

Financial Results for 1st Half of FY2020 Ending on February 29, 2020
(Japanese standard, Non-Consolidated)

October 11, 2019

Name of Company: DIP Corporation Listed on: First Section of the Tokyo Stock Exchange.

Code No.: 2379 URL <https://www.dip-net.co.jp/>

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Scheduled date of filing financial statements: October 15, 2019 Dividends to be paid from: November 12, 2019

Supplementary documents to the financial results: Yes

Financial results briefing: Yes (for investors and analysts)

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

1. Operating Results for 1st half of FY 2020 ending February 29, 2020 (from March 1, 2019 to August 31, 2019)

(1) Operating results (Percentage of change from previous year)

	Sales		Operating Income		Ordinary Income		Net Income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2020 1st half	22,825	10.3	7,230	16.3	7,256	16.6	4,928	15.0
FY2019 1st half	20,693	10.2	6,218	22.7	6,222	22.6	4,286	22.4

(Note) Inclusive profits: FY2020 Q1 ¥2,463 million (14.7%) FY2019 Q1 ¥2,148million (-%)

	Net Income per Share	Fully Diluted Net Income per Share
	¥	¥
FY2020 1st half	90.02	90.01
FY2019 1st half	77.13	77.08

(Note) The Company announced consolidated financial results for the 1st half of FY2019, but we are announcing financial results for the 1st half of FY2020 on a non-consolidated basis. Therefore, the financial results for the 1st half of the previous fiscal year are stated here on a non-consolidated basis for purposes of comparison.

(2) Financial condition

	Total Assets	Net Assets	Equity Ratio
	¥ million	¥ million	%
FY2020 1st half	35,135	27,615	76.0
FY2019	33,704	25,899	74.3

(Reference) Equity: FY2020 1st half ¥26,693 million FY2019 ¥25,048 million

2. Dividends

	Dividends per year				
	End of Q1	End of Q2	End of Q3	End of fiscal year	In Total
	¥	¥	¥	¥	¥
FY2019	—	24.00	—	26.00	50.00
FY2020	—	27.00	—	—	—
FY2020 (forecast)	—	—	—	26.00	53.00

(Note) Revision of dividends forecast from recently announced figures: Yes

3. Operating results forecast for FY2020 (March 1, 2019 to February 29, 2020)

(Percentage indicates change from previous year for full year)

	Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	45,500	7.9	12,800	-0.2	12,800	-0.5	8,700	-4.5	158.92
	~46,600	~10.5	~13,600	~6.0	~13,600	~5.8	~9,300	~2.1	~169.88

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

(Note) The personnel recruiting service business and the AI/ RPA business progressed at the anticipated pace since the previous forecast was announced on July 11, 2019. Meanwhile, BANQ Corporation, which was a consolidated subsidiary as of July 11, 2019, became a non-consolidated subsidiary on August 29, 2019. Consequently, the Company has adopted non-consolidated accounting standards from FY2020 1st half. Accordingly, the Company has now disclosed forecasted non-consolidated financial results for FY2020. Forecasted operating results for FY2020 are disclosed in a range format. The lower figures are those we estimate to accomplish while the higher figures are a numerical target.

* Others

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

(2) 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 |

(3) Number of outstanding shares (common stock)

- Number of outstanding shares at the end of period (including treasury stocks):
- Number of treasury stocks at the end of period:
- Average number of shares during the fiscal year

At the end of Q2 FY2020	62,000,000 shares	At the end of FY2019	62,000,000 shares
At the end of Q2 FY2020	7,806,739 shares	At the end of FY2019	6,786,876 shares
At the end of Q2 FY2020	54,745,823 shares	At the end of Q2 FY2019	55,582,895 shares

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, 1,731,660 shares at the end of FY2020 Q2) 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, 77,290 shares at the end of FY2020 Q2).

* This 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 financial results forecasts” of

“1. Qualitative information on half year financial results”, on page 3 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 the corporate website on October 11, 2019.

