 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2023	— shares
As of December 31, 2022	— shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2023	100,000,000 shares
Six months ended June 30, 2022	100,000,000 shares

- (4) The calculation method for each indicator

EBITDA is defined as profit (loss) + income tax expense + financial expenses – financial revenue + depreciation (including right of use assets, customer related assets and other assets) + impairment of fixed assets/loss on disposal of fixed assets.

Adjusted EBITDA is defined as EBITDA + M&A related costs + refinance related costs (excluding financial costs) + IPO-related costs.

Adjusted net income = profit + amortization of customer related assets + M&A related costs + refinance related costs (excluding financial costs) + financial costs related to refinancing + IPO-related costs + tax and tax adjustments.

Adjusted net income per share = Adjusted net income / (Total number of issued shares at the end of the period - Number of treasury shares at the end of the period)

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

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1. Qualitative information regarding financial results for the six months ended June 30, 2023

(1) Information regarding operating results

The TRYT Group (the “Group”), which serves as a leading company in the healthcare and welfare industries, seeks to contribute in addressing challenges encountered by all of its stakeholders. The Group adheres to its mission of creating a future where everyone has fulfilling lives by solving social issues faced by enterprises in the healthcare and welfare industries by providing them with comprehensive services that include (i) HR solutions, (ii) information and communication technologies (ICT) and digital transformation (DX), and (iii) data utilization.

We offer placement services, recruitment support, and temporary staffing services mainly targeting licensed or qualified professionals in the healthcare and welfare industry, focusing on the elderly care, nursing care and childcare sectors.

Going forward, the Group will continue to draw on its industry-leading database in considering and implementing the development of services, which include services for healthcare/welfare institutions that entail providing operational and business management services for supporting recruitment, education and retention, as well as services for healthcare/welfare professionals that entail provision of education, community and specialized knowledge.

In addition to its HR services, in the healthcare and welfare industry, the Group also offers temporary staffing services primarily targeting qualified personnel such as architects, building operation and management engineers, and civil engineering works execution managing engineers, mainly dispatching them to general contractors and major construction firms.

During the six months ended June 30, 2023, the Japanese economy showed signs of recovery from challenging circumstances incurred due to the COVID-19 pandemic along with gradual improvement with respect to the environment surrounding the HR services industry. Particularly, the healthcare and welfare industry and the construction industry, has been encountering a chronic labor shortage stemming from mounting demand, which has culminated in a situation where available jobs-to-applicants ratio during this second quarter have been held to levels significantly higher than the overall industry averages.

Amidst this business environment, in order to promote and continue its businesses with the aim of fulfilling its corporate social responsibility, the Group has worked to improve customer satisfaction and differentiate itself from peer companies in terms of lending its client enterprises support in their efforts to address staffing-related challenges in part by cultivating new priority domains and strengthening alliances within the Group, in addition to enhancing its existing services. This has particularly involved welcoming bright vie Co. Ltd. to the Group as a subsidiary in June 2023, thereby enabling the Group to integrate bright vie’s ICT services in the healthcare and welfare domain with the Group’s operations with respect to its robust sales structure developed in its placement and recruitment support businesses, its extensive healthcare/welfare professional database, and its abundant network of healthcare/welfare institutions. We believe that this arrangement will contribute to solving social issues such as labor shortages faced by the healthcare and welfare industry and the need to increase productivity in that industry.

With respect to operating results for the six months ended June 30, 2023, the Company posted revenue of ¥29,135 million (up 21.0% YoY), operating profit of ¥6,962 million (up 37.8% YoY), profit before income taxes of ¥6,903 million (up 34.8% YoY), profit of ¥4,673 million (up 36.4% YoY), and profit attributable to owners of parent of ¥4,673 million (up 36.4% YoY).

Meanwhile, adjusted EBITDA for the six months ended June 30, 2023, was ¥7,714 million (up 23.6% YoY) and adjusted net income was ¥4,832 million (up 24.6% YoY).

The operating results of the major business segments are as follows.

Healthcare business

During the six months ended June 30, 2023, the healthcare business posted revenue of ¥21,372 million (up 19.4% YoY) as a result of our efforts to increase sales personnel and to address the strong demand from healthcare/welfare institutions.

