

CAREERLINK CO., LTD.

6070

Tokyo Stock Exchange Prime Market

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■ Summary

FY3/23 expecting significant increase in sales and profits through expansion of large-scale BPO projects

Careerlink Co., Ltd. <6070> (hereafter, also, “the Company”) and its group companies are comprehensive human resources services companies that mainly conduct a clerical human resource service business centered on BPO (Business Process Outsourcing)-related business, as well as a manufacturing human resource service business and a sales human resource service business. Its strengths include its operations expertise for projects that require large numbers of personnel and to be launched quickly. In April 2022, its listing was transferred to the Tokyo Stock Exchange (TSE) Prime Market following the TSE’s reorganization of its market categories.

1. Overview of 1H FY3/23 results

In the 1H FY3/23 consolidated results (April to September 2022), record highs for a half-year basis were achieved with net sales of ¥22,025mn and operating profit of ¥2,629mn. Although net sales fell just short of the initial plan, operating profit exceeded the plan by a significant margin (net sales of ¥22,736mn, operating profit of ¥1,639mn). The main factors in operating profit significantly exceeding the plan were receiving orders for profitable BPO projects and efficient management of recruitment costs and hiring costs. Compared to the same period of the previous fiscal year (April to September 2021)*, net sales increased 24.8% and operating profit was up 49.6%. For the clerical human resource service business, the BPO-related business segment had an increase in orders for Social Security and Individual Number Cards, benefit payment projects and other projects, as well as an increase in orders for spot projects from municipalities. The manufacturing human resource service business performed strongly as orders from existing customers increased and new orders were obtained steadily at six bases newly established in FY3/22.

* The Company has applied the “Accounting Standard for Revenue Recognition,” etc., from FY3/23 and the previous fiscal year has been converted to same standard.

2. Outlook for FY3/23

The Company has upwardly revised its forecast for FY3/23 for net sales of ¥50,500mn and operating profit of ¥6,390mn from the initial plan (net sales of ¥50,019mn, operating profit of ¥4,642mn). The main factors for the upward revision are expectations that many of the new BPO outsourcing projects awarded up until 2Q FY3/23 will be extended through to the end of the current fiscal year, including spot projects, and that orders will be received for BPO spot outsourcing projects in the current 3Q. The manufacturing human resource service business is forecast to continue performing favorably and the sales human resource service business, which had been sluggish, is projected to upturn due to an increase in orders from major existing customers.

Summary

3. Medium-term management plan

The Company announced a three-year medium-term management plan in May 2022, setting numerical targets of net sales of ¥61,476mn and operating profit of ¥6,053mn for FY3/25, the final fiscal year of the plan, but operating profit is forecast to achieve its target two years ahead of schedule. However, at this stage, there is uncertainty about how long the BPO spot projects that have contributed to increased earnings will continue from FY3/24 onward. For that reason, the Company is strengthening its sales capabilities in such ways as opening an office in the Tohoku region for further expansion of BPO projects. As a growth strategy, in the clerical human resource service business, the Company aims to capture BPO projects such as reception desk work for existing municipality customers, based on its track record in projects such as for Social Security and Individual Number Cards. Moreover, the Company aims to expand the number of municipalities with which it does business to 161 by FY3/25, approximately double the number of 79 in the three years through FY3/22. In the manufacturing human resource service business, the aim is for net sales growth by expanding sales areas. In the sales human resource service business, in addition to continuing to receive orders from existing main customers, the focus will be on building a structure enabling business development in various formats.

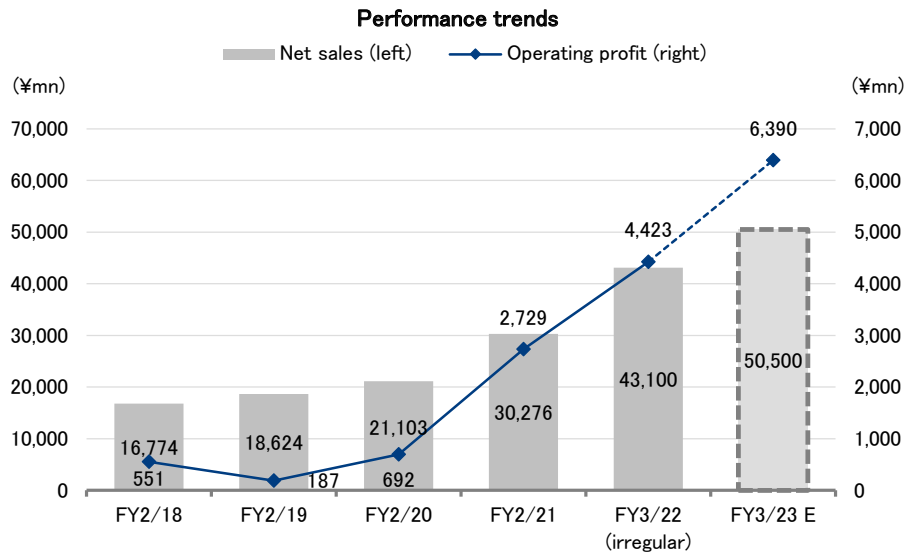
4. Shareholder return policy

The Company's basic dividend policy is to continue to stably and appropriately pay dividends based on a comprehensive judgment of factors including securing internal reserves and management results. The dividend per share for FY3/23 is planned to be ¥50.0 per share (dividend payout ratio 13.4%), an increase YoY of ¥10.0 per share, the third consecutive dividend increase in conjunction with expanded earnings, and the Company has made clear a policy of aiming for a dividend payout ratio of 30% in the future. It also has a shareholder benefit program, and at the end of September each year, gives QUO cards to shareholders depending on the number of shares they hold and the years they have continuously held them.

Key Points

- In the 1H FY3/23 results, sales and profits increased significantly through the growth of orders for BPO projects
- The FY3/23 results forecast revised upward as BPO-related business segment will continue strongly
- Outlook for each profit target under the medium-term management plan to be achieved two years ahead of schedule

Summary



Note: FY3/22 was an irregular 13-month period
 Source: Prepared by FISCO from the Company's financial results

