



## Summary of Consolidated Financial Results for the First Half Ended September 30, 2022 [Japanese GAAP]

November 14, 2022

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: November 14, 2022

Scheduled Date of Dividend Payment Start: -

Supplementary Materials for Financial Results: Yes

Investor Conference for Financial Results: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to September 30, 2022)

(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	%
First half ended September 30, 2022	22,025	-	2,629	-	2,650	-	1,812	-
First half ended August 31, 2021	16,239	16.3	1,406	8.1	1,421	6.1	956	2.4

(Note) Comprehensive income 1H FY 3/2023: ¥1,820 million (-%)

1H FY 3/2022: ¥964 million (2.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
First half ended September 30, 2022	153.46	152.65
First half ended August 31, 2021	81.03	80.67

Note 1. We changed the account closing date from the last day of February to March 31 in the term ended March 31, 2022.

Accordingly, the period of the first half of the term ending March 31, 2023 (April 1 to September 30, 2022) is different from the period of the first half of the term ended March 31, 2022 (March 1 to August 31, 2021). Therefore, year-on-year increase/decrease rates are not presented.

Note 2. We have been applying the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020)," etc. from the beginning of the first quarter of the term ending March 31, 2023. The figures in the first half of the term ending March 31, 2023 are those after the application of said accounting standard, etc. Therefore, year-on-year increase/decrease rates are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	15,793	9,571	59.9
As of March 31, 2022	16,543	8,404	50.2

(Reference) Equity capital: 1H FY 3/2023: ¥9,460 million FY 3/2022: ¥8,303 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, 2022	-	0.00	-	40.00	40.00
Year ending March 31, 2023	-	0.00			
Year ending March 31, 2023 (Forecast)			-	50.00	50.00

Note: Revision of forecast for dividend recently announced: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(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
Year ending March 31, 2023	50,500	-	6,390	-	6,410	-	4,410	-	373.30

Note 1. Revision of forecast for consolidated financial results recently announced: No

Note 2. Year-on-year changes for the full year are not presented because FY 3/2022 was a 13-month period due to the change of the fiscal year end (from March 1, 2021 to March 31, 2022).

\*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: | Yes  |
| 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

2) Number of treasury shares at end of term

3) Average number of outstanding shares during the period (during the first half)

As of September 30, 2022	12,590,800 shares	As of March 31, 2022	12,583,400 shares
As of September 30, 2022	775,325 shares	As of March 31, 2022	775,825 shares
First half ended September 30, 2022	11,811,716 shares	First half ended August 31, 2021	11,800,311 shares

Note: The shares in the Company possessed by Custody Bank of Japan, Ltd. (Trust E) (1H of the fiscal year ending March 31, 2023: 46,500 shares / fiscal year ended March 31, 2022: 47,000 shares) are included in the number of treasury shares at end of term as a trust asset of the stock benefit trust (J-ESOP). In addition, 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 shares during the period (1H of the fiscal year ending March 31, 2023: 46,701 shares / 1H of the fiscal year ended March 31, 2022: 47,264 shares).

\*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 first half results of operations)

Supplementary explanatory documents about results of operations will be posted promptly on the Company's website after the quarterly earnings presentation.

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## 1. Qualitative Information

### (1) Explanation of Financial Results

The Company changed its fiscal year end from the last day of February to March 31 by the resolution to change a part of the Articles of Incorporation at the annual general meeting of shareholders held on May 28, 2021. As a transitional measure, fiscal year ended March 31, 2022 was a 13-month period from March 1, 2021 to March 31, 2022. Accordingly, the period of the first half of the term ending March 31, 2023 (April 1 to September 30, 2022) is different from the period of the first half of the term ended March 31, 2022 (March 1 to August 31, 2021). Therefore, year-on-year increase/decrease and their rates are not presented. In addition, we have been applying the “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020)”; hereinafter the “Revenue Recognition Accounting Standard, etc.,” since the beginning of the first quarter of the term ending March 31, 2023. Accordingly, the figures in the first half of the term ending March 31, 2023 are those after the application of the Revenue Recognition Accounting Standard, etc.

In the first half of the term ending March 31, 2023, although the Japanese economy saw a recovery in consumer spending and corporate earnings due to the weakened impact of COVID-19, the outlook for the domestic economy remained uncertain due to rising prices, including energy-related prices such as electricity charges and prices for food and durable goods, because of the skyrocketing of prices of resources and the rapid weakening of the yen.

