



Summary of Consolidated Financial Results for the Third Quarter Ended December 31, 2023 [Japanese GAAP]

February 14, 2024

Name of Listed Company: CAREERLINK CO., LTD.

Stock Listing: TSE

Code Number: 6070

URL: <https://www.careerlink.co.jp/>

Representative: (Title) President, Representative Director, and Executive Officer

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Scheduled Date of Financial Statements Filing: February 14, 2024

Scheduled Date of Dividend Payment Start: -

Supplementary Materials for Financial Results: Yes

Investor Conference for Financial Results: No

(Amounts are rounded down to the nearest one million yen.)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2024 (April 1, 2023 to December 31, 2023)

(1) Consolidated Financial Results (Percentages indicate the change against the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2023	32,796	(11.9)	2,141	(61.2)	2,144	(61.4)	1,411	(63.0)
Nine months ended December 31, 2022	37,225	-	5,525	-	5,552	-	3,818	-

(Note) Comprehensive income: 3Q FY 3/2024: ¥1,448 million [(62.2)%] 3Q FY 3/2023: ¥3,826 million [-%]

* Year on year changes for the fiscal year ended March 31, 2023 are not presented because FY 3/2022 was a 13-month period due to the change of the fiscal year end (from end of February to end of March).

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2023	118.97	118.06
Nine months ended December 31, 2022	323.21	321.55

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	20,734	13,679	65.3
As of March 31, 2023	21,809	13,526	61.5

(Reference) Equity capital: 3Q FY 3/2024: ¥13,546 million FY 3/2023: ¥13,404 million

2. Dividends

	Dividends per share				
	End of the 1Q	End of the 2Q	End of the 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	-	0.00	-	110.00	110.00
Year ending March 31, 2024	-	0.00	-		
Year ending March 31, 2024 (Forecast)				120.00	120.00

(Note) Revision of forecast for dividends recently announced: No

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

(Percentages indicate the change against the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	47,705	(9.2)	3,175	(58.3)	3,177	(58.4)	2,122	(62.8)	178.83

(Note) Revision of forecast for consolidated financial results recently announced: No

*** Notes**

- (1) Changes in significant subsidiaries during the period: None
- (2) Application of the accounting procedures for producing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatements:
- | | |
|---|------|
| 1) Changes in accounting policies due to revisions of accounting standards: | None |
| 2) Changes in accounting policies due to reasons other than above 1): | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatements: | None |

(4) Number of issued shares (common stock)

1) Number of issued shares (including treasury shares) at end of term	As of December 31, 2023	12,596,200 shares	As of March 31, 2023	12,590,800 shares
2) Number of treasury shares at end of term	As of December 31, 2023	728,973 shares	As of March 31, 2023	728,898 shares
3) Average number of outstanding shares during the period (during the first three quarters)	Nine months ended December 31, 2023	11,865,407 shares	Nine months ended December 31, 2022	11,813,097 shares

(Note) The shares in the Company possessed by Custody Bank of Japan, Ltd. (Trust E) are included in the treasury shares to be deducted in the calculation of the average number of outstanding shares during the period (3Q of the fiscal year ending March 31, 2024: 0 shares / 3Q of the fiscal year ended March 31, 2023: 45,800 shares) as a trust asset of the stock benefit trust (J-ESOP). The Company established an employee stock ownership plan (J-ESOP); however, the system has been terminated on February 28, 2023.

* Summary of financial results is out of scope of quarterly review by certified public accountant or audit corporation.

* Cautionary statement regarding forecasts of operating results and special notes

(Notes to the forward-looking statements, and others)

Forward-looking statements in these materials are based on information currently available to the Company and assumptions that the Company believes are reasonable. These statements are not promises by the Company regarding future performance. Actual results may differ significantly from these statements for a number of reasons. For information on the forecasts and cautions when using these forecasts, please see “1. Qualitative Information (3) Explanation Regarding Future Forecast Information Including Forecast of Consolidated Financial Results” on page 4.

(To receive supplementary explanatory documents about the results of operations for the first three quarters)

Supplementary explanatory documents about results of operations will be posted promptly on the Company’s website after the disclosure.