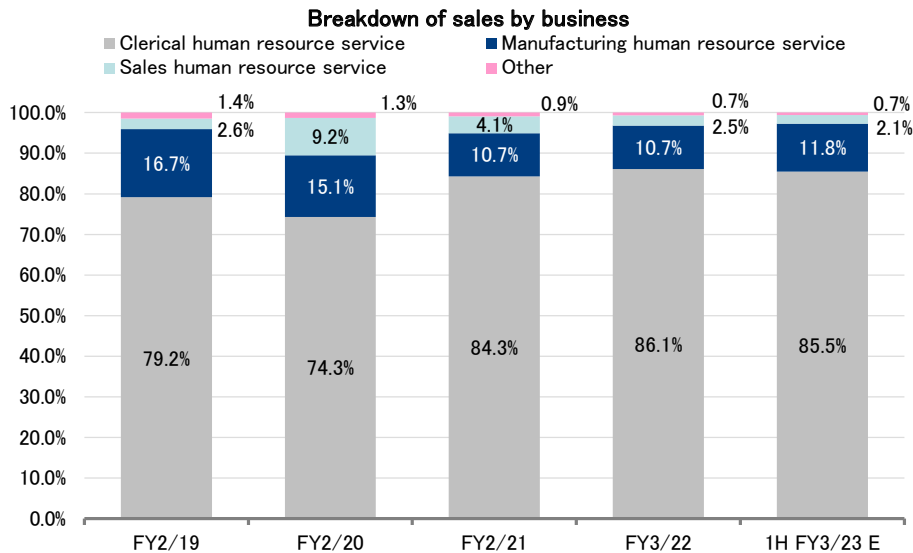
Business overview

A comprehensive human resources services company that started from a clerical human resource service business but also conducts manufacturing- and sales-related businesses

The Company was founded in 1996 as a staffing services company. It has continued to grow, centered on the clerical human resource service business, through its strengths of operations expertise that enables it to mobilize large numbers of staff and launch projects in short periods. In March 2017, to accelerate growth of the manufacturing human resource service business, it newly established Careerlink Factory Co., Ltd., as a subsidiary which took over this business in June of the same year. In October 2018, the Company further expanded its business scope and launched a sales human resource service business. Also, in March 2018, it acquired all of the shares of Japan Business Service Co., Ltd (hereafter, JBS), a subsidiary of DSB Co., Ltd., and made it into a subsidiary. The businesses of JBS include a human resource service business for the finance industry, mainly for major securities companies, and a personnel salary calculation outsourcing business.

Looking at the percentages of consolidated net sales in 1H FY3/23, the majority were provided by the clerical human resource service business, which is mainly the BPO-related business segment, at 85.5%, followed by the manufacturing human resource service business at 11.8%, the sales human resource service business at 2.1%, and the other business (a vehicle management business carried out by Tokyo Vehicle Management Co., Ltd., a subsidiary of JBS) at 0.7%. Since FY2/21, the percentage of the clerical human resource service business has been rising. Descriptions of each business are provided below.

Business overview



Source: Prepared by FISCO from the Company's financial results and results briefing materials

1. Clerical human resource service business

(1) BPO-related business segment

The BPO-related business segment, which contributes more than 70% of sales in the clerical human resource service business, is mainly staffing for BPO work outsourced by BPO vendors* and planning and proposal-type outsourced work for some parts of companies' and municipalities' work processes, while there are also some projects ordered directly from the final customers.

* BPO vendors: BPO is the name given to the external outsourcing of some parts of work processes by government ministries and municipalities, companies and others, including the planning and design through to implementation of work. BPO vendors are the vendors to which this work is outsourced.

By outsourcing some of their business processes, companies and government organizations can reduce their fixed costs, since there is no need to adjust the number of personnel for busy business periods, and lower their administrative costs. Reception desk and call center services can improve the quality of their services by outsourcing some of their business processes. The Act on Reform of Public Services by Introduction of Competitive Bidding, which was implemented in 2006, requires public agencies and other organizations affiliated with the government to use competitive bidding by the private sector for projects carried out under market testing.

The Company's main strength is the possession of operational know-how that allows it to launch even large projects requiring over 1,000 workers in the short span of roughly one month. Using its proprietary system for matching workers with jobs (a web-based system that tests the abilities of workers and confirms their desired work schedules), the Company can assemble optimal human resources in a short amount of time. Also, by permanently stationing staff at work sites it can strengthen operational capabilities there, including management of staff work, and raise work efficiency in such ways as proposing operational improvements, leading to enhanced levels of customer satisfaction.

Business overview

To execute BPO work, the Company organizes its staff into teams led by supervisors with extensive experience. The supervisors organize teams of about 10 employees to undertake daily administrative functions, mainly business processing, data entry, and document shipments. Assigned to client projects, the supervisors instruct dispatched employees about the business processes of the clients and standardize the work shifts of these employees, enabling the rapid start-up and smooth operation of the projects and an increase in productivity. This system is particularly ideal for large projects requiring many workers.

(2) CRM-related business segment

CRM tries to develop good relationships between a provider of goods or services and its customers, thereby improving customer satisfaction. The Company provides services including staffing and referrals for telemarketing work outsourced by telemarketing businesses, and staffing and referrals for the contact centers of companies and others. In staffing for telemarketing businesses, it is working to increase its share of customers by dispatching teams, just like in the BPO-related business segment.

(3) Office Services business segment

This business carries out staffing, referrals and planned staff dispatching, targeting generical clerical work. In staffing services among the general clerical field, competition is fierce with major staffing companies such as Persol Holdings <2181> and Pasona Group <2168>, but the Company positions this business as playing the role of capturing orders for BPO projects.

2. Manufacturing human resource service business

The manufacturing human resource service business is conducted by the subsidiary Careerlink Factory. Approximately 50% of net sales are from services to food processing companies, while it also provides services for the manufacturing and processing industries, including for the transportation equipment, electronic devices, and medical equipment fields. One feature is that it actively recruits and dispatches foreign workers, and the percentage of foreign workers among the total workforce rose over 50% in 1H FY3/23 compared to 25% four years previously. For the sales bases, to expand the business scope in FY3/22, it newly opened 6 bases in Yokkaichi, Okazaki, Atsugi, Chiba, Sannomiya, and Fukuoka, and together with its existing bases (the Himeji Head Office and the Ikebukuro, Shizuoka, Kumamoto, and Okinawa branches), it currently manages 11 bases in total. Going forward, its policy is to open bases and expand business mainly in areas where there are many international students and foreign residents of Japan.

3. Sales human resource service business

In the sales human resource service business, the Company is contracted to propose the introduction of cashless payment systems and support operations, and conducts its business nationwide to target retail stores and eating and drinking establishments.

Results trends

In the 1H FY3/23 results, sales and profits increased significantly through the growth of orders for large-scale BPO projects

1. Overview of 1H FY3/23 results

In the 1H FY3/23 consolidated results, record highs for a half-year basis were achieved with net sales of ¥22,025mn, operating profit of ¥2,629mn, ordinary profit of ¥2,650mn, and profit attributable to owners of parent of ¥1,812mn. Compared to the same period of the previous fiscal year (April to September 2021, values after application of the “Accounting Standard for Revenue Recognition,” etc.), there was a significant increase in sales and profits, with net sales increasing 24.8% and operating profit up 49.6%. Meanwhile, net sales fell short of the initial plan by 3.1%, but operating profit significantly exceeded the plan with an increase of 60.4%.