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1. Qualitative information on half year financial results

(1) Details of operating results

The Company announced the consolidated financial results for FY2019 1st half, but we are announcing financial results for FY2020 1st half on a non-consolidated basis. Therefore, the financial results for the 1st half of the previous fiscal year are stated here on a non-consolidated basis for purposes of comparison.

The Company operates a personnel-recruiting service business with a focus on job advertising media, including Baitoru, a job advertisement platform for part-time workers. In order to sustainably solve the problems facing our client companies, most critically the decline in the working-age population, during the fiscal year ending February 2020 the Company launched a business that will develop and provide services utilizing AI/RPA (Robotic Process Automation). Through this expansion of its business model, the Company is evolving into a “Labor force solution company”, utilizing 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 1 st half	FY 2020 1 st half	Amount of increase/decrease	Ratio of change (%)
Sales	¥20,693 million	¥22,825 million	¥2,131 million	+10.3%
Operating Income	¥6,218 million	¥7,230 million	¥1,012 million	+16.3%
Ordinary Income	¥6,222 million	¥7,256 million	¥1,034 million	+16.6%
Net Income	¥4,286 million	¥4,928 million	¥641 million	+15.0%

Sales for the 1st half of the fiscal year increased 10.3% year on year to ¥22,825 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 ¥7,230 million in operating profit (up 16.3% year on year), ¥7,256 million in ordinary profit (up 16.6% year on year) and ¥4,928 million in net income attributable to parent company shareholders (up 15.0% year on year). This is due (in part) to improved efficiency in allocation of advertising resources while continuing to maintain a robust promotional presence, and investment in human resources such as the recruitment of new graduates to further strengthen sales force.

(Note) 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.

	Six months FY 2019 1 st half	Six months FY 2020 1 st half	Amount of increase/decrease	Ratio of change (%)
1. Personnel Recruiting Services				
Sales	¥20,688 million	¥22,824 million	¥2,135 million	+10.3%
Segment Income	¥8,294 million	¥9,378 million	¥1,083 million	+13.1%
2. Other				
Sales	¥4 million	¥0 million	(¥4 million)	-88.3%
Segment Income (loss)	(¥228 million)	(¥162 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, providing career-change services for nurses. The Company continues to expand the user and customer base for these platforms through the vigorous effort of its sales force and the award-winning quality of its websites.

Sales and segment profit for the 1st half of the fiscal year increased 10.3% year on year to ¥22,824 million and 13.1% year on year to ¥9,378 million, respectively, thanks in part to high growth at Baitoru NEXT, the job board for full-time employees, and favorable sales in regional and suburban areas.

2. Others

AI/RPA has been recently attracting a great deal of attention as a technology with the potential to solve labor shortages and improve productivity. However, AI/RPA services which are currently available in the market, cannot easily be adopted by many firms due to issues such as lead time to launch and cost to develop, introduce and maintain.

In order to clear all of these hurdles to implementation at once, in September 2019 DIP Corporation launched a unique template robot called KOBOT that is easy to introduce. Our clients are able to implement KOBOT immediately at a low price. DIP's unique package KOBOT, that combines the existing AI and RPA tools, is now offered as a subscription model with a monthly fee. We plan to expand this business in earnest in the future. This segment is in its start-up phase, and sales declined 88.3% year on year to ¥0 million, and an operating loss of ¥162 million was recorded (as compared to an operating loss of ¥228 million in the same period of the previous year (Note 1)).

(Note 1) In FY2019, this segment included the LIMEX business, which sells LIMEX (Note 2) as an alternative to paper. However, in October 2018 we transferred responsibility for sales of this business to TBM Co., Ltd. so that TBM Co Ltd. can promote product development even further and increase sales.

(Note 2) LIMEX is a trademark of TBM Co., Ltd.

(2) Details of financial position

Total assets recorded at the end of the second quarter of the fiscal year amounted to ¥35,135 million, an increase of ¥1,430 million from the end of the previous fiscal year. This was attributable primarily to an increase of ¥568 million in cash and cash deposits, a fall of ¥144 million in notes receivable (trade) and accounts receivable (trade), an increase of ¥346 million in other current assets, an increase of ¥390 million in intangible fixed assets, and an increase of ¥298 million in investment securities.

