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Consolidated Financial Results for the Three Months Ended October 31, 2023 [Japanese GAAP]



December 14, 2023

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4194
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 Scheduled date of filing quarterly securities report: December 15, 2023
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended October 31, 2023 (August 1, 2023 – October 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	%
Three months ended October 31, 2023	16,057	21.5	4,955	33.8	5,189	37.2	3,487	37.8
October 31, 2022	13,218	38.1	3,703	46.0	3,783	44.3	2,531	42.2

(Note) Comprehensive income: Three months ended October 31, 2023: ¥3,478 million [37.4%]

Three months ended October 31, 2022: ¥2,531 million [42.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended October 31, 2023	89.16	84.11
October 31, 2022	65.88	60.73

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of October 31, 2023	59,341	42,634	71.6
As of July 31, 2023	57,873	39,129	67.4

(Reference) Equity: As of October 31, 2023: ¥42,489 million
 As of July 31, 2023: ¥38,990 million

2. Dividends

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2023	—	0.00	—	0.00	0.00
Fiscal year ending July 31, 2024	—				
Fiscal year ending July 31, 2024 (Forecast)		0.00	—	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, 2024 (August 1, 2023 - July 31, 2024)

(% 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
	66,400	18.0	16,000	21.0	16,320	13.5	10,930	10.1	279.57

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

* 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):

October 31, 2023: 39,132,600 shares

July 31, 2023: 39,096,200 shares

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

October 31, 2023: 236 shares

July 31, 2023: 213 shares

3) Average number of shares during the period:

Three months ended October 31, 2023: 39,118,217 shares

Three months ended October 31, 2022: 38,425,051 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 the Group's judgments as of the end of the current quarter of the fiscal year under review.

In the three months ended October 31, 2023, the Japanese economy experienced gradual recovery as the normalization of socioeconomic activities progressed due to the ease of COVID-19 restrictions and other factors. On the other hand, the outlook remains unclear since the downward risk of the overseas economy has not been eliminated due to such factors as a surge of raw material prices reflecting the prolonged unstable global situation and the Japanese domestic economy continues to show signs of inflation, such as a weaker yen and higher prices.

Under these circumstances, the Group's core BizReach business continued to boost performance of the entire Group for the three months ended October 31, 2023, backed by a continued willingness of companies to recruit human resources.

As a result, in the three months ended October 31, 2023, the Group recorded net sales of ¥16,057 million (up 21.5% year on year), operating profit of ¥4,955 million (up 33.8% year on year), ordinary profit of ¥5,189 million (up 37.2% year on year), and profit attributable to owners of parent of ¥3,487 million (up 37.8% year on year).

Performance by segment was as follows. (Net sales represent net sales to external customers.)

(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 first quarter under review, the cumulative number of registered direct employers (Note 1) increased to more than 27,500 (compared to more than 26,200 as of the end of the previous fiscal year), the number of active headhunters (Note 2) rose to more than 6,800 (compared to more than 6,600 as of the end of the previous fiscal year), and the number of scoutable job seekers (Note 3) increased to more than 2.27 million (compared to more than 2.14 million as of the end of the previous fiscal year). The business recorded net sales of ¥14,092 million (up 21.3% year on year), and adjusted operating profit before corporate expense allocation (Note 4) of ¥6,158 million (up 9.4% year on year).

In the HRMOS business, we are conducting marketing activities to expand the number of customers while continuing product investments to develop new functionalities. In October 2023, the business released a dashboard function, a new function of HRMOS Talent Management, which allows users to visualize and analyze human capital issues and human resource and organizational issues.

As for the combined KPI of HRMOS ATS service and HRMOS Talent Management service, ARR (Note 5) rose 28.8% to ¥2,273 million, the number of unique paying customers (Note 6) increased 27.4% to 1,631, and ARPU (Note 7) rose 1.1% to ¥116,155 from the end of the previous fiscal year. The churn rate (Note 8), which is a 12-month average, was 0.56%.

As a result, the HRMOS business recorded net sales of ¥831 million (up 71.3% year on year), and an adjusted operating loss before corporate expense allocation (Note 4) of ¥277 million (loss of ¥582 million for the previous fiscal year).

As a result, in the three months ended October 31, 2023, the HR Tech segment recorded net sales of ¥15,336 million (up 20.9% year on year) and segment profit of ¥5,377 million (up 21.5% 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. MRR as of the end of the month \div number of unique paying customers
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 etc.

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 activities. In the three months ended October 31, 2023, the segment recorded net sales of ¥689 million (up 39.3% year on year) and segment loss of ¥184 million (loss of ¥456 million for the previous fiscal year).

