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Consolidated Financial Results for the Six Months Ended January 31, 2023 [Japanese GAAP]



March 16, 2023

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 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of filing quarterly securities report: March 17, 2023
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and securities analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended January 31, 2023 (August 1, 2022 - January 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
January 31, 2023	26,403	34.2	5,825	42.2	6,167	44.3	4,144	45.8
January 31, 2022	19,670	61.7	4,097	170.9	4,274	156.6	2,842	161.6

(Note) Comprehensive income: Six months ended January 31, 2023: ¥4,154 million [46.2%]
 Six months ended January 31, 2022: ¥2,842 million [161.6%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
January 31, 2023	107.72	99.61
January 31, 2022	79.25	68.01

(Note) In the three months ended October 31, 2022, the Company has confirmed the provisional accounting treatment concerning business combinations. Accordingly, data for the six months ended January 31, 2022 is presented at the amounts after reflecting the contents of the confirmation of the provisional accounting treatment.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of January 31, 2023	51,047	33,028	64.5
As of July 31, 2022	45,952	28,772	62.5

(Reference) Equity: As of January 31, 2023: ¥32,915 million
 As of July 31, 2022: ¥28,716 million

(Note) In the three months ended October 31, 2022, the Company has confirmed the provisional accounting treatment concerning business combinations. Accordingly, data for the fiscal year ended July 31, 2022 is presented at the amounts after reflecting the contents of the confirmation of the provisional accounting treatment.

2. Dividends

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2022	—	0.00	—	0.00	0.00
Fiscal year ending July 31, 2023	—	0.00			
Fiscal year ending July 31, 2023 (Forecast)			—	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending July 31, 2023 (August 1, 2022 - July 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full-year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	56,000	27.4	12,500	50.9	12,810	47.0	8,330	42.3	217.23

(Note) 1. Revision to the financial results forecast announced most recently: None

2. In the three months ended October 31, 2022, the Company has confirmed the provisional accounting treatment concerning business combinations. Amounts for the fiscal year ended July 31, 2022 after reflecting the contents of the confirmation of the provisional accounting treatment are operating profit of ¥8,282 million, ordinary profit of ¥8,713 million, and profit attributable to owners of parent of ¥5,852 million, and the year-on-year rates of changes above are computed using the amounts reflecting the confirmation.

* Notes:

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

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common shares)

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

January 31, 2023: 38,626,400 shares

July 31, 2022: 38,346,700 shares

2) Total number of treasury shares at the end of the period:

January 31, 2023: 213 shares

July 31, 2022: 179 shares

3) Average number of shares during the period:

Six months ended January 31, 2023: 38,479,193 shares

Six months ended January 31, 2022: 35,863,827 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The statements regarding the forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management. Therefore, there might be cases in which actual results differ materially from forecast values due to various factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

Statements in this document about the future reflect our judgments as of end of the current quarter of the fiscal year under review.

In the first quarter of the fiscal year under review, we confirmed the provisional accounting treatment concerning business combinations. Accordingly, we used the revised amounts reflected in the confirmation of the provisional treatment for comparison and analysis with the amounts for the previous fiscal year.

In the six months ended January 31, 2023, the Japanese economy showed signs of recovery partly aided by effects of various measures taken toward coexistence with COVID-19. On the other hand, the outlook for the global macroeconomy remains unclear due to factors such as a surge of raw material prices and fluctuation in the financial capital markets, reflecting the unstable global situation.

Under these circumstances, the Group's core BizReach business boosted performance of the entire Group, backed by a continued willingness of companies to recruit professional human resources.

As a result, in the six months ended January 31, 2023, the Group recorded net sales of ¥26,403 million (up 34.2% year on year), operating profit of ¥5,825 million (up 42.2% year on year), ordinary profit of ¥6,167 million (up 44.3% year on year), and profit attributable to owners of parent of ¥4,144 million (up 45.8% year on year).

Performance by segment was as follows.

(i) HR Tech

The HR Tech segment consists of BizReach, HRMOS, and other HR Tech services.

