Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 8, 2024

Company name: WDB Holdings Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 2475
URL: https://www.wdbhd.co.jp/eng/
Representative: Toshimitsu Nakano, President and CEO
Inquiries: Miki Otsuka, Senior Managing Director
Telephone: 079-287-0111

Scheduled date to file semi-annual securities report: November 11, 2024
Scheduled date to commence dividend payments: December 2, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

(Amounts are rounded down to the nearest million yen)

[Translation for Reference Purposes Only]
This document is a translation of the Japanese original for reference purpose only. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income Attributable to Owners of the Parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	25,633	4.0	2,603	- 2.1	2,613	- 2.5	1,324	- 10.7
September 30, 2023	24,654	4.0	2,658	- 6.7	2,680	- 7.3	1,484	- 12.6

(NOTE) Comprehensive income For the six months ended September 30, 2024 1,545Millions of yen (- 7.7%) For the six months ended September 30, 2023 1,674Millions of yen (- 12.0%)

	Net Income per Share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2024	67.45	-
September 30, 2023	75.56	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity Ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	40,170	31,783	76.1
March 31, 2024	39,827	31,150	75.4

(Reference) Shareholders' equity As of September 30, 2024 30,584Millions of yen As of March 31, 2024 30,044Millions of yen

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	29.00	-	43.50	72.50
Fiscal year ending March 31, 2025	-	24.00			
Fiscal year ending March 31, 2025 (Forecast)			-	36.50	60.50

(NOTE) Revisions to the most recently announced dividend forecasts: None

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income Attributable to Owners of the Parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	51,800	5.1	4,750	- 13.1	4,770	- 13.4	2,970	- 16.3	151.23

(NOTE) Revisions to the most recently announced earnings forecasts: None

※ Notes

(1) Significant changes in the scope of consolidation during the period: None

New:-(Company name:-), Excluded:-(Company name:-)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies due to revision of accounting standards: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement of revisions: None

(4) Number of shares outstanding (common shares)

(i) Number of shares outstanding at the end of the period (including treasury stock)	As of September 30, 2024	20,060,000 Shares	As of March 31, 2024	20,060,000 Shares
(ii) Number of treasury stock at the end of the period	As of September 30, 2024	420,949 Shares	As of March 31, 2024	420,949 Shares
(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	Six months ended September 30, 2024	19,639,051 Shares	Six months ended September 30, 2023	19,639,051 Shares

※ Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

※ Proper use of earnings forecasts, and other special matters

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "Overview of Operating Results" on page 2 of the attached material for the assumptions upon which the forecasts are based and the cautionary statements regarding the use of the forecasts.

1. Overview of Operating Results

(1) Overview of Operating Results for the Six Months Ended September 30, 2024

The ratio of job offers to applicants (seasonally adjusted figure) during the six months ended September 30, 2024 was 1.24 times, a decrease of 0.06 points from the average for the same period of the previous fiscal year. In addition, the average unemployment rate (seasonally adjusted) was 2.6%, the same level as the average for the same period of the previous fiscal year. Compared with the same period of the previous fiscal year, the number of job offers has decreased slightly.

In the human resources services business, we began full-scale sales and recruitment activities centered on support desks. In addition, in order to strengthen the hiring of new temporary staff, we have begun recruiting job offers with higher compensation.

In CRO business, the performance of WDB coco Co., Ltd. and Oy Medfiles Ltd. continued to be firm. In addition, Finnish Oy Medfiles Ltd. continued to focus its resources on high-margin businesses.

As a result of the activities described above, net sales for the six months ended September 30, 2024 were ¥25,633 million (up 4.0% year on year). Operating income was ¥2,603 million (down 2.1% year on year), ordinary income was ¥2,613 million (down 2.5% year on year), and net income attributable to owners of parent was ¥1,324 million (down 10.7% year on year). In addition, the ratio of operating income to net sales, an indicator that we emphasize, was 10.2% (10.8% in the same period of the previous fiscal year) and the ratio of ordinary income to net sales was 10.2% (10.9% in the same period of the previous fiscal year). The main reason for the decrease in profit was an increase in cost of sales due to the improvement in the treatment of temporary employees.

Operating results by segment are as follows.

(NOTE) Segment income is before elimination of inter-segment transactions.