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1. Qualitative Information

(1) Explanation of Financial Results

In the first three quarters of the term ending March 31, 2024, the Japanese company saw a recovery in the consumption of services such as eating out and travel to the situation before the COVID-19 pandemic, with the improvement of employment and income condition as normalization of socioeconomic activity significantly progressed. However, the outlook remained uncertain due to the price increase starting from the rise in import prices exceeding the growth of nominal disposable income.

Although the U.S. economy remained strong, the outlook for the global economy remained uncertain due to concerns of an economic slowdown in the future by prolonged tighter monetary policy in European countries and the United States, growing tensions in the Middle East and Ukraine, as well as the emergence of excessive debts problems in China.

In this situation, the environment surrounding the Japanese human resource service industry saw the ratio of job openings to applicants remaining strong in the context of a continued gradual recovery in consumer spending and improvement in corporate earnings, although there were some moves to curb employment in some industries affected by rising prices.

In such a business environment, in our core business related to business process outsourcing, the Group actively promoted the sales activities including entry into various BPO operations for local governments and expansion of transactions such as operations at the service counter in local governments, other than social security and tax number projects and benefit payment projects, as well as efforts to develop business with local governments that had not done business with us before, focusing on the Tokyo metropolitan area, Keihanshin area, and Kyushu region, in addition to social security and tax number projects and benefit payment projects, on which we had been focusing for some time. However, the scale of orders placement for social security and tax number projects that had been expected to be placed by the first half of the term ending March 31, 2024 was significantly lower than envisaged at the beginning of the term ending March 31, 2024, and for some BPO contract projects for local governments, for which we had expected to receive orders by the first half of the term ending March 31, 2024, we were unable to win those contracts in the “general competitive tenders” (price competition formula). In addition, services of the projects related to responses to legislative revisions, for which we had anticipated receiving orders, were unlikely to commence this fiscal year. As a result, we were unable to obtain the level of orders we had anticipated at the beginning of the term ending March 31, 2024. On the other hand, in the manufacturing human resource services business, the recovery in personal consumption led to continuous strong orders in the food processing category. As a result, net sales in the first three quarters of the term ending March 31, 2024 decreased by 4,429,094 thousand yen (down 11.9%) year on year to 32,796,646 thousand yen.

In terms of profit, operating profit decreased by 3,383,950 thousand yen (down 61.2%) year on year to 2,141,673 thousand yen, ordinary profit decreased by 3,407,581 thousand yen (down 61.4%) year on year to 2,144,499 thousand yen, and profit attributable to owners of parent decreased by 2,406,506 thousand yen (down 63.0%) year on year to 1,411,582 thousand yen. This was a result of our inability to obtain the level of orders in the BPO related business anticipated at the beginning of the term ending March 31, 2024 and the fact that profit margins on project contracts won in “general competitive tenders” (price competition formula) were lower than expected, although we actively developed business with local governments that had not done business with us before and promoted the entry into various operations and expansion of transactions. On the other hand, as for selling, general and administrative expenses, although we actively recruited highly specialized personnel in areas such as business construction and information systems to boost competitiveness, we made efforts to reduce expenses by managing expenses more efficiently for increasing the number of registered staff workers.

Whereas, in the past, we disclosed segment information for the clerical human resource services business, the manufacturing human resource services business, the sales human resource services business, and other services, from the beginning of the first quarter of the term ending March 31, 2024, we have integrated the sales human resource services business into the business process outsourcing section of the clerical human resource services business. We now disclose segment information for the clerical human resource services business, the manufacturing human resource services business, and other services. Figures for the first three quarters of the term ended March 31, 2023 have been presented after applying this new classification.

(Clerical human resource services)

While the business process outsourcing section received robust levels of orders for sales support and payroll services operations, in addition to large projects orders from leading BPO business operators, as well as steady orders for social security

