

Translation

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## Summary of Consolidated Financial Results for the First Two Quarters of the Fiscal Year Ending March 2024 (Based on Japanese GAAP)

November 10, 2023

Company name: Interworks Confidence Inc.

Listing exchange: Tokyo Stock Exchange

Securities code: 7374

URL: <https://ciw.jp/>

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Scheduled date for filing quarterly securities report: November 10, 2023

Scheduled date for commencing dividend payments: December 5, 2023

Preparation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial results briefing session: Yes

(Amounts are rounded down to the nearest million yen, unless otherwise noted)

### 1. Consolidated Financial Results for the First Two Quarters (April 1, 2023 to September 30, 2023) of the Fiscal Year Ending March 31, 2024

#### (1) Consolidated Operating Results (Cumulative)

(Percentage figures represent year-on-year changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First two quarters ended September 30, 2023	3,249	27.7	561	12.2	510	2.1	337	(0.5)
First two quarters ended September 30, 2022	2,544	21.5	501	41.5	500	44.1	339	45.2

(Note) Comprehensive income

First two quarters ended September 30, 2023: 337 million yen [-0.5%]

First two quarters ended September 30, 2022: 339 million yen [45.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First two quarters ended September 30, 2023	63.86	62.63
First two quarters ended September 30, 2022	74.04	71.76

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	6,762	5,712	84.2
As of March 31, 2023 (end of previous fiscal year)	2,892	2,023	69.6

(Reference) Total shareholders' equity

As of September 30, 2023: 5,696 million yen

As of March 31, 2023: 2,012 million yen

### 2. Cash Dividends

	Annual dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2023	-	20.00	-	28.00	48.00
Fiscal year ending March 2024	-	25.00	-	-	-
Fiscal year ending March 2024 (Forecast)	-	-	-	30.00	55.00

(Note) Revisions to the most recently announced dividend forecast: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentage figures indicate year-on-year changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,000	53.9	1,120	20.0	1,065	14.8	725	17.3	118.58

(Note) Revisions to the most recently announced earnings forecast: No

\* Notes

(1) Changes in significant subsidiaries during the quarter (changes in specified subsidiaries resulting in change in scope of consolidation): No

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

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to revisions to accounting standards and other regulations: No

2) Changes in accounting policies other than those in 1) above: No

3) Changes in accounting estimates: No

4) Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of September 30, 2023	6,608,977 shares	As of March 31, 2023	4,623,000 shares
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2) Number of treasury shares at the end of the period

As of September 30, 2023	4,156 shares	As of March 31, 2023	46 shares
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3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

First two quarters ended September 30, 2023	5,285,354 shares	First two quarters ended September 30, 2022	4,581,115 shares
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\* This summary of financial results is not subject to quarterly review procedures by a public accountant or audit corporation.

\* Explanation regarding appropriate use of earnings forecasts, and other notes

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual financial results and the like may differ materially due to various factors.

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**1. Quarterly Consolidated Financial Statements and Major Notes**  
**(1) Quarterly Consolidated Balance Sheets**

(Thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Second quarter of current fiscal year (As of September 30, 2023)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,047,536	3,648,216
Accounts receivable - trade	572,768	783,255
Accounts receivable - other	418	4,709
Other	41,291	86,772
Allowance for doubtful accounts	-	(5,104)
<b>Total current assets</b>	<b>2,662,015</b>	<b>4,517,849</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	46,334	123,452
Accumulated depreciation	(2,464)	(36,926)
Buildings, net	43,869	86,526
Tools, furniture and fixtures	47,859	102,533
Accumulated depreciation	(22,122)	(71,288)
Tools, furniture and fixtures, net	25,736	31,245
<b>Total property, plant and equipment</b>	<b>69,606</b>	<b>117,771</b>
<b>Intangible assets</b>		
Goodwill	-	1,622,307
Software	17,193	134,282
Software in progress	-	8,678
Trademark right	128	-
<b>Total intangible assets</b>	<b>17,321</b>	<b>1,765,267</b>
<b>Investments and other assets</b>		
Investment securities	20,900	35,900
Deferred tax assets	56,483	144,004
Guarantee deposits	64,693	179,879
Other	1,300	1,837
Allowance for doubtful accounts	-	(22)
<b>Total investments and other assets</b>	<b>143,377</b>	<b>361,598</b>
<b>Total non-current assets</b>	<b>230,305</b>	<b>2,244,638</b>
<b>Total assets</b>	<b>2,892,320</b>	<b>6,762,488</b>

(Thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Second quarter of current fiscal year (As of September 30, 2023)
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term borrowings	22,500	-
Accounts payable - trade	2,270	75,025
Accounts payable - other	80,588	216,185
Accrued expenses	283,333	316,411
Income taxes payable	216,116	146,404
Accrued consumption taxes	129,222	121,105
Deposits received	18,953	44,368
Contract liabilities	-	3,311
Refund liabilities	97	6,892
Provision for bonuses	115,632	120,260
Other	-	28
Total current liabilities	868,715	1,049,992
Non-current liabilities		
Deferred tax liabilities	11	-
Total non-current liabilities	11	-
Total liabilities	868,726	1,049,992
<b>Net assets</b>		
Shareholders' equity		
Share capital	508,034	509,234
Capital surplus	400,028	3,882,156
Retained earnings	1,104,231	1,312,321
Treasury shares	(83)	(6,814)
Total shareholders' equity	2,012,210	5,696,897
Share acquisition rights	11,383	15,598
Total net assets	2,023,594	5,712,495
Total liabilities and net assets	2,892,320	6,762,488

**(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income**Quarterly Consolidated Statements of Income  
(Cumulative)

(Thousands of yen)

	First two quarters of previous fiscal year (April 1, 2022 – September 30, 2022)	First two quarters of current fiscal year (April 1, 2023 – September 30, 2023)
Revenue	2,544,586	3,249,428
Cost of sales	1,641,310	1,899,103
Gross profit	903,276	1,350,325
Selling, general and administrative expenses	402,230	788,369
Operating profit	501,045	561,955
Non-operating income		
Interest income	8	41
Rental income from buildings	-	555
Subsidy income	-	279
Other	-	19
Total non-operating income	8	895
Non-operating expenses		
Interest expenses	488	37
Commission expenses	206	51,375
Other	-	445
Total non-operating expenses	695	51,858
Ordinary profit	500,358	510,992
Extraordinary income		
Gain on reversal of share acquisition rights	759	-
Total extraordinary income	759	-
Extraordinary losses		
Loss on retirement of non-current assets	2,873	-
Office relocation expenses	7,687	-
Total extraordinary losses	10,560	-
Profit before income taxes	490,557	510,992
Income taxes - current	145,665	128,734
Income taxes - deferred	5,728	44,725
Total income taxes	151,394	173,460
Profit	339,163	337,532
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	339,163	337,532

Quarterly Consolidated Statements of Comprehensive Income  
(Cumulative)

(Thousands of yen)

	First two quarters of previous fiscal year (April 1, 2022 – September 30, 2022)	First two quarters of current fiscal year (April 1, 2023 – September 30, 2023)
Profit	339,163	337,532
Other comprehensive income		
Total other comprehensive income	-	-
Comprehensive income	339,163	337,532
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	339,163	337,532
Comprehensive income attributable to non-controlling interests	-	-

**(3) Quarterly Consolidated Statements of Cash Flows**

(Thousands of yen)

	First two quarters of previous fiscal year (April 1, 2022 – September 30, 2022)	First two quarters of current fiscal year (April 1, 2023 – September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	490,557	510,992
Depreciation	15,618	16,630
Amortization of goodwill	-	27,496
Interest and dividend income	(8)	(41)
Foreign exchange losses (gains)	-	29
Loss on retirement of non-current assets	2,873	-
Share-based payment expenses	2,074	4,215
Gain on reversal of share acquisition rights	(759)	-
Relocation expenses	7,687	-
Decrease (increase) in trade receivables	(1,675)	3,832
Decrease (increase) in accounts receivable - other	(394)	24,160
Increase (decrease) in trade payables	3,255	11,404
Increase (decrease) in accounts payable - other	(3,441)	53,150
Increase (decrease) in accrued expenses	6,926	912
Increase (decrease) in deposits received	2,443	(13,659)
Increase (decrease) in provision for bonuses	(8,651)	(19,464)
Increase (decrease) in accrued consumption taxes	(37,922)	(29,751)
Other, net	6,432	15,450
Subtotal	485,016	605,358
Interest and dividends received	8	41
Interest paid	(488)	(40)
Payments of relocation expenses	(7,687)	-
Income taxes paid	(105,499)	(197,418)
Net cash provided by (used in) operating activities	371,350	407,941
Cash flows from investing activities		
Purchase of property, plant and equipment	(55,726)	(2,932)
Purchase of intangible assets	(2,501)	(14,134)
Proceeds from refund of guarantee deposits	38,742	2,826
Payments of guarantee deposits	(1,050)	(10)
Payments of asset retirement obligations	(11,230)	-
Purchase of investment securities	-	(15,000)
Net cash provided by (used in) investment activities	(31,765)	(29,252)
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,700	2,400
Repayments of long-term borrowings	(45,000)	(22,500)
Dividends paid	(183,216)	(129,442)
Purchase of treasury shares	-	(6,731)
Net cash provided by (used in) financing activities	(225,516)	(156,273)
Effect of exchange rate changes on cash and cash equivalents	-	(29)
Net increase (decrease) in cash and cash equivalents	114,068	222,384
Cash and cash equivalents at beginning of period	1,724,844	2,047,536
Increase in cash and cash equivalents resulting from merger	-	1,378,295
Cash and cash equivalents at end of period	1,838,912	3,648,216