The outlook for the global economy, also, was more uncertain than before, due to continuing inflationary pressure caused by increased prices of natural resources and raw materials in the wake of Russia’s invasion of Ukraine and the impact of the economic slowdown in China, although economic activities recovered.

In this situation, the environment surrounding the Japanese human resource service industry showed a trend toward recovery, including an underlying upward trend in the ratio of job openings to applicants in the context of the weakened impact of COVID-19 on economic activities.

In such a business environment, our corporate group actively promoted businesses, mainly the business process outsourcing section, continuing from the first quarter of the term ending March 31, 2023.

In the first half of the term ending March 31, 2023, the clerical human resource services business steadily received orders for BPO contract projects, including spot transactions, from local governments and leading BPO business operators, while the manufacturing human resource services business steadily received orders from new and existing clients through six offices established in the previous fiscal year, with the amount of orders growing especially in the manufacturing and processing category at existing offices. Regarding the sales human resource services business, the impact of COVID-19 weakened, so we strived to expand the business, but could not produce sufficient results.

As a result, net sales in the first half of the term ending March 31, 2023 were 22,025,077 thousand yen, as the clerical human resource services business steadily received orders from local governments and leading BPO business operators and the manufacturing human resource services business had a steady amount of orders.

In terms of profit, operating profit was 2,629,050 thousand yen, ordinary profit was 2,650,265 thousand yen, and profit attributable to owners of parent was 1,812,658 thousand yen, due to net sales growth, profitable BPO contract projects, and making efforts to rationalize and cut down the expenses for increasing registered workers and recruiting workers, in continuation from the first quarter of the term ending March 31, 2023.

#### (Clerical human resource services business)

The business process outsourcing section received orders, including for spot transactions, from local governments and leading BPO business operators, and the customer relationship management section also increased new clients and the amount of orders from existing clients. In addition, in the office services section, the number of transactions for dispatching office workers to local governments and financial institutions was healthy although the scale of large-scale spot transactions shrank. As a result, net sales of this business were 18,825,629 thousand yen. In terms of profit, operating profit was 2,506,527 thousand yen, as net sales grew and BPO contract projects were profitable, and we made efforts to rationalize and cut down the expenses for increasing registered workers and recruiting workers, continuing from the first quarter of the term ending March 31, 2023.

#### (a) Business process outsourcing

Net sales of this section were 13,981,824 thousand yen, because spot transactions from local governments remained steady and we started transactions with multiple local governments as we made efforts to increase orders for continuous projects, social security and tax number projects, and benefit projects from local governments, leading BPO business operators, etc.

(b) Customer relationship management

Net sales of this section were 2,119,162 thousand yen, as the number of orders from existing clients recovered roughly to pre-pandemic level. In particular, the number of orders from telemarketing business operators related to medical care, mail-order sales, and finance increased substantially, and we received a favorable number of orders for call center operations, etc., from new clients in Sapporo, Sendai, Fukuoka, and Okinawa.

(c) Office services

Net sales of this section were 2,724,642 thousand yen, as we successfully received new orders for staffing from local governments and steadily received orders for staffing from financial institutions, although the scale of large-scale spot transactions shrank.

(Manufacturing human resource services business)

Net sales of this business were 2,588,602 thousand yen, as the amount of orders steadily increased in both the manufacturing and processing category and the food processing category, thanks to the efforts to expand the volume of business with existing clients and clients from the six offices established in the previous fiscal year. In terms of profit, operating profit was 117,492 thousand yen, as net sales grew.

(Sales human resource services business)

Net sales of this business were 461,185 thousand yen, as we strived to increase new clients and the share of existing clients since the impact of COVID-19 weakened, but could not produce sufficient results. In terms of profit, we strived to reduce expenses for increasing registered workers, etc., but posted an operating loss of 10,088 thousand yen.

(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 were healthy and amounted to 149,660 thousand yen. Operating profit was 15,118 thousand yen.

For reference, the following table shows figures for the first half of the previous term (March–August 2021) after adjusting them by one month so that they represent figures for the period from April to September 2021 in line with the period of the first half of the current term, compared with actual figures for the first half of the current term adjusted on an inspection basis by subtracting the amount impacted by revenue recognition (Adjusting both sets of figures to the same period (April–September), and two periods are compared on an inspection basis). For details on the application of the Revenue Recognition Accounting Standard, etc., see “2. Consolidated Financial Statements and Notes (4) Notes to Consolidated Financial Statements.”

