

July 11, 2019

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

(1) Consolidated operating results (Percentage of change from previous year)

(Note)	Inclusive profits:	FY2020 Q1	¥2,463 million (14.7%)	FY2019 Q1	¥2,148million (-%)
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(Note) Because the consolidated financial statements have been prepared from the consolidated fiscal period FY2018 Q3, the changes in percentages of consolidated operating results from the previous year for FY2019 Q1 are not stated.

(Reference) Equity:	FY2020 Q1	¥24,692 million	FY2019	¥24,781 million
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(Note) Revision of dividends forecast from recently announced figures: None

(Percentage indicates change from previous year for full year)

(Note) Revision of results forecast from recently announced figures: YES

-1-

* Others

(1) Changes in significant subsidiaries during the period: No

(Transfer of specified subsidiary accompanying changes in scope of consolidation)

New -company (company name) -, Exclusion - company (company name)-

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

(3) Significant changes and corrections in accounting during the period under review

- | | |
|---|----|
| 1. Changes in accounting policies resulting from revisions in accounting standards: | No |
| 2. Changes in accounting policies other than 1: | No |
| 3. Changes in accounting estimation: | No |
| 4. Restatement: | No |

(4) Number of outstanding shares (common stock)

1. Number of outstanding shares at the end of period (including treasury stocks):	At the end of Q1 FY2020	62,000,000shares	At the end of FY2019	62,000,000shares
2. Number of treasury stocks at the end of period:	At the end of Q1 FY2020	7,434,591 shares	At the end of FY2019	6,786,876shares
3. Average number of shares during the fiscal year	At the end of Q1 FY2020	55,175,870shares	At the end of Q1 FY2019	55,772,093shares

With respect to treasury stock, the number of shares of the Company owned by the stock granting ESOP trust account is (1,771,975 shares at the end of the previous fiscal year, 1,765,090 shares at the end of FY2020 Q1) and the number of shares of the Company owned by executive remuneration BIP trust is (83,700 shares at the end of the previous fiscal year, 83,700 shares at the end of FY2020 Q1).

* Financial report is not subject to audits by certified public accountants or auditing corporations.

* Explanations on the appropriate use of forecasts and other special instructions:

(Notice of the description of the forecast)

The forecasts stated herein are based on information available as of the date of release.

Actual results may differ from the forecast depending on a variety of factors going forward.

Please refer to the disclaimers, provided under “(3) Information on the future outlook, including consolidated financial results forecasts” of “1. Qualitative information on quarterly financial results”, on page 5 of the attached document, regarding the assumptions upon which forecasts are based and the use of forecasts.

(To obtain complementary documents on accounting results)

Regarding the complementary documents on accounting results, see corporate website on July 12, 2019.

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1. Qualitative information on quarterly financial results

(1) Details of operating results

The Company operates a personnel recruiting service business with a focus on job advertisement media, such as Baitoru, a job advertisement platform for part time workers. As the Japanese working-age population is declining, in order to sustainably solve the problems of client companies, in the fiscal year ending February 2020, we launched a business that would develop and provide services utilizing AI RPA (Robotic Process Automation). Through this, the Company is evolving into a “Labor force solution company”, able to utilize both job advertising media and advanced technologies to tackle various types of labor-related issues such as the structural labor shortage and low productivity.

	FY 2019 Q1	FY 2020 Q1	Amount of increase/decrease	Ratio of change (%)
Sales	¥10,812 million	¥12,015 million	¥1,203 million	+11.1%
Operating Profit	¥3,169 million	¥3,736 million	¥567 million	+17.9%
Ordinary Profit	¥3,148 million	¥3,649 million	¥500 million	+15.9%
Net Income Attributable to parent company shareholders	¥2,152 million	¥2,478 million	¥326 million	+15.2%

Sales for the first quarter of the fiscal year increased 11.1% year on year to ¥12,015 million. This was primarily attributable to the favorable performance of job advertisement media in the Personnel Recruiting Services Division.

Profit also grew year on year, including ¥3,736 million in operating profit (up 17.9% year on year), ¥3,649 million in ordinary profit (up 15.9% year on year) and ¥2,478 million in net income attributable to parent company shareholders (up 15.2% year on year), thanks to improving (efficiency in advertising spending) (efficiency of advertising cost despite continuing to invest in advertising,) and investment in human resources such as a recruitment of new graduates to further strengthen sales force (※).

(※)To enhance its sales forces, the Company recruited 362 new graduates as employees in April 2019 and established new offices in Shizuoka and Hiroshima.

The following is an overview of results by segment.