#### (4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in the Amounts of Shareholder's Equity)

The Company merged with Interworks, Inc. as of August 1, 2023, and allotted and issued 0.205 shares of common stock of Confidence for each share of common stock of Interworks. As a result of the merger, capital surplus increased by 3,480,927 thousand yen to 3,882,156 thousand yen as of the end of the second quarter of the current consolidated fiscal year.

(Segment Information, Etc.)

[Segment information]

I. First two quarters of the previous fiscal year (April 1, 2022 – September 30, 2022)

1. Information on revenue and profit or loss and revenue breakdown by reportable segment

(Thousands of yen)

	Reportable segment				Adjustments (Note 1)	Amount recorded in quarterly statements of income (Note 2)
	HR Solution business Staffing, Outsourcing	HR Solution business Recruitment	Media & Solutions business	Total		
Revenue						
Staffing	2,385,432	-	-	2,385,432	-	2,385,432
Recruitment	-	21,715	-	21,715	-	21,715
Job advertisement	-	-	-	-	-	-
Outsourcing and other	110,308	-	27,129	137,438	-	137,438
Sales to outside customers	2,495,741	21,715	27,129	2,544,586	-	2,544,586
Inter-segment sales or transfers	10,531	-	-	10,531	(10,531)	-
Total	2,506,272	21,715	27,129	2,555,118	(10,531)	2,544,586
Segment profit	678,765	6,331	13,096	698,193	(197,147)	501,045

(Notes) 1. Adjustments of segment profit (-197,147 thousand yen) include corporate expenses of 197,147 thousand yen that are not allocated to each reportable segment.

2. Segment profit has been adjusted with the operating profit in the Quarterly Consolidated Statements of Income.

2. Information on impairment losses on non-current assets by reportable segment and goodwill

Not applicable.

II. First two quarters of the current fiscal year (April 1, 2023 – September 30, 2023)

1. Information on revenue and profit or loss and revenue breakdown by reportable segment

(Thousands of yen)

	Reportable segment				Adjustments (Note 1)	Amount recorded in quarterly statements of income (Note 2)
	HR Solution business Staffing, Outsourcing	HR Solution business Recruitment	Media & Solutions business	Total		
Revenue						
Staffing	2,657,432	-	-	2,657,432	-	2,657,432
Recruitment	-	256,996	-	256,996	-	256,996
Job advertisement	-	-	162,979	162,979	-	162,979
Outsourcing and other	103,192	-	68,827	172,020	-	172,020
Sales to outside customers	2,760,624	256,996	231,807	3,249,428	-	3,249,428
Inter-segment sales or transfers	-	-	-	-	-	-
Total	2,760,624	256,996	231,807	3,249,428	-	3,249,428
Segment profit	728,022	85,657	53,050	866,729	(304,774)	561,955

(Notes) 1. Adjustments of segment profit (-304,774 thousand yen) include amortization of goodwill of 27,496 thousand yen and corporate expenses of 277,277 thousand yen that are not allocated to each reportable segment.

2. Segment profit has been adjusted with the operating profit in the Quarterly Consolidated Statements of Income.

2. Information on changes in reportable segments, etc.

As of August 1, 2023, during the second quarter of the current fiscal year, the Company merged with Interworks, Inc., the absorbed and dissolving company, and changed its name to Interworks Confidence Inc. As a result, the Group's business domain expanded significantly; from the second quarter of the current consolidated fiscal year. The reportable

segment classification has been changed to “HR Solution business: Staffing/Outsourcing,” “HR Solution business: Recruitment,” and “Media & Solutions business.”

The segment information for the first two quarters of the previous fiscal year has been reclassified based on the new reportable segment classifications.