(Units: Thousands of yen, %)

	The same period of the previous term after adjustment (a) (April–September 2021) (Inspection basis)	First half ended September 30, 2022 (April–September 2022)			Increase amount and increase rate due to adjustment on an inspection basis	
		Performance (b) (Revenue Recognition Accounting Standard)	Amount impacted by revenue recognition (c)	Performance excluding the impact of revenue recognition (d) (b-c) (= Inspection basis)	Increase amount d - a	Increase rate (d - a) / a
Net sales	15,921,917	22,025,077	1,598,363	20,426,714	4,504,797	28.3
Operating profit	1,179,759	2,629,050	542,366	2,086,684	906,925	76.9
Ordinary profit	1,194,891	2,650,265	542,366	2,107,899	913,008	76.4
Profit attributable to owners of parent	786,359	1,812,658	376,294	1,436,364	650,005	82.7

(Note) The column of the above table “The same period of the previous term after adjustment” contains figures for the period from April to September 2021; however, the Revenue Recognition Accounting Standard, etc., was not applied during that term. Therefore, in the table above, a comparison of both periods on an inspection basis has been made by subtracting the “Amount impacted by revenue recognition” from performance for the first half ended September 30, 2022, in order to unify the basis of net sales for that term and the current term.

## (2) Explanation of Financial Position

### (a) Assets, liabilities, and net assets

#### (Assets)

Total assets at the end of the first half of the term ending March 31, 2023 are 15,793,359 thousand yen, down 750,629 thousand yen from the end of the previous fiscal year. This is due mainly to a decrease of 930,497 thousand yen in “Notes and accounts receivable – trade, and contract assets” (“Notes and accounts receivable - trade” at the end of the previous fiscal year), although “Cash and deposits” increased 185,230 thousand yen.

#### (Liabilities)

Total liabilities at the end of the first half of the term ending March 31, 2023 are 6,221,961 thousand yen, down 1,917,523 thousand yen from the end of the previous fiscal year. This is due mainly to a decrease of 707,898 thousand yen in “Accounts payable - other,” of 609,980 thousand yen in “Other” in the “Current liabilities” section including “Accrued consumption taxes” and “Accrued expenses,” of 374,642 thousand yen in “Income taxes payable,” and of 117,249 thousand yen in “Provision for loss on orders received.”

#### (Net assets)

Total net assets at the end of the first half of the term ending March 31, 2023 are 9,571,397 thousand yen, up 1,166,893 thousand yen from the end of the previous fiscal year. This is due mainly to an increase of 1,149,976 thousand yen in “Retained earnings” (up 1,812,658 thousand yen in “Profit attributable to owners of parent” and down 474,183 thousand yen due to the payment of dividends and 188,498 thousand yen after the application of the Revenue Recognition Accounting Standard, etc.) and of 18,585 thousand yen in “Share acquisition rights.”

### (b) Cash flows

Cash and cash equivalents totaled 7,216,857 thousand yen at the end of the first half, 185,230 thousand yen more than at the end of the previous fiscal year. The following is a summary of cash flows and contributing factors.

#### (Operating activities)

Net cash acquired in operating activities was 921,589 thousand yen compared to a negative cash flow of 1,396,442 thousand yen in the same period one year earlier.

Major sources of cash were “Profit before income taxes” of 2,650,265 thousand yen and an increase of 658,807 thousand yen due to “Decrease in trade receivables and contract assets.” Major uses of cash were a decrease in “Income taxes paid” of 1,084,003 thousand yen, “Decrease in accounts payable – other” of 701,877 thousand yen, and “Decrease in accrued consumption taxes” of 560,688 thousand yen.

#### (Investing activities)

Net cash used in investing activities was 80,344 thousand yen compared to a negative cash flow of 50,466 thousand yen in the same period one year earlier.

A major source of cash was 38,811 thousand yen in “Proceeds from refund of leasehold and guarantee deposits,” while major uses of cash were payments of 71,381 thousand yen for the “Purchase of property, plant and equipment and intangible assets,” and 43,889 thousand yen for “Payments of leasehold and guarantee deposits.”

#### (Financing activities)

Net cash used in financing activities was 656,015 thousand yen compared to a negative cash flow of 174,806 thousand yen in the same period one year earlier.

Major sources of cash were 473,168 thousand yen of “Dividends paid” and 151,718 thousand yen of “Repayments of long-term borrowings.”