	Q1 of FY 2019	Q1 of FY 2020	Amount of increase/decrease	Ratio of change (%)
1. Personnel Recruiting Services				
Sales	¥10,808 million	¥12,011 million	¥1,202 million	+11.1%
Segment Profit	¥4,334 million	¥4,944 million	¥610 million	+14.1%
2. Other				
Sales	¥3 million	¥4 million	¥0 million	+8.0%
Segment Profit(loss)	(¥127 million)	(¥62 million)	¥64 million	-

1. Personnel Recruiting Services Division

The Personnel Recruiting Services Division 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, Hatarako.net, a comprehensive job information site, and Nurse de Hatarako, career-change services for nurses. The Company operates these platforms using its sales forces and the award winning quality of its websites to grow by expanding the user and customer base.

Sales and segment profit for the first quarter of the fiscal year increased 11.1% year on year to ¥12,011 million and 14.1% year on year to ¥4,944 million, respectively, thanks in part to high growth at Baitoru NEXT, the job board for full-time employees, among the job advertisement media and favorable sales in regional and suburban areas.

Reference: Principal services in the Personnel Recruiting Services Division

Service	Type of Business	Revenue Model
Baitoru.com	Job information platform for part-time employees	Job advertisement fees
Baitoru NEXT	Job information platform for regular and contract employees	Job advertisement fees
Hatarako Net	Job information platform for regular, dispatch and part-time employees	Job advertisement fees
Nurse de Hatarako	Recruiting agent service exclusively for nurses	Introduction fees

2. Others

The company previously has been working on building a business base in the AI/RPA field. In 2016, we established "dip AI. Lab", which is an AI specialized organization. In addition, we started operation of Japan's first artificial intelligence specialized media called "AINOW". In 2017, we launched Japan's first artificial intelligence startup specialized accelerator program called "AI.Accelerator" and began to provide development support to venture corporations in the field of AI. The company will develop and provide AI/RPA services, by fully utilizing the broad and strong network with AI/RPA related companies that we have established through operating these programs, and the strong business basis built through our Personnel Recruiting Services business. This business is in the preparation stages, and the impact on the "Others" segment is extremely limited in the first quarter of the fiscal year.

This segment consists of new businesses that are primarily at the start-up stage. Sales rose 8.0% year on year to ¥4 million, and operating loss was ¥62 million (operating loss of ¥127 million in the same period of the previous year).

(2) Details of financial position

Total assets recorded at the end of the first quarter of the fiscal year amounted to ¥33,008 million, a decrease of ¥501 million from the end of the previous fiscal year. This was attributable primarily to a decrease of ¥2,876 million in cash and cash deposits, a fall of ¥268 million in notes receivable (trade) and accounts receivable (trade), an increase of ¥2,022 million in other current assets, an increase of ¥128 million in intangible assets, and an increase of 598 million in investment securities.

Total liabilities recorded at the end of the first quarter of the fiscal year amounted to ¥7,354 million, a decrease of ¥454 million from the end of the previous fiscal year. Major factors contributing to this were a decline of ¥1,027 million in income taxes payable, and a rise of ¥532 million in order current liabilities.

Total net assets recorded at the end of the first quarter of the fiscal year amounted to ¥25,654 million yen, a decrease of ¥46 million from the end of the previous fiscal year. Major factors contributing to this were a rise of ¥994 million in retained earnings, and a rise of ¥1,074 million in treasury stocks.

(3) Information on the future outlook, including consolidated financial results forecasts

As for consolidated operating results forecast for FY2020, please refer to "Notice of the Revision of the Consolidated Operating Results Forecast for FY2020" announced today (July 11, 2019).

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated Balance Sheets

	(Thousand Yen)	
	Previous Fiscal Year (As of February 28, 2019)	First Quarter of Current Fiscal Year (As of May 31, 2019)
Assets		
Current assets		
Cash and deposits	14,927,535	12,051,323
Accounts receivable (trade)	4,779,883	4,511,022
Storage	6,018	5,749
Other	407,532	2,429,749
Allowance for doubtful accounts	△130,625	△126,650
Total current assets	19,990,344	18,871,193
Fixed assets		
Tangible fixed assets	1,791,987	1,803,738
Intangible fixed assets		
Patent rights	99,465	92,526
Software	4,462,525	4,130,707
Other	7,065	473,936
Total intangible fixed assets	4,569,057	4,697,170
Investment and other assets		
Investment securities	5,103,315	5,701,882
Others	2,076,529	1,959,500
Allowance for doubtful accounts	△20,849	△24,642
Total of investments and other assets	7,158,994	7,636,741
Total fixed assets	13,520,038	14,137,650
Total assets	33,510,383	33,008,844
Liabilities		
Current liabilities		
Accounts payable (trade)	227,723	226,917
Accrued amount payable	2,890,745	2,963,058
Income taxes payable	2,166,907	1,138,997
Allowance for refund	44,335	55,568
Provision for bonuses	228,033	124,166
Asset retirement obligations	9,175	—
Others	1,358,504	1,891,335
Total current liabilities	6,925,425	6,400,043
Fixed liabilities		
Dividends reserve debt without assets	74,741	74,942
Allowance for directors' stock benefits	100,572	107,876
Asset retirement obligations	448,756	461,984
Other	259,479	309,556
Total fixed liabilities	883,549	954,359
Total liabilities	7,808,974	7,354,403