(i) Human Resource Service Business

In this segment, net sales were ¥21,588 million (up 1.7% year on year). Segment profit was ¥2,019 million (down 12.0% year on year). The main reason for the decrease in profit was an increase in cost of sales due to the improvement in the treatment of temporary employees.

(ii) CRO business

In this segment, net sales were ¥4,045 million (up 18.1% year on year). Segment profit was ¥817 million (up 34.5% year on year). Both sales and profits increased due to the strong performance of WDB coco Co., Ltd. and Oy Medfiles Ltd..

(2) Overview of Financial Position for the Six Months Ended September 30, 2024

(i) Assets, liabilities and net assets

As of September 30, 2024, total assets stood at ¥40,170 million (up ¥342 million from March 31, 2024). Liabilities were ¥8,386 million (down ¥289 million from March 31, 2024). Net assets were ¥31,783 million (up ¥632 million from March 31, 2024).

(ii) Cash Flow

As of September 30, 2024, cash and cash equivalents amounted to ¥20,378 million (up ¥589 million year on year). The status of each cash flow and its factors are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was ¥2,190 million (down ¥13 million year on year). This was mainly due to a decrease in accounts payable-other of ¥785 million despite the recording of ¥2,600 million in profit before income taxes and minority interests.

(Cash flow from investing activities)

Net cash used in investing activities was ¥1,860 million (up ¥1,705 million year on year). This was mainly due to the purchase of property, plant and equipment of ¥1,667 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥928 million (up ¥273 million year on year). This was mainly due to cash dividends paid of ¥853 million.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

The consolidated earnings forecast and dividends for the year ended March 31, 2025 are unchanged from the earnings forecast announced on May 14, 2024.

2. Semi-annual Consolidated Financial Statements and Main Notes

(1) Semi-annual consolidated balance sheets

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	20,942,362	20,378,959
Accounts receivable and contract assets	6,469,017	6,317,363
Inventories	50,895	58,047
Others	1,184,281	474,677
Allowance for doubtful accounts	-	- 371
Total current assets	28,646,557	27,228,676
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	1,306,878	1,253,214
Land	6,739,821	6,739,821
Other, net	1,046,055	2,679,292
Total property, plant and equipment	9,092,755	10,672,329
Intangible assets		
Others	149,960	152,009
Total intangible assets	149,960	152,009
Investments and other assets		
Investment securities	130,139	125,344
Lease deposits	703,096	822,106
Deferred tax assets	824,797	862,028
Others	280,294	307,699
Total investments and other assets	1,938,328	2,117,178
Total noncurrent assets	11,181,043	12,941,517
Total assets	39,827,601	40,170,194
Liabilities		
Current liabilities		
Accounts payable	2,231,964	2,293,481
Accounts payable-other	933,415	142,712
Income taxes payable	893,203	1,226,425
Consumption tax payable	921,211	863,936
Provision for bonuses	760,510	896,692
Others	1,402,929	1,368,511
Total current liabilities	7,143,233	6,791,759
Long-term liabilities		
Provision for directors' retirement benefits	530,159	542,651
Obligations for retirement pay	485,629	497,122
Asset retirement obligations	232,105	242,060
Others	285,493	313,082
Total noncurrent liabilities	1,533,388	1,594,916
Total liabilities	8,676,622	8,386,675

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Net assets		
Shareholders' equity		
Common stock	1,000,000	1,000,000
Capital surplus	710,328	709,077
Retained earnings	29,419,084	29,889,379
Treasury stock	- 1,277,189	- 1,277,189
Total shareholders' equity	29,852,222	30,321,266
Other accumulated comprehensive income		
Valuation difference on securities	42,625	39,296
Foreign currency translation adjustments	157,073	228,646
Remeasurements of defined benefit plans	- 7,205	- 4,684
Total other accumulated comprehensive income	192,493	263,258
Non-controlling shareholders' equity	1,106,262	1,198,992
Total net assets	31,150,978	31,783,518
Total liabilities and net assets	39,827,601	40,170,194

(2) Semi-annual Consolidated Statements of Income and Semi-annual Consolidated Statements of Comprehensive Income

(Semi-annual Consolidated Statements of Income)