Total liabilities recorded at the end of the second quarter of the fiscal year amounted to ¥7,519 million, a decrease of ¥284 million from the end of the previous fiscal year. Major factors contributing to this were an increase of ¥131 million in income taxes payable, and a decline of ¥480 million in other current liabilities.

Total net assets recorded at the end of the second quarter of the fiscal year amounted to ¥27,615 million yen, an increase of ¥1,715 million from the end of the previous fiscal year. Major factors contributing to this were a rise of ¥3,444 million in retained earnings, and a rise of ¥1,778 million in treasury stocks.

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

The personnel recruiting service business and the AI/ RPA (Robotic Process Automation) business progressed at the anticipated pace since the previous forecast announced on July 11, 2019. Meanwhile, BANQ Corporation, which was a consolidated subsidiary as of July 11, 2019, became a non-consolidated subsidiary on August 29, 2019. Consequently, the Company has adopted non-consolidated accounting standards from the 1st half of FY2020. Accordingly, the Company has now disclosed forecasted non-consolidated financial results for FY2020.

	Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
	¥ million	¥ million	¥ million	¥ million	¥
Full year	45,500	12,800	12,800	8,700	158.92
	~46,600	~13,600	~13,600	~9,300	~169.88

(Note) Forecasted operating results for FY2020 are disclosed in a range format. The lower figures of range are the figures we estimate to accomplish. The upper figures are the numerical target.

2. Half year financial statements
(1) Half year balance sheets
(Cumulative Second Quarter)

(Thousand yen)

	As of February 28, 2019	As of August 31, 2019
Assets		
Current assets		
Cash and deposits	14,741,455	15,310,395
Notes and accounts receivable (trade)	4,778,351	4,633,957
Storage	6,018	6,058
Other	369,157	715,464
Allowance for doubtful accounts	(126,904)	(125,394)
Total current assets	19,768,077	20,540,482
Fixed assets		
Tangible fixed assets	1,791,987	1,778,331
Intangible fixed assets		
Software	4,454,117	4,369,509
Other	5,195	479,917
Total intangible assets	4,459,313	4,849,426
Investments and other assets		
Investment securities	3,541,799	3,840,005
Other	4,163,834	4,155,147
Allowance for doubtful accounts	(20,849)	(28,244)
Total investments and other assets	7,684,784	7,966,908
Total fixed assets	13,936,084	14,594,666
Total assets	33,704,162	35,135,149
Liabilities		
Accounts payable (trade)		
Accounts payable (trade)	227,178	223,626
Income taxes payable	2,166,727	2,298,131
Provision for refund	44,335	41,842
Provision for bonuses	227,879	250,529
Asset retirement obligations	9,175	5,097
Other	4,245,462	3,765,350
Total current liabilities	6,920,758	6,584,577
Fixed liabilities		
Provision for share-based payment	74,741	75,082
Provision for directors' share-based benefit	100,572	95,039
Asset retirement obligations	448,756	460,636
Other	259,479	304,574
Total non-current liabilities	883,549	935,332
Total liabilities	7,804,308	7,519,909
Net Assets		
Shareholders' equity		
Capital stock	1,085,000	1,085,000
Capital surplus	1,958,297	1,963,239
Retained earnings	24,414,705	27,858,961
Treasury shares	(2,401,662)	(4,180,023)
Total shareholders' equity	25,056,340	26,727,177
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(8,018)	(33,747)
Total valuation and translation adjustments	(8,018)	(33,747)
Share acquisition rights	851,532	921,809
Total net assets	25,899,854	27,615,239
Total liabilities and net assets	33,704,162	35,135,149

(2) Half year income statement
(Cumulative Second Quarter)

(Thousand yen)