and tax number projects, compared with the corresponding period of the previous fiscal year, the scale of orders received fell significantly short of expectations. Moreover, whereas we had expected “proposal-based competitive tenders” (project competition formula) for some BPO contract projects for local governments, for which we had expected to receive orders, the adoption of “general competitive tenders” (price competition formula) for those projects meant that we were unable to achieve the level of orders that we had envisaged. This also resulted in lower winning bid prices. In addition, services of the projects related to responses to legislative revisions were unlikely to commence this fiscal year. As a result, we were unable to obtain the level of orders we had anticipated at the beginning of the term ending March 31, 2024. In the customer relationship management section, although we successfully received orders for large new projects in the Tokyo metropolitan area and a steady stream of orders from existing clients at regional branches such as Sendai and Fukuoka, as well as from financial institutions, projects ordered from leading BPO business operators were scaled down or completed, and we were unable to achieve the level of orders that we had anticipated at the beginning of the term ending March 31, 2024. In the office services section, despite a steady stream of orders for new projects related to social security and tax number from local governments and orders from leading BPO business operators received by regional branches, there was a reduction in the scale of existing transactions for dispatching office workers to local governments and financial institutions. As a result of these and other factors, net sales of this business for the first three quarters of the term ending March 31, 2024 decreased by 5,348,621 thousand yen (down 16.3%) year on year to 27,540,988 thousand yen. In terms of profit, operating profit decreased by 3,400,174 thousand yen (down 64.0%) year on year to 1,913,438 thousand yen. This was mainly due to the implementation of initiatives to respond to the future diversification of operations and the regional development of the BPO-related business, and recruiting personnel to boost competitiveness in “general competitive tender” (price competition formula) projects, and reinforce capabilities, in addition to our inability to achieve the expected level of orders in the BPO-related business and the lower-than-anticipated profit margin on BPO contract projects received.

(a) Business process outsourcing

Net sales of this section in the first three quarters of the term ending March 31, 2024 decreased by 5,196,461 thousand yen (down 20.4%) year on year to 20,289,058 thousand yen. This was due to reductions in the size of orders placed for social security and tax number projects at existing local government clients and the lack of success in tenders due to the adoption of general competitive tenders (price competition formula) for many new projects, including projects related to economic measures, and the fact that projects related to responses to fiscals were unlikely to commence this fiscal year, as well as the scaling down or completion of projects from leading BPO business operators ordered in the previous fiscal year, despite a steady stream of orders for social security and tax number projects and BPO contract projects for new services with an increase in the number of local governments that did business with us, with the number having increased to 147 by the end of the first three quarters of the term ending March 31, 2024 as a result of our efforts of actively developing business with local governments that had not done business with us before, promoting the entry into various operations and expanding transactions to boost business with local governments.

(b) Customer relationship management

Net sales of this section in the first three quarters of the term ending March 31, 2024 increased by 25,297 thousand yen (up 0.8%) year on year to 3,296,813 thousand yen. As well as receiving orders from existing clients for the dispatch of workers at large-scale call centers in the Tokyo metropolitan area, we successfully received orders from new BPO business operator clients for public sector worker dispatch projects and strong orders from financial institutions, and we received a steady stream of orders from Internet-related service providers and telemarketing operators, in local branch offices focused mainly in Sendai and Fukuoka, for mail order sales and finance-related projects, despite the scaling down or completion of projects from leading BPO business operators ordered.

(c) Office services

Net sales of this section in the first three quarters of the term ending March 31, 2024 decreased by 177,458 thousand yen (down 4.3%) year on year to 3,955,116 thousand yen, due to decreases in the scale or completion of spot transactions with local governments received in the previous fiscal year and existing projects for financial institutions, despite strong orders for new social security and tax number-related projects from local governments and orders for government agencies-related projects from leading BPO business operators in regional branches.

(Manufacturing human resource services)

In the food processing category, we received a steady stream of orders for ready-made side dishes and frozen foods manufacturing, etc., in addition to favorable volume of orders for marine products, meat, and confectionery manufacturing, etc. primarily from existing clients, partly due to seasonal factors such as year-end and new year. In the manufacturing and processing category, although volume of orders increased for housing equipment manufacturing, machinery manufacturing, etc., the volume of orders decreased for transport machinery manufacturing, electrical equipment manufacturing, chemical manufacturing, etc. due to reduced production by clients. As a result of these and other factors, net sales of this business in the first three quarters of the term ending March 31, 2024 increased by 926,211 thousand yen (up 22.5%) year on year to 5,038,354 thousand yen. In terms of profit, operating profit increased by 7,767 thousand yen (up 4.1%) year on year to 195,292 thousand yen, mainly due to our efforts to actively recruit new staff and manage expenses more efficiently.