The BizReach business achieved growth in comparison to the end of the previous fiscal year in all of its growth indices, as a result of the continued strength of human resources demand in the professional human resources domain and aggressive advertising. As of the end of the second quarter under review, the cumulative number of registered direct employers (Note 1) increased to more than 23,500 (compared to more than 21,100 as of the end of the previous fiscal year), the number of active headhunters (Note 2) rose to more than 6,200 (compared to more than 5,500 as of the end of the previous fiscal year), and the number of scoutable job seekers (Note 3) increased to more than 1.90 million (compared to more than 1.70 million as of the end of the previous fiscal year). The business recorded net sales of ¥23,126 million (up 36.8% year on year), and adjusted operating profit before corporate expense allocation (Note 4) of ¥9,581 million (up 14.9% year on year).

In the HRMOS business, we are continuously conducting marketing activities in order to expand the number of customers while continuing product development such as the development of new functionality. In August 2022, the business released a free cloud HRMOS year-end tax adjustment function, a new function of HRMOS Attendance Management, which allows users to respond to the digitalization of the year-end tax adjustment. As for the combined KPI of HRMOS ATS module and HRMOS Talent Management module, ARR (Note 5) rose 31.5% to ¥1,877 million, the number of unique paying customers (Note 6) increased 31.3% to 1,379, and ARPU (Note 7) rose 0.1% to ¥113,432 from the end of the previous fiscal year. The churn rate (Note 8), which is a 12-month average, decreased to 0.48%.

As a result, the HRMOS business, which includes HRMOS ATS, HRMOS Talent Management, and HRMOS Attendance Management, recorded net sales of ¥1,002 million (up 46.8% year on year), and an adjusted operating loss before corporate expense allocation (Note 4) of ¥1,074 million (loss of ¥1,397 million for the previous fiscal year). As a result, in the six months ended January 31, 2023, the HR Tech segment recorded net sales of ¥25,243 million (up 34.9% year on year) and segment profit of ¥7,170 million (up 36.2% year on year).

- (Notes)
1. The total number of direct employers that have subscribed to BizReach, excluding headhunters
 2. The number of headhunters that have been screened by BizReach, Inc.
 3. The number of registered BizReach users who have configured their employment history to be disclosed to hiring companies or who have configured their employment history to be disclosed to headhunters
 4. This is the operating profit or loss of the business before bearing the personnel expenses and ancillary outsourcing and other general administrative expenses associated with accounting, legal, human resources, and other business administration, and also personnel costs and ancillary outsourcing and other costs of the information systems and design divisions that cannot be charged directly to specific products and services.
 5. Annual Recurring Revenue. This is calculated by multiplying the MRR (Monthly Recurring Revenue) in the final month of the quarter by 12. The MRR is the total monthly revenue from customers subject to recurring billing as of the end of the target period (excluding one-time revenue).
 6. The number of unique paying users of HRMOS ATS and HRMOS Talent Management services
 7. Average Revenue per User. $\text{MRR as of the end of the month} \div \text{number of active employers}$
 8. Reduction in MRR due to the cancellation in the current month divided by MRR at the end of the previous month is defined as the single-month churn rate, and the churn rate is the average of the last 12 months.

(ii) Incubation

The Incubation segment includes Trabox, M&A Succeed, BizHint, yamory, and Assured.

Each business in the Incubation segment conducted activities within the limits of profits generated from the HR Tech segment, including human resource investment, new-product development, and advertising. In the six months ended January 31, 2023, the segment recorded net sales of ¥1,092 million (up 23.7% year on year) and segment loss of ¥796 million (loss of ¥821 million for the previous fiscal year).

(2) Explanation of Financial Position

As of the end of the second quarter under review, total assets amounted to ¥51,047 million, a ¥5,094 million increase since the end of the previous fiscal year. This was primarily due to a ¥3,028 million increase in cash and deposits to ¥34,390 million and a ¥549 million increase in notes and accounts receivable – trade to ¥4,906 million due to the growth in net sales.

As of the end of the second quarter under review, total liabilities amounted to ¥18,018 million, a ¥838 million increase since the end of the previous fiscal year. This was primarily due to a ¥924 million increase in unearned contract liabilities to ¥5,865 million due to an increase in the number of corporate users for the BizReach business, a ¥217 million increase in income taxes payable to ¥2,247million, and a ¥159 million decrease in liabilities from application of equity method to ¥2,293 million.