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	24,654,916	25,633,749
Cost of sales	18,723,112	19,732,263
Gross profit	5,931,804	5,901,485
Selling, general and administrative expenses	3,273,347	3,298,299
Operating income	2,658,457	2,603,186
Non-operating income		
Surrender value of insurance	39	5,375
Subsidy income	18,454	-
Gain on consumption and other tax exemption	910	-
Others	6,149	8,659
Total non-operating income	25,553	14,035
Non-operating expenses		
Foreign exchange losses	-	2,528
Others	3,056	837
Total non-operating expenses	3,056	3,365
Ordinary income	2,680,954	2,613,855
Extraordinary income		
Gain on sales of noncurrent assets	52	20
Total extraordinary income	52	20
Extraordinary losses		
Loss on retirement of noncurrent assets	7,732	13,679
Total extraordinary loss	7,732	13,679
Income before income taxes	2,673,274	2,600,197
Income taxes	1,089,029	1,138,885
Income taxes-deferred	- 20,676	- 13,655
Total income taxes	1,068,352	1,125,229
Net income	1,604,921	1,474,967
Net income attributable to non-controlling interests	120,911	150,373
Profit attributable to owners of parent	1,484,010	1,324,594

(Semi-annual Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net income	1,604,921	1,474,967
Other comprehensive income		
Valuation difference on securities	5,907	- 3,329
Foreign currency translation adjustments	61,636	71,572
Adjustments for retirement benefits	2,192	2,068
Total other comprehensive income	69,736	70,312
Comprehensive income	1,674,657	1,545,280
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,553,917	1,395,359
Comprehensive income attributable to non-controlling interests	120,740	149,920

(3) Semi-annual consolidated cash flow statement

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net cash provided by operating activities		
Income before income taxes	2,673,274	2,600,197
Depreciation and amortization	115,882	124,743
Increase (decrease) in accrued bonuses	74,289	136,182
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits (decrease in -)	8,435	12,491
(Decrease) increase in liability for retirement benefits	23,685	14,474
Interest and dividend income	- 1,136	- 2,564
Interest expenses	104	91
Loss (gain) on sales of property, plant and equipment (gain on -)	- 52	- 20
Loss on retirement of property, plant and equipment	7,732	13,679
Decrease (increase) in notes and accounts receivable-trade (increase in -)	46,432	184,456
Decrease (increase) in inventories (increase in -)	- 2,163	- 2,413
Decrease (increase) in other current assets (increase in -)	- 54,483	- 15,887
Increase (decrease) in notes and accounts payable-trade (decrease in -)	- 104,564	50,567
Increase (decrease) in accounts payable-other (decrease in -)	448,124	- 785,168
Increase (decrease) in accrued consumption taxes (decrease in -)	- 49,973	- 61,955
Decrease (increase) in other current liabilities (decrease in -)	11,400	- 10,030
Others	17,580	- 10,254
Subtotal	3,214,567	2,248,590
Interest and dividends income received	1,136	2,564
Interest expenses paid	- 104	- 91
Income taxes paid	- 1,011,113	- 60,072
Net cash provided by operating activities	2,204,485	2,190,989
Cash flow from investing activities		
Purchase of property, plant and equipment	- 123,614	- 1,667,238
Proceeds from sales of property, plant and equipment	52	361
Purchase of intangible assets	- 3,515	- 23,713
Payments for asset retirement obligations	- 8,551	- 29,801
Payments for lease deposits	- 18,643	- 126,536
Proceeds from collection of lease deposits	9,320	8,693
Others	- 9,479	- 22,024
Cash flow from investing activities	- 154,432	- 1,860,258

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flow from financing activities		
Repayments of lease obligations	- 15,208	- 15,975
Cash dividends paid	- 608,791	- 853,907
Dividends paid to non-controlling interests	- 31,847	- 58,367
Proceeds from share issuance to non-controlling shareholders	1,470	-
Purchase of treasury stock of subsidiaries in consolidation	-	- 115
Others	- 249	-
Cash flow from financing activities	- 654,627	- 928,366
Effect of exchange rate change on cash and cash equivalents	22,730	34,233
Net increase (decrease) in cash and cash equivalents	1,418,156	- 563,402
Cash and cash equivalents at beginning of term	18,370,835	20,942,362
Cash and cash equivalents, end of the period	19,788,991	20,378,959

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on Changes in Accounting Policies)

(Application of Accounting Standard for Income Taxes, Inhabitant Taxes and Enterprise Taxes, etc.)