	Six months ended August 31, 2019
Net sales	22,825,190
Cost of sales	1,483,761
Gross income	21,341,428
Selling, general and administrative expenses	14,110,506
Operating income	7,230,922
Non-operating income	
Interest income	1,747
Insurance income	17,766
Other	8,091
Total non-operating income	27,605
Non-operating expenses	
Amortization of Copyright	1,274
Commission fees	968
Other	50
Total non-operating expenses	2,293
Ordinary income	7,256,234
Extraordinary income	
Gain on reversal of share acquisition rights	31,937
Total extraordinary income	31,937
Extraordinary losses	
Loss on valuation of investment securities	2,758
Loss on sales of shares of subsidiaries and associates	152,600
Total extraordinary losses	155,358
Profit before income taxes	7,132,814
Corporate, inhabitant and enterprise taxes	2,156,070
Income taxes deferred	48,550
Total income taxes	2,204,621
Net income	4,928,192

(3) Half year cash flow statement

(Thousand yen)

	Six months ended August 31, 2019
Cash flow from operating activities	
Profit before income taxes	7,132,814
Depreciation	813,684
Share-based compensation expenses	105,198
Receivable interest and dividends	(1,747)
Insurance income	(17,766)
Commission fees	968
Gain on reversal of share acquisition rights	(31,937)
Loss (gain) on valuation of investment securities	2,758
Loss (gain) on sales of shares of subsidiaries and associates	152,600
Decrease or increase in trade receivables	137,000
Increase (decrease) in notes and accounts payable (trade)	(3,551)
Increase (decrease) in unearned revenue	29,936
Increase (decrease) in allowance for doubtful accounts	5,883
Increase (decrease) in provision for bonuses	22,650
Increase (decrease) in provision for refund	(2,493)
Decrease (increase) in other assets	(251,932)
Increase (decrease) in other liabilities	(550,058)
Other	15,769
Subtotal	7,559,775
Interest and dividends received	44
Proceeds from insurance income	17,766
Income taxes paid	(2,066,955)
Net cash provided by (used in) operating activities	5,510,630
Cash flows from investing activities	
Expenditures for acquisition of tangible fixed assets	(79,785)
Expenditures for acquisition of intangible fixed assets	(1,022,311)
Purchase of investment securities	(338,038)
Purchase of shares of subsidiaries and associates	(380,490)
Proceeds from sales of shares of subsidiaries and associates	100,000
Payments for lease deposits	(1,935)
Proceeds from collection of lease and guarantee deposits	18,176
Payments for asset retirement obligations	(11,200)
Net cash provided by (used in) investing activities	(1,715,583)
Cash flows from financing activities	
Purchase of treasury shares	(1,805,150)
Proceeds from sales of treasury shares	55,418
Proceeds from exercise of share options	6,987
Cash dividends paid	(1,482,394)
Other payments	(968)
Net cash provided by (used in) financing activities	(3,226,107)
Net increase (decrease) in cash and cash equivalents	568,940
Cash and cash equivalents at beginning of period	14,741,455
Cash and cash equivalents at end of period	15,310,395

(4) Notes on half year 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 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 111,022 thousand yen, 1,731,660 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 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 Share-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 231,174 thousand yen, 77,290 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 1st half 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 1,080,800 shares of treasury stock for ¥1,805,150 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 1st half of the fiscal year stood at ¥4,180,023 thousand.

(Equity in earnings of affiliates, etc.)

	Six months ended August 31, 2019
Investments in affiliated companies	1,981,044 thousand yen
Investments under the equity method	1,589,907 thousand yen
	Six months ended August 31, 2019
Investment loss from the equity method (loss)	(216,602) thousand yen

(Segment Information)

【Segment Information】

Cumulative Second Quarter of the Fiscal Year (From March 1, 2019 to August 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	22,824,650	540	22,825,190	—	22,825,190
Sales and transfer – inter-segment	—	—	—	—	—
Total	22,824,650	540	22,825,190	—	22,825,190
Segment profit (loss)	9,378,247	(162,081)	9,216,166	(1,985,243)	7,230,922

(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 (¥1,985,243 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 statements of income.