(Thousand Yen)

	Previous Fiscal Year (As of February 28, 2019)	First Quarter of Current Fiscal Year (As of May 31, 2019)
Net assets		
Stockholders' equity		
Capital	1,085,000	1,085,000
Capital surplus	1,958,297	1,960,020
Retained earnings	24,164,772	25,159,312
Treasury stocks	Δ2,417,439	Δ3,491,697
Total stockholders' equity	24,790,630	24,712,634
Accumulated other comprehensive income		
Unrealized gains on other securities	Δ9,471	Δ19,946
Total accumulated other comprehensive income	Δ9,471	Δ19,946
Share acquisition rights	851,532	897,295
Non-controlling shareholders' equity	68,717	64,457
Total net assets	25,701,408	25,654,441
Total liabilities and net assets	33,510,383	33,008,844

(2) Quarterly consolidated income statement and consolidated statement of comprehensive income

Quarterly consolidated income statement

Cumulative First Quarter

(Thousand Yen)

	Cumulative First Quarter of the Previous Fiscal Year (From March 1, 2018 to May 31, 2018)	Cumulative First Quarter of the Current Fiscal Year (From March 1, 2019 to May 31, 2019)
Sales	10,812,357	12,015,615
Cost of sales	659,210	749,717
Gross margin	10,153,146	11,265,897
Selling, general and administrative expenses	6,983,418	7,529,067
Operating income	3,169,728	3,736,829
Non-operating income		
Interest income	129	851
Insurance Income	—	12,966
Other	4,189	4,325
Total non-operating expenses	4,319	18,144
Non-operating expenses		
Equity method investment loss	24,142	104,402
Other	1,399	1,127
Total non-operating expenses	25,542	105,530
Ordinary income	3,148,505	3,649,443
Extra profit		
Gain on reversal of stock acquisition rights	6,007	7,848
Total Extra profit	6,007	7,848
Current net income before income taxes	3,154,512	3,657,291
Corporate, inhabitant and enterprise taxes	1,031,401	1,066,931
Income taxes deferred	△24,875	116,143
Total income taxes	1,006,525	1,183,074
Current net income	2,147,987	2,474,217
Net loss attributable to non-controlling shareholders	△4,339	△4,259
Net income attributable to parent company shareholders	2,152,326	2,478,476

Consolidated statement of comprehensive income

Quarterly consolidated income statement

(Thousand Yen)

	Cumulative First Quarter of the Previous Fiscal Year (From March 1, 2018 to May 31, 2018)	Cumulative First Quarter of the Current Fiscal Year (From March 1, 2019 to May 31, 2019)
Current net income	2,147,987	2,474,217
Other comprehensive income		
Unrealized gains on other securities	92	Δ11,529
Share of other comprehensive income of companies accounted for by the equity method	571	1,055
Total other comprehensive income	663	Δ10,474
Inclusive profit	2,148,651	2,463,742
(Breakdown)		
Comprehensive income on parent company shareholders	2,152,990	2,468,002
Comprehensive income on non-controlling shareholders	Δ4,339	Δ4,259

(3) Notes on quarterly consolidated Financial Statements

(Notes on Going Concern Assumption)

None

(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. With this trust the Company aims to motivate employees to work harder, to create a greater awareness of participation in management, and to further promote management directed at increasing the value of Company stock.

(1) Summary of plan

By contributing funds for the acquisition of Company stock, 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 stock 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 stock or the proceeds from its sale according to the rank and years of service of employees during the trust period in accordance with the Stock Granting Regulations.

(2) Company stock remaining in the trust

Company stock held in the ESOP trust account is recorded as treasury stock under net assets at book value to the trust (excluding ancillary expenses). The book value and the number of shares of the treasury stock are 113,610 thousand yen, 1,771,975 shares at the end of the previous fiscal year, and 113,168 thousand yen, 1,765,090 shares at the end of the fiscal year under review.