1H FY3/23 consolidated results

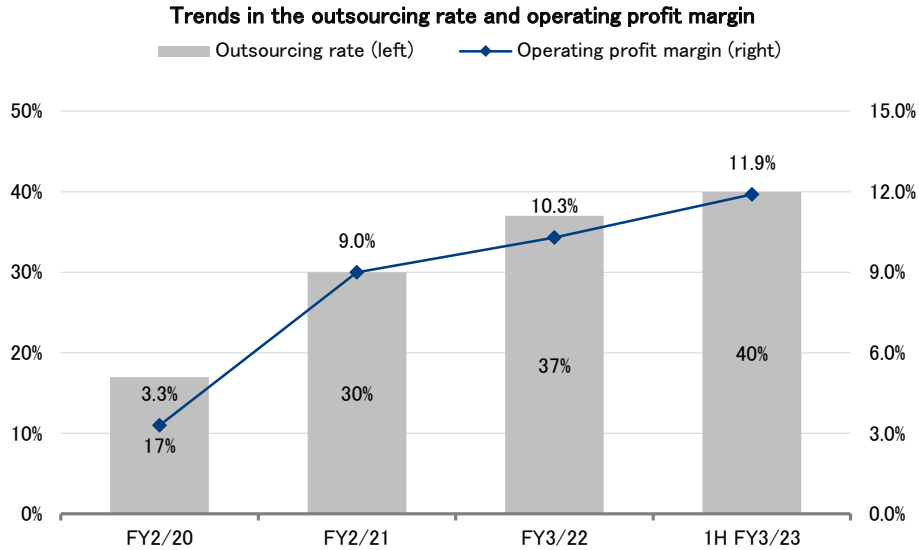
	(¥mn)							
	1H FY3/22 (March–August 2021)			1H FY3/23 (April–September 2022)			Rate of change	
	Results	% of sales	YoY (April–September 2021)	Initial plan	Results	% of sales	YoY	Compared to initial plan
Net sales	16,239	-	17,650	22,736	22,025	-	24.8%	-3.1%
Clerical human resource service business	13,695	84.3%	-	-	18,825	85.5%	-	-
Manufacturing human resource service business	1,858	11.4%	-	-	2,588	11.8%	-	-
Sales human resource service business	538	3.3%	-	-	461	2.1%	-	-
Other business	147	0.9%	-	-	149	0.7%	-	-
Cost of sales	12,663	78.0%	-	-	16,867	76.6%	-	-
Selling, general and administrative expenses	2,168	13.4%	-	-	2,528	11.5%	-	-
Operating profit	1,406	8.7%	1,757	1,639	2,629	11.9%	49.6%	60.4%
Ordinary profit	1,421	8.8%	1,773	1,638	2,650	12.0%	49.5%	61.8%
Profit attributable to owners of parent	956	5.9%	1,187	1,103	1,812	8.2%	52.6%	64.3%

Note: The Company has applied the “Accounting Standard for Revenue Recognition” etc. from FY3/23 and the previous fiscal year has been converted to same standard

Source: Prepared by FISCO from the Company’s financial results and results briefing materials

Net sales fell below the initial plan in the sales human resource service business despite the BPO-related business segment receiving large-scale spot project orders from municipalities and BPO vendors. Operating profit, meanwhile, was higher than projected due to factors such as a higher-than-expected increase in gross profit margin due to receiving orders for profitable BPO projects and efficient management of dispatch staff recruitment costs and hiring costs. The operating profit margin rose to a record high level of 11.9% due to a rise in the outsourcing rate through an increase in the number of orders received in addition to enhanced productivity in outsourcing operations.

Results trends



Source: Prepared by FISCO from the Company's results briefing materials

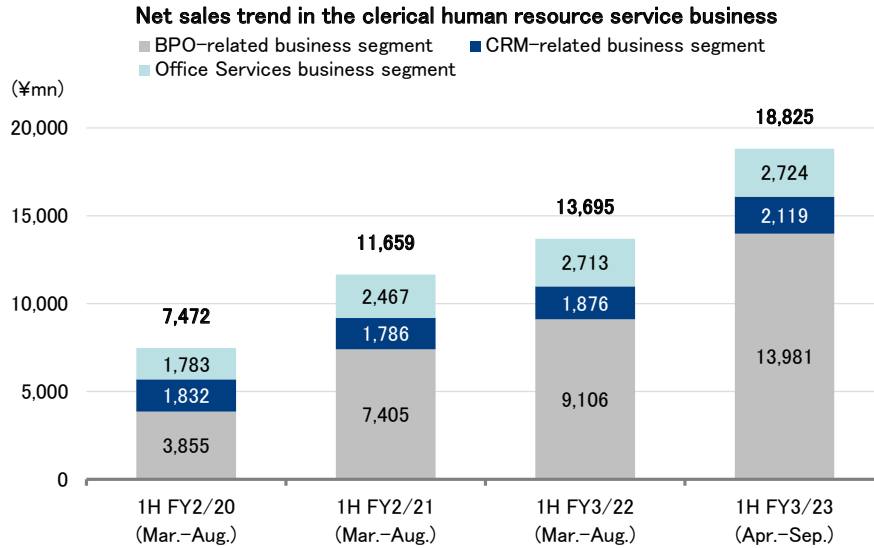
Substantial growth in BPO-related business segment, centered on municipalities, and significant increases in sales and profits for the clerical human resource service business

2. Trends by business segment

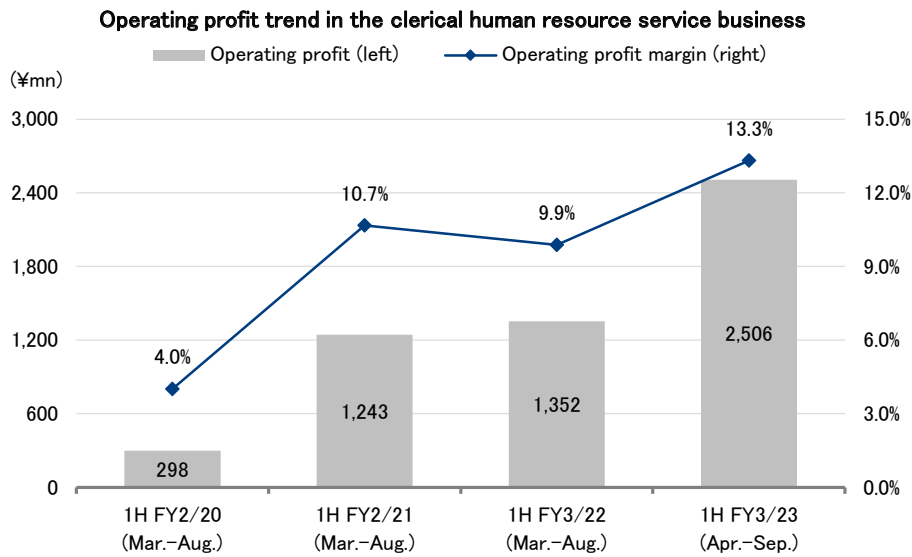
(1) Clerical human resource service business

In the clerical human resource service business, net sales increased 37.5% YoY (March to August 2021) to ¥18,825mn and operating profit rose 85.3% to ¥2,506mn, resulting in significant increases in sales and profits. In the mainstay BPO-related business segment, there was a significant increase in orders (including for spot projects) from municipalities and major BPO vendors among others, and efficient operation of recruitment costs and hiring costs contributed. The operating profit margin grew significantly YoY from 9.9% to 13.3%.