Non-healthcare business

During the six months ended June 30, 2023, the non-healthcare business posted revenue of ¥7,763 million (up 25.6% YoY) as a result of addressing the strong demand from construction companies against a backdrop of a high available jobs-to-applicants ratio.

- * Adjusted EBITDA, adjusted net income, and adjusted net income per share are not indicators prescribed under IFRS but financial indicators that the Group deems useful for investors in terms of evaluating the Group's performance. However, adjusted EBITDA, adjusted net income, and adjusted net income per share exclude certain temporary expenses and revenues, as well as certain items that affect profit, and accordingly should not be considered as a substitute for other indicators presented in accordance with IFRS given material limitations as analytical tools. Adjusted EBITDA, adjusted net income, and adjusted net income per share with respect to the Group are derived using calculation methods that differ from those used in determining the same or similar indicators of peer companies in the same industry. As such, these indicators may be subject to diminished usefulness in cases where it is not possible to make comparisons with indicators used by peer companies.
- * Adjusted EBITDA, adjusted net income, and adjusted net income per share are not subject to quarterly review pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

(2) Explanation of financial position

(i) Assets, liabilities and equity

Assets

Total assets as of June 30, 2023 were ¥80,848 million (an increase of ¥6,210 million compared to the fiscal year ended December 31, 2022). This was mainly due to increases of ¥3,766 million in cash and cash equivalents, ¥1,037 million in trade receivables, and ¥643 million in goodwill.

Liabilities

Total liabilities as of June 30, 2023 were ¥55,148 million (an increase of ¥1,537 million compared to the fiscal year ended December 31, 2022). This was mainly due to increases of ¥863 million in accounts payable - other, ¥1,868 million in income taxes payable and ¥558 million in other current liabilities, and decreases of ¥800 million in short-term borrowings, ¥821 million in long-term borrowings (including current portion) and ¥606 million in contract liabilities.

Equity

Total equity as of June 30, 2023 were ¥25,699 million (an increase of ¥4,673 million compared to the fiscal year ended December 31, 2022). This was due to an increase of ¥4,673 million in retained earnings due to recording of profit.

(ii) Cash flows

Cash and cash equivalents as of June 30, 2023 were ¥6,066 million, an increase of ¥3,766 million from the end of the previous fiscal year.

The respective cash flow positions during the six months ended June 30, 2023 are as follows.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥6,460 million (¥3,061 million provided in the same period of the previous fiscal year). This was mainly due to ¥6,903 million of profit before income taxes, ¥648 million of depreciation and amortization, ¥328 million of other income and ¥216 million of proceeds from compensation, despite ¥1,005 million of increase in trade and other receivables, ¥402 million of interest paid and ¥346 million of income taxes paid.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥647 million (¥1,033 million used in the same period of the previous fiscal year). This was mainly due to ¥61 million of purchase of property, plant and equipment, ¥192 million of purchase of intangible assets, ¥577 million of purchase of shares of subsidiaries resulting in change in scope of consolidation, despite ¥185 million of other income.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥2,046 million (¥1,293 million used in the same period of the previous fiscal year). This was mainly due to ¥800 million of net decrease in short-term borrowings, ¥798 million of repayments of long-term borrowings, and ¥435 million of repayments of lease liabilities.

2. Condensed quarterly consolidated financial statements and significant notes thereto

(1) Condensed quarterly consolidated statement of financial position

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	2,300	6,066
Trade receivables	3,394	4,431
Other current assets	803	673
Total current assets	6,497	11,171
Non-current assets		
Property, plant and equipment	11,130	11,603
Goodwill	51,412	52,056
Intangible assets	3,405	3,418
Other financial assets	1,602	1,951
Deferred tax assets	571	636
Other non-current assets	18	9
Total non-current assets	68,140	69,676
Total assets	74,638	80,848

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Consolidated Financial Results for the Six Months Ended June 30, 2023 (Under IFRS)