2. Information concerning impairment losses of non-current assets or amortization of goodwill etc. in each reporting segment
None

(Significant Subsequent Events)

None

(Reference Information)

(1) Half year income statement

(Thousand yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From March 1, 2018 to August 31, 2018)	Cumulative Second Quarter of the Current Fiscal Year (From March 1, 2019 To August 31, 2019)	Amount of increase/decrease	Ratio of change (%)
Net sales	20,693,519	22,825,190	2,131,671	10.3
Cost of sales	1,293,765	1,483,761	189,996	14.7
Gross income	19,399,754	21,341,428	1,941,674	10.0
Selling, general and administrative expenses	13,181,289	14,110,506	929,216	7.0
Operating income	6,218,464	7,230,922	1,012,457	16.3
Non-operating income				
Interest income	1,026	1,747	721	70.3
Insurance income	-	17,766	17,766	-
Other	7,803	8,091	287	3.7
Total non-operating income	8,829	27,605	18,775	212.6
Non-operating expenses				
Amortization of Copyright	1,250	1,274	24	2.0
Commission fees	3,069	968	(2,101)	(68.5)
Other	913	50	(863)	(94.5)
Total non-operating expenses	5,232	2,293	(2,939)	(56.2)
Ordinary income	6,222,061	7,256,234	1,034,173	16.6
Extraordinary income				
Gain on sales of investment securities	4,365	-	(4,365)	-
Gain on reversal of share acquisition rights	14,922	31,937	17,015	114.0
Total extraordinary income	19,287	31,937	12,650	65.6
Extraordinary losses				
Loss on valuation of investment securities	-	2,758	2,758	-
Loss on sales of shares of subsidiaries and associates	-	152,600	152,600	-
Total extraordinary losses	-	155,358	155,358	-
Profit before income taxes	6,241,348	7,132,814	891,465	14.3
Corporate, inhabitant and enterprise taxes	1,892,963	2,156,070	263,107	13.9
Income taxes deferred	61,437	48,550	(12,886)	(21.0)
Total income taxes	1,954,400	2,204,621	250,221	12.8
Net income	4,286,948	4,928,192	641,244	15.0

(Note) The Company announced the consolidated financial results for FY2019 1st half, but we are announcing financial results for FY2020 1st half on a non-consolidated basis. Therefore, the financial results for the 1st half of the previous fiscal year are stated here on a non-consolidated basis for purposes of comparison.

(2) Cash Flow Statement

(Thousand yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From March 1, 2018 to August 31, 2018)	Cumulative Second Quarter of the Current Fiscal Year (From March 1, 2019 To August 31, 2019)
Cash flow from operating activities		
Profit before income taxes	6,241,348	7,132,814
Depreciation	715,290	813,684
Share-based compensation expenses	136,934	105,198
Receivable interest and dividends	(1,026)	(1,747)
Insurance income	-	(17,766)
Commission fees	-	968
Gain on reversal of share acquisition rights	(14,922)	(31,937)
Loss (gain) on valuation of investment securities	-	2,758
Loss (gain) on sale of investment securities	(4,365)	-
Loss (gain) on sales of shares of subsidiaries and associates	-	152,600
Decrease or increase in trade receivables	281,770	137,000
Increase (decrease) in notes and accounts payable (trade)	15,644	(3,551)
Increase (decrease) in unearned revenue	12,876	29,936
Increase (decrease) in allowance for doubtful accounts	(7,107)	5,883
Increase (decrease) in provision for bonuses	15,380	22,650
Increase (decrease) in provision for refund	5,562	(2,493)
Decrease (increase) in other assets	(161,176)	(251,932)
Increase (decrease) in other liabilities	(712,512)	(550,058)
Other	22,357	15,769
Subtotal	6,546,055	7,559,775
Interest and dividends received	44	44
Proceeds from insurance income	-	17,766
Income taxes paid	(1,969,057)	(2,066,955)
Net cash provided by (used in) operating activities	4,577,043	5,510,630
Cash flows from investing activities		
Expenditures for acquisition of tangible fixed assets	(342,260)	(79,785)
Expenditures for acquisition of intangible fixed assets	(928,719)	(1,022,311)
Purchase of investment securities	(1,000,000)	(338,038)
Purchase of shares of subsidiaries and associates	24,300	-
Proceeds from sales of shares of subsidiaries and associates	(907,897)	(380,490)
Payments for lease deposits	-	100,000
Proceeds from collection of lease and guaranteed deposits	(5,477)	(1,935)
Payments for asset retirement obligations	60,982	18,176
Net cash provided by (used in) investing activities	(29,754)	(11,200)
Payments of long-term loans receivable	(300,000)	-
Net cash provided by (used in) investing activities	(3,428,827)	(1,715,583)
Cash flows from financing activities		
Purchase of treasury shares	(1,708,904)	(1,805,150)
Proceeds from sales of treasury shares	55,442	55,418
Proceeds from exercise of share options	18,894	6,987
Cash dividends paid	(1,382,838)	(1,482,394)
Other payments	-	(968)
Net cash provided by (used in) financing activities	(3,017,407)	(3,226,107)
Net increase (decrease) in cash and cash equivalents	(1,869,191)	568,940
Cash and cash equivalents at beginning of period	14,440,340	14,741,455
Cash and cash equivalents at end of period	12,571,149	15,310,395