## (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, 2023 in the “Consolidated Forecast” announced on November 9, 2022.

## 2. Consolidated Financial Statements and Notes

### (1) Consolidated Balance Sheets

(Unit: Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	7,031,627	7,216,857
Notes and accounts receivable - trade	7,962,411	-
Notes and accounts receivable - trade, and contract assets	-	7,031,914
Inventories	4,422	2,991
Other	330,644	361,094
Allowance for doubtful accounts	(2,139)	(1,263)
<b>Total current assets</b>	<b>15,326,967</b>	<b>14,611,594</b>
Non-current assets		
Property, plant and equipment	280,207	265,899
Intangible assets	134,667	107,168
Investments and other assets	802,147	808,695
<b>Total non-current assets</b>	<b>1,217,021</b>	<b>1,181,764</b>
<b>Total assets</b>	<b>16,543,988</b>	<b>15,793,359</b>
<b>Liabilities</b>		
Current liabilities		
Short-term borrowings	36,000	36,000
Current portion of bonds payable	30,000	30,000
Current portion of long-term borrowings	284,960	238,282
Accounts payable - other	3,329,102	2,621,204
Income taxes payable	1,151,452	776,810
Provision for bonuses	220,823	272,556
Provision for loss on orders received	117,249	-
Other	2,204,761	1,594,781
<b>Total current liabilities</b>	<b>7,374,350</b>	<b>5,569,634</b>
Non-current liabilities		
Bonds payable	50,000	35,000
Long-term borrowings	579,740	474,700
Provision for share awards	19,299	19,941
Retirement benefit liability	2,987	1,495
Asset retirement obligations	81,098	86,966
Other	32,008	34,223
<b>Total non-current liabilities</b>	<b>765,134</b>	<b>652,327</b>
<b>Total liabilities</b>	<b>8,139,485</b>	<b>6,221,961</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	397,601	400,567
Capital surplus	238,029	241,861
Retained earnings	8,139,222	9,289,199
Treasury shares	(478,733)	(478,356)
<b>Total shareholders' equity</b>	<b>8,296,120</b>	<b>9,453,271</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,775	7,516
<b>Total accumulated other comprehensive income</b>	<b>7,775</b>	<b>7,516</b>
Share acquisition rights	34,265	52,851
Non-controlling interests	66,342	57,757
<b>Total net assets</b>	<b>8,404,503</b>	<b>9,571,397</b>
<b>Total liabilities and net assets</b>	<b>16,543,988</b>	<b>15,793,359</b>



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

Consolidated Statements of Income

For the first half

(Unit: Thousands of yen)

	First half ended August 31, 2021	First half ended September 30, 2022
Net sales	16,239,148	22,025,077
Cost of sales	12,663,731	16,867,218
Gross profit	3,575,417	5,157,859
Selling, general and administrative expenses	2,168,496	2,528,808
Operating profit	1,406,920	2,629,050
Non-operating income		
Interest income	205	34
Dividend income	532	656
Subsidy income	18,345	8,886
Settlement income	-	13,271
Other	341	521
Total non-operating income	19,425	23,371
Non-operating expenses		
Interest expenses	2,141	1,962
Miscellaneous losses	2,179	-
Other	245	194
Total non-operating expenses	4,566	2,156
Ordinary profit	1,421,778	2,650,265
Profit before income taxes	1,421,778	2,650,265
Income taxes-current	442,120	739,487
Income taxes-deferred	19,402	89,874
Total income taxes	461,522	829,362
Profit	960,256	1,820,902
Profit attributable to non-controlling interests	4,051	8,244
Profit attributable to owners of parent	956,204	1,812,658

Consolidated Statements of Comprehensive Income

For the first half

(Unit: Thousands of yen)

	First half ended August 31, 2021	First half ended September 30, 2022
Profit	960,256	1,820,902
Other comprehensive income		
Valuation difference on available-for-sale securities	4,485	(259)
Total other comprehensive income	4,485	(259)
Comprehensive income	964,741	1,820,643
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	960,690	1,812,398
Comprehensive income attributable to non-controlling interests	4,051	8,244