As of the end of the second quarter under review, net assets amounted to ¥33,028 million, a ¥4,255 million increase since the end of the previous fiscal year. This was mainly due to a ¥4,144 million increase in retained earnings due to the recording of profit attributable to owners of parent.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The content of the consolidated financial results forecast for the fiscal year ending July 31, 2023 is unchanged from the forecast issued on September 14, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of July 31, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	31,362	34,390
Notes and accounts receivable - trade	4,356	4,906
Other	1,082	2,697
Allowance for doubtful accounts	(57)	(53)
Total current assets	36,743	41,941
Non-current assets		
Property, plant and equipment	735	829
Intangible assets		
Goodwill	3,300	3,050
Other	1,986	1,821
Total intangible assets	5,287	4,871
Investments and other assets		
Other	3,194	3,412
Allowance for doubtful accounts	(8)	(8)
Total investments and other assets	3,185	3,404
Total non-current assets	9,208	9,105
Total assets	45,952	51,047
Liabilities		
Current liabilities		
Current portion of long-term borrowings	205	207
Income taxes payable	2,030	2,247
Contract liabilities	4,941	5,865
Provision for bonuses	1,161	1,202
Other	5,649	5,591
Total current liabilities	13,988	15,115
Non-current liabilities		
Liabilities from application of equity method	2,453	2,293
Long-term borrowings	440	336
Other	296	273
Total non-current liabilities	3,190	2,903
Total liabilities	17,179	18,018
Net assets		
Shareholders' equity		
Share capital	6,226	6,251
Deposits for subscriptions of shares	6	—
Capital surplus	10,190	10,216
Retained earnings	12,294	16,439
Treasury shares	(1)	(1)
Total shareholders' equity	28,716	32,905
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	9
Total accumulated other comprehensive income	0	9
Share acquisition rights	56	112
Total net assets	28,772	33,028
Total liabilities and net assets	45,952	51,047

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Six months ended January 31

(in millions of yen)

	For the six months ended January 31, 2022	For the six months ended January 31, 2023
Net sales	19,670	26,403
Cost of sales	2,706	3,250
Gross profit	16,964	23,152
Selling, general and administrative expenses	12,866	17,326
Operating profit	4,097	5,825
Non-operating income		
Share of profit of entities accounted for using equity method	159	159
Penalty income	14	168
Other	6	19
Total non-operating income	180	347
Non-operating expenses		
Interest expenses	0	0
Commitment fees	2	2
Foreign exchange losses	0	2
Other	0	0
Total non-operating expenses	4	5
Ordinary profit	4,274	6,167
Extraordinary income		
Gain on sale of non-current assets	—	2
Gain on reversal of share acquisition rights	—	3
Total extraordinary income	—	6
Extraordinary losses		
Loss on valuation of investment securities	—	3
Total extraordinary losses	—	3
Profit before income taxes	4,274	6,171
Income taxes - current	1,435	2,045
Income taxes - deferred	(3)	(19)
Total income taxes	1,432	2,026
Profit	2,842	4,144
Profit attributable to owners of parent	2,842	4,144

Quarterly Consolidated Statement of Comprehensive Income

Six months ended January 31

(in millions of yen)

	For the six months ended January 31, 2022	For the six months ended January 31, 2023
Profit	2,842	4,144
Other comprehensive income		
Valuation difference on available-for-sale securities	0	9
Total other comprehensive income	0	9
Comprehensive income	2,842	4,154
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,842	4,154
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(in millions of yen)

	For the six months ended January 31, 2022	For the six months ended January 31, 2023
Cash flows from operating activities		
Profit before income taxes	4,274	6,171
Depreciation	209	330
Amortization of goodwill	105	250
Share-based payment expenses	—	60
Penalty income	(14)	(168)
Share of loss (profit) of entities accounted for using equity method	(159)	(159)
Increase (decrease) in provision for bonuses	30	41
Decrease (increase) in trade receivables	(891)	(581)
Increase (decrease) in contract liabilities	1,082	956
Decrease (increase) in inventories	(3)	2
Increase (decrease) in accounts payable - other	(72)	571
Other, net	146	(520)
Subtotal	4,706	6,954
Interest and dividends received	0	0
Interest paid	(0)	(0)
Income taxes refund (paid)	(1,474)	(3,343)
Net cash provided by (used in) operating activities	3,231	3,609
Cash flows from investing activities		
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(787)	—
Purchase of property, plant and equipment	(153)	(280)
Purchase of intangible assets	(0)	—
Purchase of investment securities	(10)	(137)
Payments of leasehold and guarantee deposits	(642)	(185)
Other, net	(7)	81
Net cash provided by (used in) investing activities	(1,601)	(522)
Cash flows from financing activities		
Repayments of long-term borrowings	(127)	(103)
Repayments of lease obligations	(17)	(0)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	11	45
Other, net	(1)	(0)
Net cash provided by (used in) financing activities	(134)	(58)
Effect of exchange rate change on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	1,495	3,028
Cash and cash equivalents at beginning of period	25,630	31,362
Cash and cash equivalents at end of period	27,125	34,390

