

Translation

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Summary of Consolidated Financial Results for the First Two Quarters (Interim Period) of the Fiscal Year Ending March 2025 (Based on Japanese GAAP)

November 8, 2024

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 8, 2024

Scheduled date for commencing dividend payments: December 5, 2024

Preparation of supplementary materials on financial results: Yes

Holding of 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 (Interim Period) (April 1, 2024 to September 30, 2024) of the Fiscal Year Ending March 31, 2025

(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	%
Interim period ended September 30, 2024	4,335	33.4	696	23.9	700	37.2	439	30.3
Interim period ended September 30, 2023	3,249	27.7	561	12.2	510	2.1	337	(0.5)

(Note) Comprehensive income

Interim period ended September 30, 2024: 437 million yen [29.5%]

Interim period ended September 30, 2023: 337 million yen [-0.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Interim period ended September 30, 2024	70.40	69.67
Interim period ended September 30, 2023	63.86	62.63

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	6,434	5,367	82.9
As of March 31, 2024	7,184	5,970	82.7

(Reference) Total shareholders' equity

As of September 30, 2024: 5,332 million yen

As of March 31, 2024: 5,939 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 31, 2024:	-	25.00	-	30.00	55.00
Fiscal year ending March 31, 2025	-	30.00	-	-	-
Fiscal year ending March 31, 2025 (Forecast)	-	-	-	35.00	65.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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	9,000	20.2	1,400	17.1	1,401	22.6	882	21.6	140.00

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

* Notes

(1) Significant changes in the scope of consolidation during the interim period: No

(2) Application of accounting treatments specific to the preparation of interim 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) Change in accounting estimate: 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, 2024	6,660,777 shares	As of March 31, 2024:	6,655,177 shares
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2) Number of treasury shares at the end of the period

As of September 30, 2024	537,908 shares	As of March 31, 2024:	6,300 shares
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3) Average number of shares during the period (interim period)

Interim period ended September 30, 2024	6,248,607 shares	Interim period ended September 30, 2023	5,285,354 shares
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* This summary of financial results for the first two quarters (interim period) is not subject to 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. Interim Consolidated Financial Statements and Major Notes
(1) Interim Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (As of March 31, 2024)	Interim of current fiscal year (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	4,089,380	3,569,281
Accounts receivable - trade	818,642	803,301
Accounts receivable - other	5,462	6,197
Other	100,161	79,541
Allowance for doubtful accounts	(5,212)	(1,075)
Total current assets	5,008,434	4,457,246
Non-current assets		
Property, plant and equipment		
Buildings	123,452	96,414
Accumulated depreciation	(55,943)	(34,251)
Buildings, net	67,508	62,163
Tools, furniture and fixtures	97,268	80,100
Accumulated depreciation	(69,604)	(40,395)
Tools, furniture and fixtures, net	27,663	39,705
Total property, plant and equipment	95,172	101,868
Intangible assets		
Software	146,091	118,997
Goodwill	1,539,817	1,457,327
Total intangible assets	1,685,908	1,576,324
Investments and other assets		
Investment securities	15,000	15,000
Deferred tax assets	151,604	129,035
Guarantee deposits	224,133	148,368
Other	4,331	10,910
Allowance for doubtful accounts	(22)	(4,686)
Total investments and other assets	395,046	298,629
Total non-current assets	2,176,127	1,976,822
Total assets	7,184,561	6,434,069

(Thousands of yen)

	Previous fiscal year (As of March 31, 2024)	Interim of current fiscal year (As of September 30, 2024)
Liabilities		
Current liabilities		
Current portion of long-term borrowings	3,159	2,249
Accounts payable - trade	83,755	102,510
Accounts payable - other	225,063	122,927
Accrued expenses	326,041	328,804
Income taxes payable	231,617	246,731
Accrued consumption taxes	154,827	119,667
Deposits received	29,776	25,451
Contract liabilities	1,245	1,666
Refund liabilities	7,818	8,758
Provision for bonuses	142,088	103,328
Total current liabilities	1,205,394	1,062,094
Non-current liabilities		
Long-term borrowings	8,529	4,418
Total non-current liabilities	8,529	4,418
Total liabilities	1,213,923	1,066,512
Net assets		
Shareholders' equity		
Share capital	520,784	522,590
Capital surplus	3,893,706	3,895,512
Retained earnings	1,535,227	1,775,635
Treasury shares	(10,143)	(861,009)
Total shareholders' equity	5,939,574	5,332,727
Share acquisition rights	27,403	33,978
Non-controlling interests	3,660	850
Total net assets	5,970,638	5,367,556
Total liabilities and net assets	7,184,561	6,434,069

(2) Interim Consolidated Statements of Income and Interim Consolidated Statements of Comprehensive Income
(Interim Consolidated Statements of Income)

	(Thousands of yen)	
	Interim of previous fiscal year (April 1, 2023 - September 30, 2023)	Interim of current fiscal year (April 1, 2024- September 30, 2024)
Revenue	3,249,428	4,335,075
Cost of sales	1,899,103	2,155,008
Gross profit	1,350,325	2,180,067
Selling, general and administrative expenses	788,369	1,483,898
Operating profit	561,955	696,168
Non-operating income		
Interest and dividend income	41	327
Rental income from buildings	555	1,224
Subsidy income	279	3,920
Other	19	272
Total non-operating income	895	5,743
Non-operating expenses		
Interest expenses	37	45
Commission expenses	51,375	925
Other	445	—
Total non-operating expenses	51,858	971
Ordinary profit	510,992	700,940
Extraordinary income		
Gain on sale of golf club membership	—	181
Total extraordinary income	—	181
Extraordinary losses		
Loss on retirement of non-current assets	—	1,002
Office relocation expenses	—	14,358
Total extraordinary losses	—	15,361
Profit before income taxes	510,992	685,760
Income taxes - current	128,734	226,127
Income taxes - deferred	44,725	22,569
Total income taxes	173,460	248,696
Profit	337,532	437,063
Profit attributable to non-controlling interests	—	(2,809)
Profit attributable to owners of parent	337,532	439,873