(Note) The Company announced the consolidated financial results for FY2019 1st half, but it is announcing financial results for FY2020 1st half on a non-consolidated basis. Therefore, the financial results for the 1st half of the previous fiscal year are stated here on a non-consolidated basis for purposes of comparison.

(3) Selling, general and administrative expenses

(Thousand yen)

	Cumulative Second Quarter of the Previous Fiscal Year (From March 1, 2018 to August 31, 2018)	Cumulative Second Quarter of the Current Fiscal Year (From March 1, 2019 To August 31, 2019)	Amount of increase/decrease	Ratio of change (%)
Personnel (Note 1)	5,585,062	6,153,236	568,173	10.2
Advertising Cost (Note 2)	5,694,326	5,839,746	145,419	2.6
Land & Office Rental	535,537	530,456	(5,081)	(0.9)
Other	1,366,362	1,587,067	220,705	16.2
Total	13,181,289	14,110,506	929,216	7.0

(Note 1) Personnel cost include salaries, welfare benefits, etc., as well as recruitment related expenses and educational expenses.

(Note 2) Advertising cost includes sales promotion expenses.

(Note 3) The Company announced the consolidated financial results for first half of FY2019, but we are announcing financial results for FY2020 1st half on a non-consolidated basis. Therefore, the financial results for the 1st half of the previous fiscal year are stated here on a non-consolidated basis for purposes of comparison.

(4) Segment information

【Segment Information】

1. Cumulative 1st half of the Previous Fiscal Year (From March 1, 2018 to August 31, 2018)

The Company announced the consolidated financial results for the 1st half of FY2019, but we are announcing financial results for the 1st half of FY2020 on a non-consolidated basis. Therefore, the financial results for the 1st half of the previous fiscal year are stated here on a non-consolidated basis for purposes of comparison.

(Thousand yen)

	Reported segment	Others (Notes 1)	Total	Adjustment (Notes 2)	Amount of statements of income (Notes 3)
	Personnel Recruiting Services				
Net sales					
Sales – outside customers	20,688,884	4,634	20,693,519	—	20,693,519
Sales and transfer – inter-segment	—	—	—	—	—
Total	20,688,884	4,634	20,693,519	—	20,693,519
Segment profit (loss)	8,294,666	(228,983)	8,065,683	(1,847,218)	6,218,464

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

2. Adjustment of segment of loss of ¥1,847,218 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. Cumulative Second Quarter of the Fiscal Year (From March 1, 2019 to August 31, 2019)

(Thousand yen)

	Reported segment	Others (Note 1)	Total	Adjustment (Notes 2)	Amount of statements of income (Notes 3)
	Personnel Recruiting Services				
Net sales					
Sales – outside customers	22,824,650	540	22,825,190	—	22,825,190
Sales and transfer – inter-segment	—	—	—	—	—
Total	22,824,650	540	22,825,190	—	22,825,190
Segment profit (loss)	9,378,247	(162,081)	9,216,166	(1,985,243)	7,230,922

(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 (¥1,985,243 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.

In the event of any inconsistency between the English-language documents and the Japanese-language documents, the Japanese-language documents will prevail.