Results trends



Source: Prepared by FISCO from the Company's financial results



Source: Prepared by FISCO from the Company's financial results

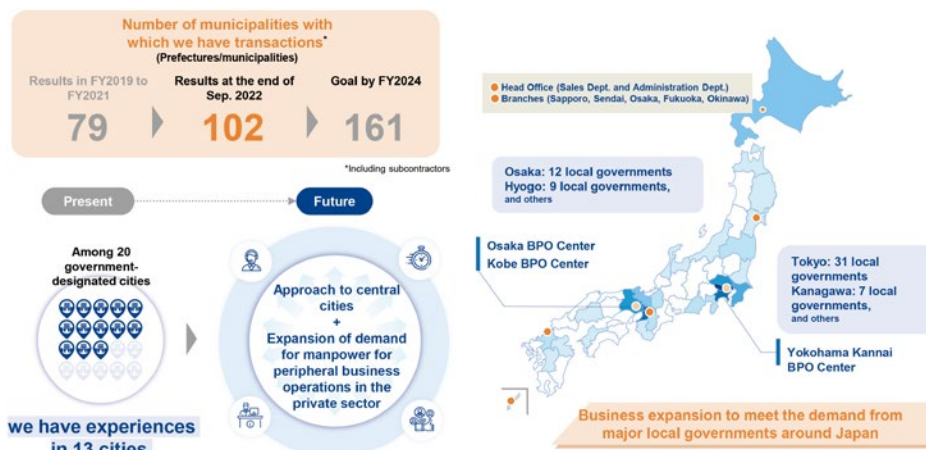
Results trends

Looking at the trends by business segment, net sales in the BPO-related business segment increased 53.5% YoY to ¥13,981mn*. In addition to ongoing projects from municipalities and major BPO vendors, etc., there was also an increase in BPO projects such as those related to Social Security and Individual Number Card and the cards' points-related work, and for one-time benefit payments-related work. In 1H FY3/23, sales increased due to factors such as receiving orders for large-scale spot projects from municipalities and BPO vendors. The majority of work that factored into increased sales was accounted for by municipalities, with Social Security and Individual Number Card and the cards' point-related operations seen to have increased by more than two times, and for one-time benefit payments-related work by more than four times, including reception desk work and spot projects.

* Under the same accounting standard (inspection basis) applied in the previous fiscal year, net sales would have been ¥12,384mn and the growth rate 36.0%. Only net sales in the BPO-related business segment are affected by the application of the "Accounting Standard for Revenue Recognition," etc.

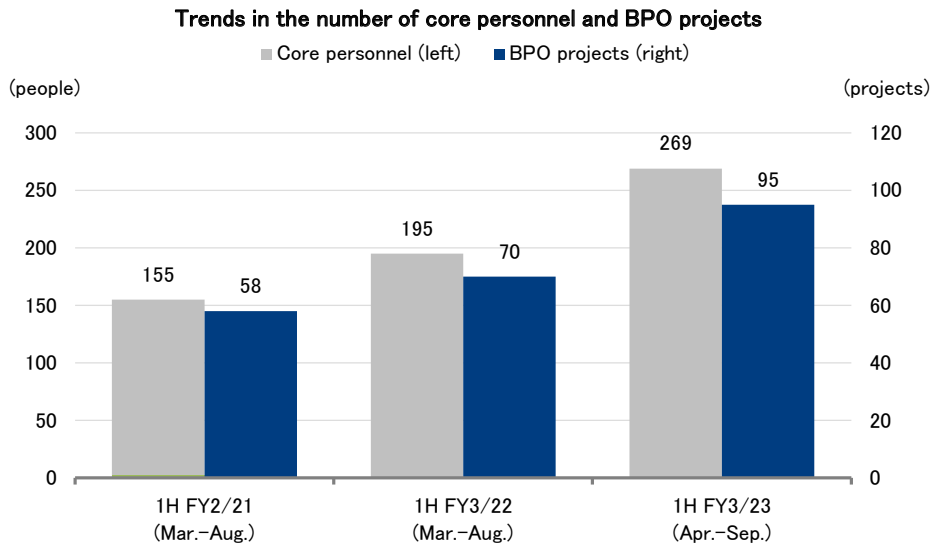
The factors behind the Increase in orders for BPO projects include the fact that the Company's stable operations capabilities have been highly evaluated by government ministries and agencies and BPO vendors, and also that it has made steady progress in recruiting core personnel that conduct work including BPO project design and building, business development, and systems development. The number of core personnel has increased from 195 people in the same period of the previous fiscal year to 269 people, and the number of municipalities with which it has transactions has increased steadily, from 79 at the end of the previous fiscal year to 102 (including municipalities with staff dispatching transactions only as of the end of September 2022). Among the 20 ordinance-designated cities, the Company has a track record of transactions with 13 such cities, and based on this track record, it is horizontally developing its businesses to other municipalities. This is mainly for work relating to Social Security and Individual Number Card and the cards' points-related work, and for one-time benefit payments-related work, but based on this work track record, there are also cases of the Company acquiring orders for reception desk work as well. In addition, the Company newly opened an office in Nagoya in June 2022 to expand business in the Tokai region.