(Interim Consolidated Statements of Comprehensive Income)

	(Thousands of yen)	
	Interim of previous fiscal year (April 1, 2023 to September 30, 2023)	Interim of current fiscal year (April 1, 2024 to September 30, 2024)
Profit	337,532	437,063
Other comprehensive income		
Total other comprehensive income	-	-
Comprehensive income	337,532	437,063
(Breakdown)		
Comprehensive income attributable to owners of parent	337,532	439,873
Comprehensive income attributable to non-controlling interests	-	(2,809)

(3) Interim Consolidated Statements of Cash Flows

(Thousands of yen)

	Interim of previous fiscal year (April 1, 2023 to September 30, 2023)	Interim of current fiscal year (April 1, 2024 to September 30, 2024)
Cash flows from operating activities		
Profit before income taxes	510,992	685,760
Depreciation	16,630	54,648
Amortization of goodwill	27,496	82,490
Interest and dividend income	(41)	(327)
Loss (gain) on sale of golf club membership	-	(181)
Foreign exchange losses (gains)	29	-
Loss on retirement of non-current assets	-	1,002
Share-based payment expenses	4,215	6,574
Relocation expenses	-	14,358
Decrease (increase) in trade receivables	3,832	15,340
Decrease (increase) in accounts receivable - other	24,160	(734)
Increase (decrease) in trade payables	11,404	18,754
Increase (decrease) in accounts payable - other	53,150	(101,096)
Increase (decrease) in accrued expenses	912	2,762
Increase (decrease) in deposits received	(13,659)	(4,325)
Increase (decrease) in provision for bonuses	(19,464)	(38,760)
Increase (decrease) in accrued consumption taxes	(29,751)	(35,159)
Other, net	15,450	8,559
Subtotal	605,358	709,667
Interest and dividends received	41	327
Payments of relocation expenses	-	(7,552)
Interest paid	(40)	(45)
Income taxes paid	(197,418)	(207,319)
Net cash provided by operating activities	407,941	495,076
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,932)	(32,664)
Purchase of intangible assets	(14,134)	(4,396)
Proceeds from refund of guarantee deposits	2,826	73,854
Payments of guarantee deposits	(10)	-
Purchase of investment securities	(15,000)	-
Proceeds from sale of golf club membership	-	545
Net cash provided by (used in) investing activities	(29,252)	37,338
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,400	3,612
Repayments of long-term borrowings	(22,500)	(5,021)
Dividends paid	(129,442)	(199,324)
Purchase of treasury shares	(6,731)	(851,781)
Net cash provided by (used in) financing activities	(156,273)	(1,052,514)
Effect of exchange rate change on cash and cash equivalents	(29)	-
Net increase (decrease) in cash and cash equivalents	222,384	(520,099)
Cash and cash equivalents at beginning of period	2,047,536	4,089,380
Increase in cash and cash equivalents resulting from merger	1,378,295	-
Cash and cash equivalents at end of interim period	3,648,216	3,569,281

(4) Notes to Interim 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 acquired 530,000 treasury shares in accordance with the resolution made at the Board of Directors' meeting held on May 10, 2024. As a result, during the interim consolidated accounting period of the current fiscal year, treasury shares increased by 850,866 thousand yen including the purchase of shares less than one unit, amounting to 861,009 thousand yen at the end of the interim period.

(Notes to Segment Information, Etc.)

[Segment information]

I. Interim period of the previous 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 interim 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
Revenue from contracts with customers	2,760,624	256,996	231,807	3,249,428	-	3,249,428
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	725,022	74,933	50,275	850,231	(288,276)	561,955

(Note) 1. Adjustments of segment profit -288,276 thousand yen include amortization of goodwill of 10,998 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 Interim Consolidated Statements of Income.

2. 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, resulting in an increase of 1,649,804 thousand yen in goodwill during the current interim consolidated accounting period.

Segment profit is disclosed based on the amount after reviewing the allocation to the reportable segments, reflecting the finalized provisional accounting treatment related to this event.

II. Interim period of the current fiscal year (April 1, 2024 – September 30, 2024)

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 interim statements of income (Note 2)
	HR Solution business - Staffing/ Outsourcing	HR Solution business - Recruitment	Media & Solutions business	Total		
Revenue						
Staffing	2,627,155	-	-	2,627,155	-	2,627,155
Recruitment	-	826,391	-	826,391	-	826,391
Job advertisement	-	-	542,221	542,221	-	542,221
Outsourcing and other	117,988	-	221,319	339,308	-	339,308
Revenue from contracts with customers	2,745,143	826,391	763,540	4,335,075	-	4,335,075
Sales to outside customers	2,745,143	826,391	763,540	4,335,075	-	4,335,075
Inter-segment sales or transfers	-	-	-	-	-	-
Total	2,745,143	826,391	763,540	4,335,075	-	4,335,075
Segment profit	643,323	317,571	253,548	1,214,443	(518,275)	696,168

(Note) 1. Adjustments of segment profit -518,275 thousand yen include amortization of goodwill of 32,996 thousand yen and corporate expenses of 485,279 thousand yen that are not allocated to each reportable segment.

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

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

Not applicable.