"Accounting Standard for Income Taxes, Resident Taxes and Enterprise Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard, 2022") has been applied from the beginning of the current interim consolidated accounting period.

Revisions to the classification of income taxes (taxation of other comprehensive income) are made in accordance with the transitional treatment stipulated in the proviso of Article 20-3 of the Revised Accounting Standard for 2022 and the transitional treatment stipulated in Article 65-2 (2) of the "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, hereinafter referred to as the "2022 Revised Implementation Guidance"). This change in accounting policy had no impact on the semi-annual consolidated financial statements.

The Company has applied the revised guidance for 2022 from the beginning of the current interim consolidated accounting period to revise the treatment of deferral of gains and losses on sales of shares of subsidiaries arising from sales of subsidiaries among the Companies for tax purposes in the consolidated financial statements. This change in accounting policy is applied retroactively, and the semi-annual consolidated financial statements and consolidated financial statements for the previous interim consolidated accounting period and for the previous consolidated accounting year have been applied retroactively. This change in accounting policy had no impact on the semi-annual consolidated financial statements for the previous interim consolidated accounting period or on the consolidated financial statements for the previous fiscal year.

(Notes on Segment Information)

[Segment Information]

I. For the six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

1. Information on net sales and profits or losses by reportable segment

(Thousands of yen)

	Reportable Segments			Total
	Human Resource Service Business	CRO business	Total	
Net sales				
Sales to customers	21,229,163	3,425,753	24,654,916	24,654,916
Intersegment sales	19,559	-	19,559	19,559
Total	21,248,723	3,425,753	24,674,476	24,674,476
Segment profit	2,295,587	607,953	2,903,540	2,903,540

2. Difference between the total amount of income (loss) of reportable segments and the amount recorded in the semi-annual consolidated statements of income, as well as the main details of said difference (matters related to difference reconciliation)

(Thousands of yen)

Profit	Amount
Reportable segments total	2,903,540
Corporate expenses (Note)	- 245,083
Operating income in the semi-annual consolidated statements of income	2,658,457

(NOTE) Corporate expenses are mainly expenses related to holding companies that are not attributable to reportable segments.

3. Information on impairment loss on noncurrent assets and goodwill by reportable segment

Not applicable.

4. Information that breaks down the revenue generated by contracts with customers

(Thousands of yen)

			Revenue from contracts with customers	Total
Reportable Segments	Human Resource Service Business	Temporary staffing	20,846,767	21,229,163
		Placement/Recruiting	382,395	
	CRO business	Domestic companies	2,362,169	3,425,753
		Overseas companies	1,063,583	
Reportable segments total				24,654,916
Total				24,654,916

II. For the six ended September 30, 2024 (From April 1, 2024 to September 30, 2024)

1. Information on net sales and profits or losses by reportable segment

(Thousands of yen)

	Reportable Segments			Total
	Human Resource Service Business	CRO business	Total	
Net sales				
Sales to customers	21,588,609	4,045,139	25,633,749	25,633,749
Intersegment sales	20,167	-	20,167	20,167
Total	21,608,777	4,045,139	25,653,916	25,653,916
Segment profit	2,019,275	817,400	2,836,676	2,836,676

2. Difference between the total amount of income (loss) of reportable segments and the amount recorded in the semi-annual consolidated statements of income, as well as the main details of said difference (matters related to difference reconciliation)

(Thousands of yen)

Profit	Amount
Reportable segments total	2,836,676
Corporate expenses (Note)	- 233,489
Operating income in the semi-annual consolidated statements of income	2,603,186

(NOTE) Corporate expenses are mainly expenses related to holding companies that are not attributable to reportable segments.

3. Information on impairment loss on noncurrent assets and goodwill by reportable segment

Not applicable.

4. Information that breaks down the revenue generated by contracts with customers

(Thousands of yen)

			Revenue from contracts with customers	Total
Reportable Segments	Human Resource Service Business	Temporary staffing	21,229,419	21,588,609
		Placement/Recruiting	359,190	
	CRO business	Domestic companies	2,764,769	4,045,139
		Overseas companies	1,280,369	
Reportable segments total				25,633,749
Total				25,633,749

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Notes on the Going Concern Assumption)

Not applicable.