(Other services)

This business is the automobile management business of Tokyo Vehicle Management Co., Ltd., a subsidiary of Japan Business Service Co., Ltd. Net sales of this business in the first three quarters of the term ending March 31, 2024 decreased by 6,684 thousand yen (down 3.0%) year on year to 217,304 thousand yen, while operating profit increased by 8,457 thousand yen (up 34.5%) year on year to 32,942 thousand yen due to our efforts to reduce selling, general and administrative expenses.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the first three quarters of the term ending March 31, 2024 are 20,734,774 thousand yen, down 1,074,915 thousand yen from the end of the previous fiscal year. This is due mainly to a decrease of 7,525,661 thousand yen in “Notes and accounts receivable - trade, and contract assets”, although “Cash and deposits” and “Other” including “Accounts receivable - other” increased by 5,668,111 thousand yen and 594,824 thousand yen, respectively.

(Liabilities)

Total liabilities at the end of the first three quarters of the term ending March 31, 2024 are 7,055,753 thousand yen, down 1,227,258 thousand yen from the end of the previous fiscal year. This is due mainly to decreases of 1,326,032 thousand yen in “Income taxes payable”, 987,807 thousand yen in “Accounts payable - other”, and 210,054 thousand yen in “Long-term borrowings”, despite an increase of 1,347,655 thousand yen in “Other” in the “Current liabilities” section, including “Accrued consumption taxes payable” and “Accrued expenses”.

(Net assets)

Total net assets at the end of the first three quarters of the term ending March 31, 2024 are 13,679,021 thousand yen, up 152,342 thousand yen from the end of the previous fiscal year. This is due mainly to an increase of 106,773 thousand yen in “Retained earnings” (up 1,411,582 thousand yen in “Profit attributable to owners of parent” and down 1,304,809 thousand yen due to the payment of dividends).

(3) Explanation Regarding Future Forecast Information Including Forecast of Consolidated Financial Results

There are no revisions to the forecast for the year ending March 31, 2024 provided in the summary information in this consolidated financial results document and in the “Consolidated Forecast” announced on November 2, 2023.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Unit: Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	5,097,947	10,766,058
Notes and accounts receivable - trade, and contract assets	14,668,409	7,142,747
Inventories	9,793	37,209
Other	507,459	1,102,283
Allowance for doubtful accounts	(4,091)	(2,133)
Total current assets	20,279,517	19,046,166
Non-current assets		
Property, plant and equipment	299,843	371,206
Intangible assets	107,311	286,365
Investments and other assets		
Other	1,123,016	1,033,236
Provision of allowance for doubtful accounts	-	(2,200)
Total investments and other assets	1,123,016	1,031,036
Total non-current assets	1,530,172	1,688,608
Total assets	21,809,690	20,734,774
Liabilities		
Current liabilities		
Short-term borrowings	36,000	90,000
Current portion of bonds payable	30,000	25,000
Current portion of long-term borrowings	286,704	280,072
Accounts payable - other	3,682,745	2,694,938
Income taxes payable	1,379,821	53,789
Provision for bonuses	313,016	157,020
Asset retirement obligations	21,310	-
Other	1,705,688	3,053,343
Total current liabilities	7,455,286	6,354,164
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term borrowings	693,036	482,982
Retirement benefit liability	937	434
Asset retirement obligations	77,410	150,584
Other	36,341	57,587
Total non-current liabilities	827,725	701,589
Total liabilities	8,283,011	7,055,753
Net assets		
Shareholders' equity		
Share capital	400,567	405,967
Capital surplus	241,861	247,261
Retained earnings	13,188,505	13,295,279
Treasury shares	(443,448)	(443,661)
Total shareholders' equity	13,387,485	13,504,846
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,107	41,242
Total accumulated other comprehensive income	17,107	41,242
Share acquisition rights	58,248	56,531
Non-controlling interests	63,836	76,401
Total net assets	13,526,678	13,679,021
Total liabilities and net assets	21,809,690	20,734,774

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

Consolidated Statements of Income

For the first three quarters

(Unit: Thousands of yen)

	Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)	Nine months ended December 31, 2023 (April 1, 2023 - December 31, 2023)
Net sales	37,225,741	32,796,646
Cost of sales	27,428,536	26,179,022
Gross profit	9,797,204	6,617,624
Selling, general and administrative expenses	4,271,581	4,475,951
Operating profit	5,525,623	2,141,673
Non-operating income		
Interest income	35	103
Dividend income	1,273	1,388
Subsidy income	14,404	4,793
Settlement income	13,271	-
Compensation for forced relocation	-	4,990
Other	528	2,532
Total non-operating income	29,514	13,807
Non-operating expenses		
Interest expenses	2,791	3,713
Loss on termination of ESOP trust	-	5,541
Other	265	1,727
Total non-operating expenses	3,056	10,981
Ordinary profit	5,552,080	2,144,499
Profit before income taxes	5,552,080	2,144,499
Income taxes - current	1,701,191	477,141
Income taxes - deferred	20,134	243,210
Total income taxes	1,721,326	720,351
Profit	3,830,754	1,424,147
Profit attributable to non-controlling interests	12,666	12,564
Profit attributable to owners of parent	3,818,088	1,411,582