## (3) Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

	First half ended August 31, 2021	First half ended September 30, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,421,778	2,650,265
Depreciation	55,442	111,859
Increase (decrease) in allowance for doubtful accounts	(38)	(875)
Increase (decrease) in provision for bonuses	100	51,732
Increase (decrease) in retirement benefit liability	(257)	(1,492)
Increase (decrease) in provision for loss on orders received	-	(117,249)
Increase (decrease) in provision for share awards	1,560	642
Interest and dividend income	(738)	(691)
Interest expenses	2,141	1,962
Decrease (increase) in trade receivables	(1,135,155)	-
Decrease (increase) in trade receivables and contract assets	-	658,807
Decrease (increase) in inventories	(1,022,386)	1,430
Increase (decrease) in advances received	920,898	3,026
Increase (decrease) in accounts payable - other	(276)	(701,877)
Increase (decrease) in accrued expenses	(219,671)	(415,436)
Increase (decrease) in accrued consumption taxes	(816,120)	(560,688)
Increase (decrease) in Contract liabilities	-	397,894
Other, net	44,956	(72,539)
Subtotal	(747,764)	2,006,770
Interest and dividends received	738	691
Interest paid	(2,130)	(1,868)
Income taxes paid	(647,507)	(1,084,003)
Income taxes refund	221	-
Net cash provided by (used in) operating activities	(1,396,442)	921,589
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(1,340)	(1,456)
Purchase of property, plant and equipment	(117,876)	(39,306)
Purchase of intangible assets	(57,214)	(32,075)
Proceeds from collection of loans receivable from employees	165	-
Payments for asset retirement obligations	-	(2,428)
Payments of leasehold and guarantee deposits	(40,551)	(43,889)
Proceeds from refund of leasehold and guarantee deposits	166,350	38,811
Net cash provided by (used in) investing activities	(50,466)	(80,344)
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	200,000	-
Repayments of long-term borrowings	(128,388)	(151,718)
Redemption of bonds	(30,000)	(15,000)
Proceeds from disposal of treasury shares	151	-
Dividends paid	(236,675)	(473,168)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(15,962)
Proceeds from issuance of share acquisition rights	20,300	-
Other, net	(193)	(166)
Net cash provided by (used in) financing activities	(174,806)	(656,015)
Net increase (decrease) in cash and cash equivalents	(1,621,715)	185,230
Cash and cash equivalents at beginning of period	6,435,394	7,031,627
Cash and cash equivalents at end of period	4,813,678	7,216,857

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

(Notes Relating to Going Concern Assumption)

None applicable.

(Notes on Significant Changes in Shareholders' Equity)

None applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company adopted the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020)"; hereinafter the "Revenue Recognition Accounting Standard, etc.," at the beginning of the first quarter of the term ending March 31, 2023. In order to recognize the amount expected to be received in exchange for the promised goods or services as revenue when the control of the promised goods or services is transferred to a customer, the Company has changed its method so that we estimate the degree of completion related to fulfillment of performance obligations and recognize revenue over a certain period based on such degree of completion.

Specifically, the Company previously recognized the amount after inspection by a customer as revenue. However, from the beginning of the first quarter of the term ending March 31, 2023, the Company will primarily recognize revenue for each month by prorating the contract amount by the number of months of the entire contract period.

As for the application of the Revenue Recognition Accounting Standard, etc., in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the term ending March 31, 2023 was reflected in retained earnings at the beginning of the first quarter of the term ending March 31, 2023, and the new accounting policies were applied to the beginning balance of the current fiscal year. However, the new accounting policies were not applied retrospectively to contract projects for which almost all revenues were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the term ending March 31, 2023, in accordance with the method prescribed in Paragraph 86 of the Revenue Recognition Accounting Standard. In addition, the Company has applied the method prescribed in Paragraph 86, Item (1) of the Revenue Recognition Accounting Standard and conducted accounting for changes in contracts made prior to the beginning of the first quarter of the term ending March 31, 2023 based on the contract terms after reflecting all contract changes, and the cumulative effect of such changes has been reflected in retained earnings at the beginning of the first quarter of the term ending March 31, 2023.

As a result of the application of the new accounting policies from the beginning of the first quarter of the term ending March 31, 2023, net sales increased 1,598,363 thousand yen, operating profit and ordinary profit increased 542,366 thousand yen, and profit attributable to owners of parent increased 376,294 thousand yen in the first half of the term ending March 31, 2023. However, the impact of this change on the consolidated financial statements for the current fiscal year is immaterial because most of the contracted projects were inspected by the end of March 2023, the end of the current fiscal year. The application of the new accounting policies resulted in a decrease of 188,498 thousand yen in retained earnings at the beginning of the first quarter of the term ending March 31, 2023.