(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 stock, 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 stock in the number expected to be delivered to Company directors in accordance with pre-established Stock-based Compensation Regulations. Subsequently, the trust delivers or pays to directors who meet certain beneficiary requirements on the fixed date of the beneficiary right such as their retirement Company stock 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 stock remaining in trust

Company stock held in the BIP trust account is recorded as treasury stock under net assets at book value to the trust (excluding ancillary expenses). The book value and the number of shares of the treasury stock are 250,346 thousand yen, 83,700 shares at the end of the previous fiscal year, and 250,346 thousand yen, 83,700 shares at the end of the fiscal year under review.

(Application of “Partial Amendments to ‘Accounting Standard for Tax Effect Accounting,’”)

The Company adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018), at the beginning of the first quarter of the fiscal year under review, and is presenting deferred tax assets in the category of “investments and other assets,” and deferred tax liabilities in the category of “non-current liabilities.”

(Notes on material changes in shareholders’ equity)

The Company acquired 657,100 shares of treasury stock for ¥1,075,910 thousand pursuant to the resolution of the Board of Directors’ meeting held on April 19, 2019. Primarily as a result, treasury stock at the end of the first quarter of the fiscal year stood at ¥3,491,697 thousand.

(Segment Information)

【Segment Information】

Cumulative First Quarter of the Previous Fiscal Year (From March 1, 2018 to May 31, 2018)

1. Information on Amounts of Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reported Segment

(Thousand Yen)

	Reported segment	Others (Notes) 1	Total	Adjustment (Notes) 2	Amount of consolidated statements of income (Notes) 3
	Personnel Recruiting Services				
Net sales					
Sales — outside customers	10,808,378	3,978	10,812,357	—	10,812,357
Sales and transfer — inter-segment	—	—	—	—	—
Total	10,808,378	3,978	10,812,357	—	10,812,357
Segment profit (loss)	4,334,534	(127,454)	4,207,080	(1,037,352)	3,169,728

(Notes) 1. The “Others” segment includes businesses not included in the reported segments such as the LIMEX business.

2. Adjustment of segment of profit (loss) of (¥1,037,352 thousand) are corporate expenses not allocated to any reported business segment. Corporate expenses are mainly selling, general, and administrative expenses that are not attributable to reported segments.

3. Segment profit (loss) was adjusted with operating income on the consolidated statements of income.

2. Information concerning impairment losses of non-current assets or amortization of goodwill etc. in each reporting segment

None

Cumulative First Quarter of the Fiscal Year (From March 1, 2019 to May 31, 2019)

1. Information on Amounts of Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reported Segment

(Thousand Yen)

	Reported segment	Others (Notes) 1	Total	Adjustment (Notes) 2	Amount of consolidated statements of income (Notes) 3
	Personnel Recruiting Services				
Net sales					
Sales — outside customers	12,011,319	4,295	12,015,615	—	12,015,615
Sales and transfer — inter-segment	—	—	—	—	—
Total	12,011,319	4,295	12,015,615	—	12,015,615
Segment profit (loss)	4,944,851	(62,597)	4,882,254	(1,145,424)	3,736,829

(Notes) 1. The “Others” segment includes businesses not included in the reported segments such as the AI/RPA business.

2. Adjustment of segment of profit (loss) of (¥1,145,424 thousand) are corporate expenses not allocated to any reported business segment. Corporate expenses are mainly selling, general, and administrative expenses that are not attributable to reported segments.

3. Segment profit (loss) was adjusted with operating income on the consolidated statements of income.

2. Matters relating to reporting segment changes etc.

3. Information concerning impairment losses of non-current assets or amortization of goodwill etc. in each reporting segment

None

(Significant Subsequent Events)

(The issuance of stock acquisition rights)

In the meeting of the Board of Directors held on July 21, 2019, the issuance of stock acquisition rights was resolved as described below pursuant to "Delegation to the Board of Directors of the Company the Determination of Subscription Requirements for Stock Acquisition Rights Issued as Stock Options to the Employees of the Company" approved as proposed at the 22nd Annual General Meeting of Shareholders held on May 29, 2019.