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable - other	1,429	2,293
Short-term borrowings	800	—
Current portion of long-term borrowings	1,300	1,500
Lease liabilities	885	868
Income taxes payable	362	2,230
Provisions	2	—
Contract liabilities	848	242
Other current liabilities	4,909	5,467
Total current liabilities	10,538	12,602
Non-current liabilities		
Long-term borrowings	31,620	30,599
Lease liabilities	9,653	10,118
Provisions	423	453
Deferred tax liabilities	1,373	1,373
Other non-current liabilities	0	—
Total non-current liabilities	43,072	42,545
Total liabilities	53,611	55,148
Equity		
Share capital	10	10
Capital surplus	17,928	17,928
Retained earnings	3,088	7,761
Total equity attributable to owners of parent	21,026	25,699
Total equity	21,026	25,699
Total liabilities and equity	74,638	80,848

(2) Condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income

Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Revenue	24,072	29,135
Cost of sales	6,609	8,468
Gross profit	17,463	20,666
Selling, general and administrative expenses	12,457	13,757
Other income	86	61
Other expenses	40	7
Operating profit	5,052	6,962
Financial revenue	465	310
Financial expenses	394	369
Profit before income taxes	5,123	6,903
Income tax expense	1,697	2,230
Profit	3,425	4,673
Profit attributable to		
Owners of parent	3,425	4,673
Profit	3,425	4,673
Earnings per share		
Basic earnings per share (Yen)	34.25	46.73
Diluted earnings per share (Yen)	—	—

Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	3,425	4,673
Comprehensive income	<u>3,425</u>	<u>4,673</u>
Comprehensive income attributable to		
Owners of parent	<u>3,425</u>	<u>4,673</u>
Comprehensive income	<u>3,425</u>	<u>4,673</u>

(3) Condensed quarterly consolidated statement of changes in equity

Six months ended June 30, 2022

(Millions of yen)

	Equity attributable to owners of parent				Total equity
	Share capital	Capital surplus	Retained earnings	Total	
Balance as of January 1, 2022	300	17,605	(533)	17,372	17,372
Profit	—	—	3,425	3,425	3,425
Total comprehensive income	—	—	3,425	3,425	3,425
Issuance of share acquisition rights	—	32	—	32	32
Total transactions with owners	—	32	—	32	32
Balance as of June 30, 2022	300	17,638	2,892	20,830	20,830

Six months ended June 30, 2023

(Millions of yen)

	Equity attributable to owners of parent				Total equity
	Share capital	Capital surplus	Retained earnings	Total	
Balance as of January 1, 2023	10	17,928	3,088	21,026	21,026
Profit	—	—	4,673	4,673	4,673
Total comprehensive income	—	—	4,673	4,673	4,673
Balance as of June 30, 2023	10	17,928	7,761	25,699	25,699

(4) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	5,123	6,903
Depreciation and amortization	607	648
Financial revenue	(465)	(310)
Financial expenses	394	369
Loss on retirement of fixed assets	30	2
Decrease (increase) in trade and other receivables	(786)	(1,005)
Increase (decrease) in trade and other payables	(66)	54
Other	157	328
Subtotal	4,994	6,992
Interest and dividends received	0	0
Interest paid	(443)	(402)
Income taxes paid	(1,489)	(346)
Proceeds from compensation	—	216
Net cash provided by (used in) operating activities	3,061	6,460
Cash flows from investing activities		
Purchase of property, plant and equipment	(66)	(61)
Purchase of intangible assets	(115)	(192)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(514)	(577)
Other	(336)	185
Net cash provided by (used in) investing activities	(1,033)	(647)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(245)	(800)
Repayments of long-term borrowings	(684)	(798)
Repayments of lease liabilities	(387)	(435)
Proceeds from issuance of share acquisition rights	32	—
Other	(8)	(11)
Net cash provided by (used in) financing activities	(1,293)	(2,046)
Net increase (decrease) in cash and cash equivalents	734	3,766
Cash and cash equivalents at beginning of period	1,582	2,300
Cash and cash equivalents at end of period	2,316	6,066

(5) Notes to condensed quarterly consolidated financial statements

Notes on going concern assumption

Not applicable.

Segment information

This information is omitted as the Group operates in a single segment of the Human Resource Services Business.

Significant subsequent events

Not applicable.