3. Information on impairment losses on non-current assets by reportable segment and goodwill  
(Significant changes in the amount of goodwill)

As of August 1, 2023, the Company merged with Interworks, Inc., the absorbed and dissolving company, and changed its name to Interworks Confidence Inc. The increase in goodwill due to this event was 1,649,804 thousand yen in the first two quarters of the current consolidated fiscal year.

The amount of goodwill is tentatively calculated and not allocated to any reportable segment since the allocation of the acquisition cost has not been completed as of the end of the second quarter of the current fiscal year.

(Business combinations, etc.)

(Business combination through acquisition)

The Company and Interworks, Inc. (“Interworks”) conducted an absorption-type merger with the Company as the absorbing and surviving company and Interworks as the absorbed and dissolving company (the “Merger”), effective August 1, 2023, and changed its trade name to “Kabushiki Kaisha Confidence Interworks” (English name: “Interworks Confidence Inc.”) on the same day.

1. Summary of business combination

(1) Name of the acquired company and its business

Name of the acquired company	Interworks, Inc
Business description	Media & Solutions business, recruitment business, hiring support business

(2) Main reason for the business combination

We aim to realize the benefits of the integration by focusing on “Expanding the business areas of the HR Solution business/achieving business growth through cross-selling,” “Reinforcing the Media business,” and “Strengthening the business management foundation and reducing administration costs.”

(3) Date of business combination

August 1, 2023

(4) Legal format of the business combination

Absorption-type merger with the Company as the absorbing and surviving company and Interworks as the absorbed and dissolving company

(5) Company name after business combination

“Kabushiki Kaisha Confidence Interworks”  
(English name: “Interworks Confidence Inc.”)

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately before the merger	0%
Percentage of voting rights additionally acquired on the date of business combination	100%
Percentage of voting rights after acquisition	100%

(7) Main reasons for determining the acquiring company

Confidence was determined to be the acquiring company after comprehensively considering plural factors, including the existence of differences in relative size, in addition to the fact that Confidence is the company that will issue the shares.

2. Period of the acquired company’s operating results included in the quarterly statement of income for the first two quarters of the current fiscal year

From August 1, 2023 to September 30, 2023

3. Acquisition cost of the acquired company and breakdown by type of consideration

The fair value of the Company’s common stock shares issued on the date of business combination	3,480,927 thousand yen
Acquisition cost	3,480,927 thousand yen

4. Merger ratio by type of share, its calculation method, and number of shares issued

(1) Merger ratio by type of share

The Company allotted and issued 0.205 shares of its common stock for each share of common stock of Interworks.

(2) Calculation method of merger ratio

In order to ensure the fairness of the merger ratio, it was determined that each company should separately request an independent third-party appraiser to calculate the merger ratio. The Company selected SBI Securities Co., Ltd. and Interworks selected YAMADA Consulting Group Co., Ltd.

The Company and Interworks repeatedly conducted negotiations and discussions on the merger ratio in earnest, with reference to the calculation results, etc. received from the third-party appraisers they selected and in consideration of their respective financial conditions, performance trends and stock price trends, etc. Consequently, the two companies ultimately determined that the above merger ratio is appropriate and contributes to the interests of their respective shareholders, and agreed and determined the merger ratio.

(3) Number of shares issued

1,981,177 shares in common stock

5. Description and amount of major acquisition-related expenses

Fees and commissions for advisory services 52,890 thousand yen

6. Goodwill generated by merger, reason, amortization method and period

(1) Goodwill generated by merger

1,649,804 thousand yen

The amount of goodwill is tentatively calculated since the allocation of the acquisition cost has not been completed as of the end of the second quarter of the current fiscal year.

(2) Cause of occurrence

This is the excess earning power expected from the future effects of business integration and business development.

(3) Amortization method and period

Equal amortization over 10 years

7. Amounts of assets received and liabilities assumed on the date of business combination and their main breakdown

Current assets	1,686,735 thousand yen
Non-current assets	432,713 thousand yen
<u>Total assets</u>	<u>2,119,448 thousand yen</u>
Current liabilities	288,325 thousand yen
Non-current liabilities	-
<u>Total liabilities</u>	<u>288,325 thousand yen</u>

8. Amount allocated to intangible assets other than goodwill and its breakdown by main type

Not applicable.

9. Estimated amount of impact of the business combination on the quarterly consolidated statements of income for the current consolidated quarter as if the business combination had been completed on the first day of the consolidated fiscal year and the method for calculating it

Not stated because it is difficult to calculate an estimated amount during the current quarterly consolidated accounting period.

(Significant Subsequent Events)

Not applicable.