Due to the application of the Revenue Recognition Accounting Standard, etc., "Notes and accounts receivable - trade," which was included in the "Current assets" section in the consolidated balance sheet for the previous fiscal year, is included in "Notes and accounts receivable - trade, and contract assets" from the first quarter of the term ending March 31, 2023. In addition, "Decrease (increase) in trade receivables," which was included in the "Cash flows from operating activities" section in the consolidated statements of cash flows for the first half of the previous fiscal year, is included in "Decrease (increase) in trade receivables and contract assets" from the first half of the term ending March 31, 2023, and "Increase (decrease) in advances received" is presented separately in "Increase (decrease) in contract liabilities" and "Increase (decrease) in advances received." In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification has been made for the previous consolidated fiscal year using the new presentation. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12; March 31, 2020)," information that breaks down revenue from contracts with customers

for the first half of the previous fiscal year is not presented.

(Application of Accounting Standard for Fair Value Measurement)

The “Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019)”; hereinafter the “Fair Value Measurement Accounting Standard,” etc. have been applied since the beginning of the first quarter of the term ending March 31, 2023, and the Company has decided to prospectively apply the new accounting policies prescribed by the Fair Value Measurement Accounting Standard, etc., in accordance with the transitional treatment prescribed by Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019).”

In addition, the “Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; June 17, 2021)”; hereinafter the “Guidance on Accounting Standard for Fair Value Measurement,” has been applied since the beginning of the first quarter of the term ending March 31, 2023, and the Company has decided to apply the new accounting policies prescribed by the Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Guidance on Accounting Standard for Fair Value Measurement.

This change has no impact on the quarterly consolidated financial statements.

(Additional Information)

(Impact of COVID-19)

There are no material changes in the assumptions related to the impact of COVID-19, which were presented in “Additional Information: Impact of COVID-19” of the Securities Report for the previous consolidated fiscal year.

(Segment Information, etc.)

[Segment Information]

I For the first half ended August 31, 2021 (March 1, 2021 - August 31, 2021)

1. Information on sales and income (loss) by reporting segment

(Unit: Thousands of yen)

	Reporting segments				Other <sup>(Note 1)</sup>	Amount on the consolidated statements of income <sup>(Note 2)</sup>
	Clerical human resource services business	Manufacturing human resource services business	Sales human resource services business	Total		
Net sales						
To outside customers	13,695,147	1,858,616	538,019	16,091,783	147,365	16,239,148
Intersegment sales and transfers	-	-	-	-	-	-
Total	13,695,147	1,858,616	538,019	16,091,783	147,365	16,239,148
Segment income (loss)	1,352,976	51,217	(8,269)	1,395,924	10,995	1,406,920

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

Note: 2. The segment income (loss) 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 half ended September 30, 2022 (April 1, 2022 - September 30, 2022)

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

(Unit: Thousands of yen)

	Reporting segments				Other <sup>(Note 1)</sup>	Amount on the consolidated statements of income <sup>(Note 2)</sup>
	Clerical human resource services business	Manufacturing human resource services business	Sales human resource services business	Total		
Net sales						
Dispatch of workers	10,358,918	2,583,694	10,934	12,953,547	-	12,953,547
Undertaking of tasks	8,441,371	-	450,250	8,891,622	149,660	9,041,283
Dispatch of workers to be employed as full-time employees	988	-	-	988	-	988
Introduction of workers	24,350	4,907	-	29,258	-	29,258
Revenues from contracts with customers	18,825,629	2,588,602	461,185	21,875,416	149,660	22,025,077
To outside customers	18,825,629	2,588,602	461,185	21,875,416	149,660	22,025,077
Intersegment sales and transfers	-	-	-	-	-	-
Total	18,825,629	2,588,602	461,185	21,875,416	149,660	22,025,077
Segment income (loss)	2,506,527	117,492	(10,088)	2,613,931	15,118	2,629,050

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

Note: 2. The segment income (loss) 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 mentioned in “Changes in Accounting Policies,” we have been applying the Revenue Recognition Accounting Standard, etc., since the beginning of the first quarter of the term ending March 31, 2023, changing the accounting method for revenue recognition. Accordingly, we have changed the method for calculating the profit and loss of business segments.

Due to these changes, in the clerical human resource services business, net sales increased 1,598,363 thousand yen and segment income increased 542,366 thousand yen, compared with the previous method, for the first half of the term ending March 31, 2023.