Municipalities with transactions



Note: Includes municipalities with staff dispatching transactions only
Source: The Company's results briefing materials

Results trends



Source: Prepared by FISCO from the Company's results briefing materials

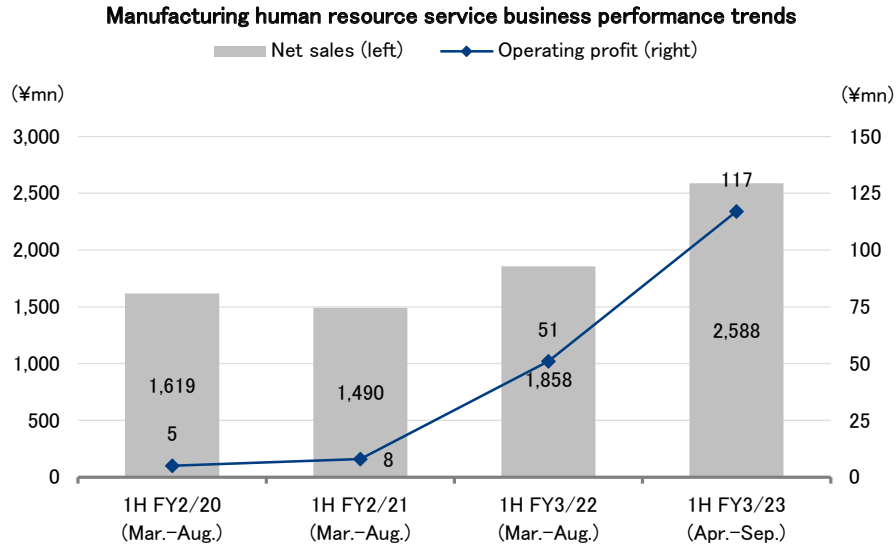
In the CRM-related business segment, net sales increased by 13.0% YoY to ¥2,119mn, continuing the trend toward increased sales. Orders recovered to the level before COVID-19, within which there were significant increases in orders received from telemarketing businesses for medical, mail order and finance-related services. In addition, a factor in increased sales was orders from call center and other operations from new business transactions in Sapporo, Sendai, Fukuoka and Okinawa.

In the Office Services business segment, net sales increased 0.4% YoY to ¥2,724mn. There was a decrease in the scale of large spot projects, but this was supplemented by new staff dispatching projects for municipalities and an increase in staff dispatching projects for financial institutions.

(2) Manufacturing human resource service business

In the manufacturing human resource service business, net sales increased 39.3% YoY to ¥2,588mn and operating profit rose 129.4% to ¥117mn, renewing record highs for the second consecutive year. Orders from existing clients expanded at existing bases and at the six new bases opened in FY3/22, and the Company also made progress in cultivating new customers. The manufacturing and processing industries performed strongly with a double-digit increase in sales centered on the food processing industry and transportation equipment. The operating profit margin was also at a record high level, rising from 2.8% in the same period of the previous fiscal year to 4.5%.

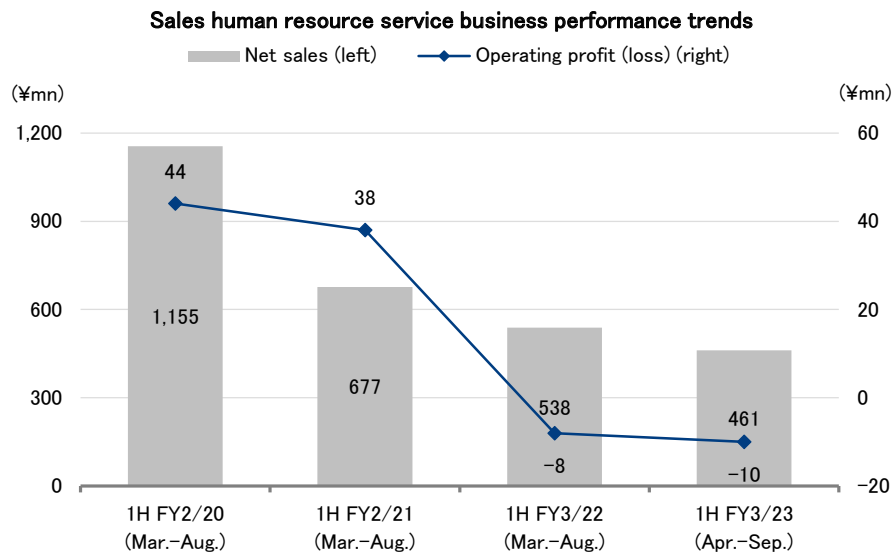
Results trends



Source: Prepared by FISCO from the Company's financial results

(3) Sales human resource service business

In the sales human resource service business, net sales decreased 14.3% YoY to ¥461mn and operating loss was ¥10mn (operating loss of ¥8mn in the same period of the previous fiscal year). As the impact of COVID-19 eased, efforts to cultivate new customers and increase market share among existing customers failed to yield sufficient results, which was the main reason for the decline in sales. On the profit side, the operating loss continued as gross profit decreased due to decreased sales, despite efforts to reduce expenses such as recruitment costs. Net sales on a quarterly basis bottomed out in 1Q at ¥214mn and showed signs of recovery in 2Q at ¥246mn.



Source: Prepared by FISCO from the Company's financial results

Results trends

(4) Other business

Other business is the vehicle management business of Tokyo Vehicle Management, a subsidiary of JBS. Results were strong, with net sales increasing 1.6% YoY to ¥149mn and operating profit rising 37.5% to ¥15mn.

Financial condition and management indicators

Financial soundness improved due to earnings growth

Looking at the Company's financial condition at the end of 1H FY3/23, total assets decreased ¥750mn from the end of the previous fiscal year to ¥15,793mn. In current assets, the main factors behind the changes were an increase of ¥185mn in cash and deposits and a decrease of ¥930mn in notes and accounts receivable - trade, and contract assets. In non-current assets, there were respective decreases of ¥14mn in property, plant and equipment and ¥27mn in intangible assets in conjunction with the progress of depreciation.

Total liabilities decreased ¥1,917mn from the end of the previous fiscal year to ¥6,221mn. Interest-bearing debt decreased ¥166mn, while there were also decreases of accounts payable of ¥707mn, income taxes payable of ¥374mn, and provision for loss on orders received of ¥117mn. Total net assets increased ¥1,166mn to ¥9,571mn. Retained earnings increased ¥1,149mn due to dividend payments of ¥474mn and recording profit attributable to owners of parent of ¥1,812mn, and including a decrease of ¥188mn through application of the "Accounting Standard for Revenue Recognition," etc.

Looking at the management indicators, for indicators of stability, the equity ratio rose from 50.2% at the end of the previous fiscal year to 59.9% and the interest-bearing debt ratio declined from 11.8% to 8.6%. Net cash (cash and deposits – interest-bearing debt) also increased by ¥351mn from the end of the previous fiscal year to ¥6,402mn, its highest level ever, further strengthening the Company's financial foundation.