Consolidated Statements of Comprehensive Income
For the first three quarters

(Unit: Thousands of yen)

	Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)	Nine months ended December 31, 2023 (April 1, 2023 - December 31, 2023)
Profit	3,830,754	1,424,147
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,966)	24,134
Total other comprehensive income	(3,966)	24,134
Comprehensive income	3,826,787	1,448,282
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,814,121	1,435,717
Comprehensive income attributable to non-controlling interests	12,666	12,564

(3) Notes to Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

None applicable

(Notes on Significant Changes in Shareholders' Equity)

None applicable

(Segment Information)

[Segment information]

I For the first three quarters ended December 31, 2022 (April 1, 2022 – December 31, 2022)

1. Information about sales and income (loss) by reporting segment and information on breakdown of revenues

(Unit: Thousands of yen)

	Reporting segments			Other ^(Note 1)	Amount on the consolidated statement of income ^(Note 2)
	Clerical human resource services business	Manufacturing human resource services business	Total		
Net sales					
Dispatch of workers	15,668,192	4,105,295	19,773,488	-	19,773,488
Undertaking of tasks	17,184,939	-	17,184,939	223,988	17,408,927
Dispatch of workers to be employed as full-time employees	1,232	-	1,232	-	1,232
Introduction of workers	35,245	6,847	42,093	-	42,093
Revenues from contracts with customers	32,889,609	4,112,143	37,001,752	223,988	37,225,741
To outside customers	32,889,609	4,112,143	37,001,752	223,988	37,225,741
Intersegment sales and transfers	-	-	-	-	-
Total	32,889,609	4,112,143	37,001,752	223,988	37,225,741
Segment income	5,313,612	187,525	5,501,138	24,484	5,525,623

Notes: 1. "Other" is the automobile management business of Tokyo Vehicle Management Co., Ltd., which is not a reporting segment.

2. The segment income matches operating profit in the consolidated statements of income.

2. Information on impairment loss, goodwill, etc., in non-current assets by reporting segment

None applicable

II For the first three quarters ended December 31, 2023 (April 1, 2023 – December 31, 2023)

1. Information about sales and income (loss) by reporting segment and information on breakdown of revenues

(Unit: Thousands of yen)

	Reporting segments			Other ^(Note 1)	Amount on the consolidated statement of income ^(Note 2)
	Clerical human resource services business	Manufacturing human resource services business	Total		
Net sales					
Dispatch of workers	12,974,609	5,013,094	17,987,704	-	17,987,704
Undertaking of tasks	14,503,474	-	14,503,474	217,304	14,720,779
Dispatch of workers to be employed as full-time employees	22,496	3,097	25,593	-	25,593
Introduction of workers	40,407	22,162	62,569	-	62,569
Revenues from contracts with customers	27,540,988	5,038,354	32,579,342	217,304	32,796,646
To outside customers	27,540,988	5,038,354	32,579,342	217,304	32,796,646
Intersegment sales and transfers	-	-	-	-	-
Total	27,540,988	5,038,354	32,579,342	217,304	32,796,646
Segment income	1,913,438	195,292	2,108,730	32,942	2,141,673

Notes: 1. “Other” is the automobile management business of Tokyo Vehicle Management Co., Ltd., which is not a reporting segment.

2. The segment income matches operating profit in the consolidated statements of income.

2. Information on impairment loss, goodwill, etc., in non-current assets by reporting segment

None applicable

3. Items regarding the change in the reporting segments

As a result of a review of the classification of business segments to more appropriately disclose information on the Group’s businesses and management status, we have integrated the former sales human resource services business into the business process outsourcing section of the clerical human resource services business from the beginning of the first quarter of the term ending March 31, 2024.

Segment information presented for the first three quarters ended December 31, 2022 has been presented after applying this new classification.