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

(Segment information)

For the six months ended January 31, 2022 (from August 1, 2021 to January 31, 2022)

1. Information on sales and profit (loss) by reportable segment

(in millions of yen)

	Reportable segment			Reconciliations (Note 1)	Amounts in the quarterly consolidated financial statements (Note 2)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	18,706	883	19,589	80	19,670
Intersegment sales or transfers	70	44	114	(114)	—
Total	18,776	927	19,704	(34)	19,670
Segment profit (loss)	5,263	(821)	4,442	(344)	4,097

(Notes) 1. Reconciliations of segment profit (loss) are general and administrative expenses that are not allocable to the reportable segments.

2. Segment profit (loss) is adjusted based on operating profit.

2. Information regarding impairment losses on non-current assets or goodwill by reportable segment
(Significant changes in goodwill)

During the fiscal year ended July 31, 2022, the Company applied provisional accounting treatment concerning the business combination with IEYASU, Inc. carried out in the second quarter and with ezSoft Co., Ltd. carried out in the third quarter. The Company has confirmed the provisional accounting treatment in the three months ended October 31, 2022.

For details, please refer to “Business combinations” in the Notes to Quarterly Consolidated Financial Statements.

For the six months ended January 31, 2023 (from August 1, 2022 to January 31, 2023)

Information on sales and profit (loss) by reportable segment

(in millions of yen)

	Reportable segment			Reconciliations (Note 1)	Amounts in the quarterly consolidated financial statements (Note 2)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	25,243	1,092	26,336	66	26,403
Intersegment sales or transfers	19	46	65	(65)	—
Total	25,262	1,138	26,401	1	26,403
Segment profit (loss)	7,170	(796)	6,373	(547)	5,825

(Notes) 1. Reconciliations of segment profit (loss) are general and administrative expenses that are not allocable to the reportable segments.

2. Segment profit (loss) is adjusted based on operating profit.

(Business combinations)

(Confirmation of provisional accounting treatment concerning business combinations)

During the previous fiscal year, the Company applied provisional accounting treatment concerning the business combination with IEYASU, Inc. on November 1, 2021. The Company has confirmed the provisional accounting treatment in the three months ended October 31, 2022.

Due to the confirmation of the provisional accounting treatment, comparison data in the quarterly consolidated financial statements in the six months ended January 31, 2023 reflects a major revision of the initial allocation of the acquisition cost. As a result of the allocation of ¥461 million to other intangible assets and ¥154 million to other non-current liabilities, the amount of goodwill has changed from a provisional ¥911 million to ¥605 million, a decrease of ¥306 million. This change has no effect on retained earnings as of the end of the previous fiscal year.

In addition, this change has an insignificant effect on the quarterly consolidated statement of income for the six months ended January 31, 2022.

During the previous fiscal year, the Company applied provisional accounting treatment concerning the business combination with ezSoft Co., Ltd. on March 1, 2022. The Company has confirmed the provisional accounting treatment in the three months ended October 31, 2022.

Due to the confirmation of the provisional accounting treatment, comparison data in the quarterly consolidated financial statements in the six months ended January 31, 2023 reflects a major revision of the initial allocation of the acquisition cost. As a result of the allocation of ¥615 million to other intangible assets and ¥206 million to other non-current liabilities, the amount of goodwill has changed from a provisional ¥2,142 million to ¥1,733 million, a decrease of ¥408 million. This change has resulted in a ¥6 million decrease in retained earnings as of the end of the previous fiscal year.