Consolidated balance sheet and management indicators

	End-FY2/20	End-FY2/21	End-FY3/22 (irregular)	End-1H FY3/23	Change
	(¥mn)				
Current assets	6,668	10,533	15,326	14,611	-715
(Cash and deposits)	3,916	6,435	7,031	7,216	185
Non-current assets	812	990	1,217	1,181	-35
Total assets	7,480	11,523	16,543	15,793	-750
Total liabilities	3,640	6,040	8,139	6,221	-1,917
(Interest-bearing debt)	616	862	980	813	-166
Total net assets	3,840	5,483	8,404	9,571	1,166
(Stability)					
Equity ratio	50.3%	46.9%	50.2%	59.9%	9.7pt
Interest-bearing debt ratio	16.4%	16.0%	11.8%	8.6%	-3.2pt
Net cash	3,300	5,573	6,050	6,402	351

Note: FY3/22 was an irregular 13-month period
 Source: Prepared by FISCO from the Company's financial results

■ Outlook

The outlook for the FY3/23 results has been upwardly revised due to the continued strong performance of the BPO-related business segment

1. Outlook for FY3/23

The Company announced an upward revision of consolidated financial results for FY3/23 on November 9, 2022. The outlook is for net sales to increase 17.2% YoY* to ¥50,500mn, operating profit to increase 44.5% to ¥6,390mn, ordinary profit to rise 44.3% to ¥6,410mn and profit attributable to owners of parent to increase 41.6% to ¥4,410mn.

* YoY comparison is a simple comparison with results from FY3/22.

Outlook for FY3/23

	FY3/22 (results for 13-months)		FY3/23			Rate of change		1H progress rate
	Results	% of sales	Initial plan	Revised plan	% of sales	YoY	Compared to initial plan	
						YoY	Compared to initial plan	
Net sales	43,100	-	50,019	50,500	-	17.2%	1.0%	43.6%
Clerical human resource service business	37,124	86.1%	42,753	-	-	-	-	-
Manufacturing human resource service business	4,590	10.6%	5,626	-	-	-	-	-
Sales human resource service business	1,065	2.5%	1,347	-	-	-	-	-
Other business	320	0.7%	293	-	-	-	-	-
Operating profit	4,423	10.3%	4,642	6,390	12.7%	44.5%	37.7%	41.1%
Ordinary profit	4,441	10.3%	4,640	6,410	12.7%	44.3%	38.1%	41.3%
Profit attributable to owners of parent	3,114	7.2%	3,173	4,410	8.7%	41.6%	39.0%	41.1%
Earnings per share (¥)	236.89		268.73	373.30				

Note: FY3/22 was an irregular 13-month period. YoY values are simple comparisons with the FY3/22 results.

The values of the revised plan for FY3/23 are those announced on November 9, 2022. Revised net sales by business segment have not been disclosed

Source: Prepared by FISCO from the Company's financial results and results briefing materials

Factors in the increase in net sales include a large-scale spot order from a BPO vendor that had not been included in the initial plan and is expected to continue through to the end of the fiscal year, as well as the continuation in 2H of one-time benefit payments-related work that had been planned to end in 1H and projects with a high probability of receiving orders in 2H were incorporated into the plan. On the profit front, the factor behind the increase was the rise in gross profit margin resulting from expanded sales in the BPO-related business segment. Under the initial plan, the operating profit margin had been expected to decline to 9.3% from 10.3% in the previous fiscal year due to the initial launch burden caused by an increase in new BPO projects, but the projects are progressing smoothly, so the operating profit margin for the full year is now forecast to rise to 12.7%.

Outlook

(1) Sales outlook by business

In the clerical human resource service business, the initial plan was for net sales to increase 15.2% YoY to ¥42,753mn, and the progress rate for the full year is 44.0%. There is a high likelihood of exceeding the initial plan with the expected strong performance of BPO projects such as those associated with work relating to Social Security and Individual Number Card and the cards' points-related work, and for one-time benefit payments-related work in addition to the forecast continuation in 2H of spot projects from BPO vendors that began in 2Q. The number of BPO projects is forecast to increase from 107 in the previous fiscal year to 130 projects, and earnings are expected to increase as the projects are of larger scale. The number of core personnel is planned to increase to over 300 from 204 at the end of the previous fiscal year. Branch offices also opened in the cities of Aomori, Akita, Morioka and Yamagata with the objective of expanding the BPO-related business segment in the Tohoku region, and a branch office is scheduled to open in Nara in December 2022.

In the manufacturing human resource service business, the initial plan was for net sales to increase 22.6% YoY to ¥5,626mn, and the progress rate for the full year is 46.0%. Despite growing uncertainty about the economic outlook, we at FISCO view the achievement of the initial plan as possible due to new sales bases that opened in FY3/22 receiving increased orders from existing customers and steadily cultivating new customers.

In the sales human resource service business, the initial plan was for net sales to increase 26.5% YoY to ¥1,347mn by cultivating new customers and expanding market share with existing customers, but we at FISCO view there is a high likelihood of falling short of the plan due to the stalling of face-to-face business meetings because of COVID-19. However, regarding existing cashless payment service projects, the outlook is for the recovery trend to continue in 2H with the tendency toward expanding share as customers make progress on outsourcing. The Company's policy is to focus on capturing new orders where it is possible to work with both a physical presence and online.

(2) Priority measures

In FY3/23, the Company's priority measures will continue to be: 1) acquire new customers and new business partners, 2) further strengthen relationships with existing customers and existing business partners, 3) build an environment in which resident managers can maximize performance, 4) achieve the prompt and optimal operations of outsourced projects during the COVID-19 pandemic, and 5) promote the receipt of orders for projects from municipalities and large projects from BPO vendors.

In particular, with regards to municipalities, while the Japanese government is promoting the digitalization of government services as its policy, it appears that needs are growing for BPO operations that incorporate IT elements. To respond to this demand, the Company's strategy is to leverage its strength of a track record of conducting work for Social Security and Individual Number Card and the cards' points-related work to expand transactions with the major municipalities.

Outlook

Outlook is for each profit target under the medium-term management plan to be achieved two years ahead of schedule

2. Medium-term management plan

Every year, the Company formulates a three-year medium-term management plan, and in the medium-term management plan announced in May 2022, the results targets for FY3/25 are net sales of ¥61,476mn, operating profit of ¥6,053mn, ordinary profit of ¥6,051mn and profit attributable to owners of parent of ¥4,139mn. Each of these profit items is forecast to reach their target in FY3/23, two years ahead of schedule, with the aforementioned contribution from expansion of BPO projects for municipalities and other factors. However, at this stage, there is uncertainty about how long the BPO spot projects that have contributed to increased earnings will continue from FY3/24 onward. The Company is working on strengthening the structure of its sales foundation, such as by opening offices in the Tohoku region, toward further expansion of BPO projects. There have been steady increases in the recruitment of core personnel and the number of municipalities with which it has business transactions, and with BPO demand expected to continue to grow going forward, we at FISCO view there is a high likelihood of achieving the net sales target in the final fiscal year of the plan.