(2) Explanation of Financial Position

As of the end of the first quarter under review, total assets amounted to ¥59,341 million, a ¥1,467 million increase since the end of the previous fiscal year. This was primarily due to a ¥1,487 million increase in cash and deposits to ¥42,657 million and a ¥446 million increase in accounts receivable – trade to ¥5,597 million due to the growth in net sales.

As of the end of the first quarter under review, total liabilities amounted to ¥16,706 million, a ¥2,037 million decrease since the end of the previous fiscal year. This was primarily due to a ¥500 million increase in unearned contract liabilities to ¥7,359 million due to an increase in the number of corporate users for the BizReach business, a ¥1,575 million decrease in income taxes payable to ¥1,484 million, and a ¥467 million decrease in provision for bonuses to ¥566 million.

As of the end of the first quarter under review, net assets amounted to ¥42,634 million, a ¥3,505 million increase since the end of the previous fiscal year. This was mainly due to a ¥3,487 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, 2024 is unchanged from the forecast issued on September 14, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of July 31, 2023	As of October 31, 2023
Assets		
Current assets		
Cash and deposits	41,170	42,657
Accounts receivable - trade	5,151	5,597
Other	2,645	2,846
Allowance for doubtful accounts	(64)	(62)
Total current assets	48,902	51,039
Non-current assets		
Property, plant and equipment	845	762
Intangible assets		
Goodwill	2,799	2,674
Other	1,656	1,574
Total intangible assets	4,455	4,248
Investments and other assets		
Other	3,679	3,292
Allowance for doubtful accounts	(9)	(1)
Total investments and other assets	3,669	3,291
Total non-current assets	8,971	8,301
Total assets	57,873	59,341
Liabilities		
Current liabilities		
Current portion of long-term borrowings	7	7
Income tax payable	3,059	1,484
Contract liabilities	6,858	7,359
Provision for bonuses	1,034	566
Other	5,368	4,967
Total current liabilities	16,328	14,384
Non-current liabilities		
Liabilities from application of equity method	2,133	2,053
Long-term borrowings	32	31
Deferred tax liabilities	249	237
Total non-current liabilities	2,415	2,322
Total liabilities	18,744	16,706
Net assets		
Shareholders' equity		
Share capital	6,356	6,365
Deposits for subscriptions of shares	5	9
Capital surplus	10,321	10,329
Retained earnings	22,223	25,711
Treasury shares	(1)	(1)
Total shareholders' equity	38,905	42,414
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84	75
Total accumulated other comprehensive income	84	75
Share acquisition rights	139	144
Total net assets	39,129	42,634
Total liabilities and net assets	57,873	59,341

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Three months ended October 31

(in millions of yen)

	For the three months ended October 31, 2022	For the three months ended October 31, 2023
Net sales	13,218	16,057
Cost of sales	1,621	1,313
Gross profit	11,597	14,744
Selling, general and administrative expenses	7,894	9,789
Operating profit	3,703	4,955
Non-operating income		
Share of profit of entities accounted for using equity method	79	79
Penalty income	4	141
Other	0	17
Total non-operating income	85	239
Non-operating expenses		
Interest expenses	0	0
Commitment fees	1	1
Foreign exchange losses	3	4
Other	0	0
Total non-operating expenses	5	5
Ordinary profit	3,783	5,189
Extraordinary income		
Gain on reversal of share acquisition rights	3	—
Total extraordinary income	3	—
Profit before income taxes	3,786	5,189
Income taxes - current	960	1,364
Income taxes - deferred	294	337
Total income taxes	1,255	1,701
Profit	2,531	3,487
Profit attributable to owners of parent	2,531	3,487

Quarterly Consolidated Statement of Comprehensive Income

Three months ended October 31

(in millions of yen)

	For the three months ended October 31, 2022	For the three months ended October 31, 2023
Profit	2,531	3,487
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(8)
Total other comprehensive income	0	(8)
Comprehensive income	2,531	3,478
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,531	3,478
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Segment information, etc.)

(Segment information)

For the three months ended October 31, 2022 (from August 1, 2022 to October 31, 2022)

Information on net 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	12,686	495	13,181	36	13,218
Intersegment sales or transfers	11	23	34	(34)	—
Total	12,697	518	13,216	2	13,218
Segment profit (loss)	4,426	(456)	3,970	(266)	3,703

(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.

For the three months ended October 31, 2023 (from August 1, 2023 to October 31, 2023)

Information on net 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	15,336	689	16,025	31	16,057
Intersegment sales or transfers	8	32	41	(41)	—
Total	15,344	722	16,067	(9)	16,057
Segment profit (loss)	5,377	(184)	5,193	(238)	4,955

(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.