1. Class and number of shares underlying the stock acquisition rights

Common stock 170,000 shares (100 shares will be transferred upon exercise of each of the Stock Acquisition Rights)

Furthermore, after the date on which stock acquisition rights are allotted (hereinafter the "allotment date"), if the Company conducts a share split (including gratis allotment of shares of common stock of the Company; hereinafter the same with reference to share split) or share consolidation of its common stock, the number of grantable shares shall be adjusted by using the following formula.

$$\begin{array}{l} \text{The number of grantable} \\ \text{shares after adjustment} \end{array} = \begin{array}{l} \text{The number of grantable shares} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Ratio of share split/share consolidation} \end{array}$$

In addition to the above, after the allotment date, the Company shall be able to make adjustment to the number of grantable shares to a reasonable extent, if such adjustment is deemed appropriate.

Any fraction of less than one share generated as a result of the aforementioned adjustment shall be discarded.

2. Persons to be allotted the Stock Acquisition Rights, the number of such persons, and the number of the Stock Acquisition Rights to be allotted

1,700 units to 405 employees of the company

3. Cash payment to be made in exchange for stock acquisition rights

No cash payment shall be required for the stock acquisition rights in exchange for stock acquisition right.

4. Period in which stock acquisition right can be exercised

From July 13, 2024 to July 12, 2027

5. The amount of assets to be contributed upon the exercise of stock acquisition rights

The amount of assets to be contributed upon the exercise of stock acquisition rights shall be the amount calculated by multiplying the paid-in amount per share (hereinafter the "exercise price") to be granted upon the exercise of each stock acquisition right by the number of grantable shares.

Exercise price shall be either the average of the closing prices of common stocks of the Company (hereinafter the "Closing Price") regularly transacted on the Tokyo Stock Exchange on each day (excluding those days when the Closing Price is not quoted) of the month prior to the month to which the allotment date belongs (fractions of less than ¥1 shall be rounded up), or the Closing Price on the allotment date (or on the date immediately preceding the allotment date, if no Closing Price is quoted on such date), whichever is higher. However, the exercise price shall be subject to the adjustments as follows.

I. Exercise price shall be adjusted by the following formula, if the Company conducts a share split or share consolidation of its common stock after the allotment date, and any fraction of less than ¥1 resulting from such adjustment shall be rounded up.

$$\begin{array}{l} \text{Exercise price after the} \\ \text{adjustment} \end{array} = \begin{array}{l} \text{Exercise price before the adjustment} \end{array} \times \frac{1}{\begin{array}{l} \text{Ratio of share split/share consolidation} \end{array}}$$

II. With respect to its common stock, in case where the Company conducts issuance of new shares, or disposal of treasury shares at a price below market price after the allotment date, exercise price shall be adjusted by the following formula, where any fraction of less than > 1 resulting from such adjustment shall be rounded up.

Exceptions shall be made for sale of treasury shares based on the provisions of Article 194 of the Companies Act (Demand for Sale of Shares Less Than One Unit by Holders of Shares Less Than One Unit), conversion of securities to be converted or securities that can be converted to common stock of the Company, or exercise of the stock acquisition rights (including those attached to bonds with stock acquisition rights) which can claim grant of common stock of the Company.

$$\text{Exercise price after the adjustment} = \text{Exercise price before the adjustment} \times \frac{\text{Number of outstanding shares} + \frac{\text{Number of new shares issued} \times \text{paid-in amount per share}}{\text{Market price}}}{\text{Number of outstanding shares} + \text{Number of new shares issued}}$$

In the above formula, “number of outstanding shares” is defined as the total number of outstanding shares of common stock of the Company, less the number of shares of common stock held by the Company as its treasury shares, and in the event of disposal of treasury shares, “number of new shares issued” should read “number of treasury shares subject to disposal.”

III. In addition to the above, when it is appropriate to make adjustments to the exercise price, including the circumstances in which the Company conducts gratis allotment of other classes of shares to ordinary shareholders, or dividend payout in the form of shares in other companies to ordinary shareholders after the allotment date, the Company may adjust the exercise price within a reasonable extent, upon consideration of conditions for such allotment or dividend payout.

6. Allotment date of the Stock Acquisition Rights

July 12, 2019

7. Matters related to increase in capital and capital reserve as a result of the issuance of shares associated with the exercise of stock acquisition rights

I. The amount of increase in capital as a result of the issuance of shares associated with the exercise of stock acquisition rights, shall be 50% of the maximum amount of an increase in capital, etc., as calculated in accordance with Article 17, Paragraph 1 of the Ordinance for Corporate Accounting, and any fractions of less than ¥1 resulting from such calculation shall be rounded up.

II. The amount of increase in capital reserve as a result of the issuance of shares associated with the exercise of stock acquisition rights shall be the maximum amount of an increase in capital, etc., as stated in I. above, less the amount of increase in capital as set out also in I. above.