Medium-term management plan

	(¥mn)						
	FY3/22 (irregular) Results	FY3/23		FY3/24 Target	FY3/25 Target	Compared to FY3/22 results	Three-year CAGR
		Target	Revised plan				
Net sales	43,100	50,019	50,500	55,389	61,476	42.6%	12.6%
Clerical human resource service business	37,124	42,753	-	47,150	52,101	40.3%	12.0%
Manufacturing human resource service business	4,590	5,626	-	6,310	7,092	54.5%	15.6%
Sales human resource service business	1,065	1,347	-	1,636	1,990	86.9%	23.2%
Other business	320	293	-	293	293	-8.4%	-2.9%
Operating profit	4,423	4,642	6,390	5,268	6,053	36.9%	11.0%
Operating profit margin	10.3%	9.3%	12.7%	9.5%	9.8%	-	-
Ordinary profit	4,441	4,640	6,410	5,266	6,051	36.3%	10.9%
Profit attributable to owners of parent	3,114	3,173	4,410	3,602	4,139	32.9%	9.9%

Note: FY3/22 was an irregular 13-month period

The values of the revised plan for FY3/23 are those announced on November 9, 2022. Revised net sales by business segment have not been disclosed

Source: Prepared by FISCO from the Company's results briefing materials

(1) Investment plan

The Company's policy is to continuously conduct investment in order to realize an annual sales growth rate in the 10% range. First, demand is forecast to grow from municipalities and others, so it is focusing on recruiting core personnel necessary to acquire orders for BPO projects that incorporate IT elements and training the next-generation core personnel who will be future executive management candidates. The recruited personnel are trained and granted the experience of BPO work at actual departments, after which they are allocated to various work sites as the people responsible for that site. Therefore, increasing core personnel enables the Company to obtain orders for many BPO projects.

Second, the Company will invest in systems to improve productivity. Specifically, it plans to expand the knowledge management tools for human resources development, and is also strengthening the staff websites and staff management functions. In addition, it intends to actively work on RPA tools, etc. both inside and outside the Group and to improve work efficiency.

Outlook

Third, the Company is investing in infrastructure in order to expand business scale. Specifically, it will expand sales bases and the BPO Center to meet demand, while it also intends to further expand business scope in the manufacturing human resource service business by promoting the establishment of bases in new areas. In addition, it plans to establish infrastructure to secure the safety of employees, customers, and staff, and to respond to new working styles.

(2) Growth strategy

a) Clerical human resource service business

The clerical human resource service business is targeting an annual net sales growth rate of 12.0%. As a growth strategy, the most important policy is to capture BPO demand generated by the implementation of DX in the public sector. According to the “Priority Policy Program for Realizing Digital Society” announced by the Digital Agency in December 2021, the aim is to integrate the operating systems of the national government and municipalities by FY2025, and the plan is to build a government cloud system that can be used by all municipalities based on a shared cloud infrastructure. Therefore, it will be necessary to advance the transition from municipalities’ former systems to the new standard system, and demand for BPO services is expected within this transition work.

For municipalities’ BPO projects, a track record of management performance is a major factor when deciding on a service provider, so this is a strength for the Company that has handled a lot of work for Social Security and Individual Number Card and the cards’ points-related work. With a foothold from its track record, its objective is to nearly double by FY3/25 the number of municipalities with which it has transactions (including municipalities with staff dispatching transactions only) from 79, its number in the last three years up until FY3/22, to 161 municipalities. Doubling appears to be an aggressive target, but it has steadily expanded to 102 as of the end of September 2022, is working to strengthen its sales structure by opening branch offices in the Tohoku region, and is making progress with recruiting and training core personnel to acquire BPO projects, so we at FISCO think it is achievable.

With regard to Social Security and Individual Number Card and the cards’ point-related work, digitalization of various government services using Social Security and Individual Number Card is forecast to progress, partly due to the government policy of integrating Social Security and Individual Number Card with health insurance cards and driver’s licenses. The Company is a BPO service platform provider and its policy is to expand the clerical human resource service business centered around the BPO-related business segment through various routes such as by receiving orders directly from customers, receiving orders jointly with alliance partners and receiving orders via BPO vendors.

b) Manufacturing human resource service business

The manufacturing human resource service business is aiming for an annual net sales growth rate of 15.6%. It is highly evaluated by customers for “compliance management that prioritizes compliance for foreign workers,” and while aiming to accumulate and master knowledge related to this topic, it intends to expand sales areas. The Company’s share of the manufacturing staff dispatching market is still low, and it is targeting a double-digit annual growth rate by developing its business horizontally for the other bases of its existing major customers and by acquiring new customers through newly entering into areas. The percentage of foreign workers among dispatched staff is at over 50%, and it will continue opening bases as a priority in areas where many foreigners reside. The Company appears to have unique expertise in recruiting foreign workers and is able to recruit them efficiently. It will also benefit from the fact that the restrictions on foreigners entering Japan were eased from October 2022 and that there are moves for reshoring the manufacturing industry as the yen continues to weaken.

Outlook

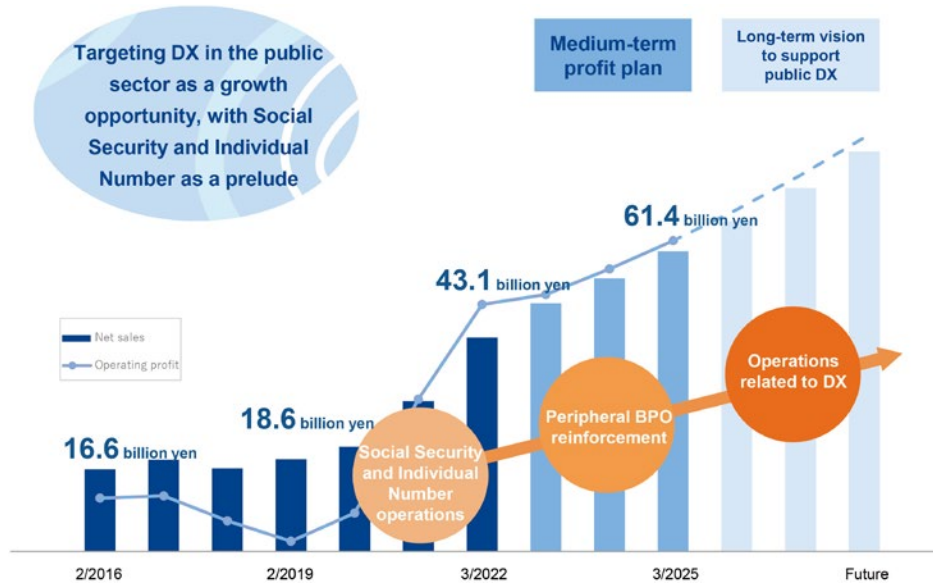
c) Sales human resource service business

The sales human resource service business is targeting an annual net sales growth rate of 23.2%. Four years have passed since this business was launched, and it has promoted knowledge management relating to sales activities such as acquiring new products and services over a wide area. It has faced a difficult battle over the last two periods due to COVID-19, but it seems that it is aiming for growth not only from continuing orders from its major existing customers, but also by acquiring new customers through various forms of business development such as “new products x wide area.”

d) Medium- to long-term growth image

As a medium- to long-term growth image, the Company aims to expand earnings by promoting the development of the mainstay BPO-related business segment in the public sector. With a foothold from its track record in work related to the Social Security and Individual Number Card and the cards’ points, and for one-time benefit payments-related work, the Company’s policy is to strengthen its capture of orders in BPO-related periphery work, such as reception desk work, and also horizontally expand business into the public sector, such as DX periphery and other work. Municipalities are expected to use BPO more in the future to reduce costs, which can be said to be a significant growth opportunity for the Company.

Medium- to long-term growth image



Source: The Company’s results briefing materials

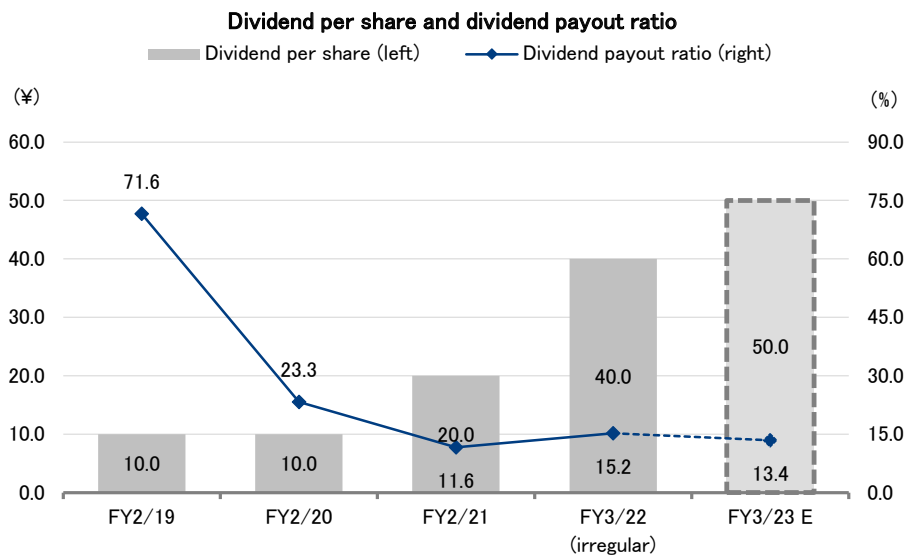
Shareholder return policy and initiatives for SDGs

Targets a dividend payout ratio at the 30% level in the future

1. Shareholder return policy

The Company's shareholder return policy is to pay dividends and to provide shareholder benefits. Its basic dividend policy is to continuously and stably pay an appropriate dividend based on a comprehensive consideration of management performance and management as a whole, while also securing the internal reserves necessary for business development to achieve sustainable growth and to strengthen the management foundation. In FY3/23, it plans to increase the dividend for the third consecutive period with an increase from ¥10.0 YoY to ¥50.0 (a dividend payout ratio of 13.4%). It has clarified that its policy is to continue increasing the dividend in order to achieve a dividend payout ratio at the 30% level in the future.

For its shareholder benefit program, the Company presents QUO cards at the end of September every year to its shareholders, depending on the number of shares held and length of holding period. Specifically, benefits are currently (from November 2022) as described under "Description of shareholder benefits" on the page below, and it presents a card worth ¥500 to shareholders holding from 100 to 199 shares, a card worth ¥1,000 to those holding from 200 to 499 shares, and a card worth ¥2,000 to those holding 500 shares or more. Also, it will enhance the benefits for long-term shareholdings, and shareholders continuously holding shares for at least three years receive a QUO card worth ¥2,000 if they hold from 200 to 299 shares, a card worth ¥3,000 if they hold from 300 to 399 shares, a card worth ¥4,000 if they hold from 400 to 499 shares, and a card worth ¥5,000 if they hold 500 shares or more.



Note: FY3/22 was an irregular 13-month period
Source: Prepared by FISCO from the Company's financial results

Shareholder return policy and initiatives for SDGs

Description of shareholder benefits

Shares held	Shareholder benefit	
	Held for less than three years	Held continuously for at least three years
100 to 199 shares	QUO card (worth ¥500)	QUO card (worth ¥500)
200 to 299 shares	QUO card (worth ¥1,000)	QUO card (worth ¥2,000)
300 to 399 shares	QUO card (worth ¥1,000)	QUO card (worth ¥3,000)
400 to 499 shares	QUO card (worth ¥1,000)	QUO card (worth ¥4,000)
500 shares or more	QUO card (worth ¥2,000)	QUO card (worth ¥5,000)

Note: Eligible shareholders are those listed in the register of shareholders at the end of September.
 The conditions for “continuous holding for at least three years” are that on the reference date of September 30, the shareholder has been listed or registered in the register of shareholders at the end of March and September in each year with the same shareholder number for seven consecutive times or more
 Source: Prepared by FISCO from the Company’s release

2. Initiatives for SDGs

The Company promotes initiatives for SDGs based on its corporate mission of “Helping people to find satisfaction through work.” By expanding employment and providing opportunities to work in a variety of industries, the Company recognizes that fulfilling its contribution to a sustainable society is an important management issue and proactively works on sustainability.

For the advancement of women and support for balancing work and family life, the Company promotes a work-life balance. It has introduced systems to support a variety of working styles, including a telecommuting system, a system with reduced working hours, a region-limited working system, and a limited-duty working system. It encourages employees to take paid leave and days of no overtime have also been introduced on a departmental basis. In recognition of efforts such as these, the Company obtained the highest Eruboshi* certification (Level 3), in October 2022. Through its business activities, the Company will continue to contribute to the realization of a sustainable society by providing various employment opportunities to women, seniors and others seeking employment opportunities.

* A certification mark by the Ministry of Health, Labour and Welfare for companies promoting women’s activities. Eruboshi is a system for certifying excellent enterprises that satisfy certain standards in accordance with the Act on the Promotion of Women’s Active Engagement in Professional Life and have a working environment where women can work actively. The Company satisfied all standards for the five items of: recruitment, continuous employment, work styles including working hours, the ratio of female managers and diverse career courses.

Women’s activity guideline indicators

	Ratio of female employees	Ratio of female managers	Ratio of female directors	Ratio of paid leave taken	Monthly average overtime hours
Careerlink	33.8%	14.0%	22.2%	68.3%	31.4 hours
Average	27.2%	9.4%	12.0%	63.0%	Within 45 hours (Eruboshi standard)

Note: The average value is the average of 583 companies that responded to the Ministry of Economy, Trade and Industry’s Nadeshiko Brand FY2021 survey on enterprises encouraging women’s success in the workplace
 Source: Prepared by FISCO from the Company’s results briefing materials



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