

## Summary of Consolidated Financial Results For the First Half Ended August 31, 2019 [Japan GAAP]

Name of Company: CAREERLINK CO., LTD.  
 Stock Code: 6070  
 Stock Exchange Listing: Tokyo Stock Exchange, First Section  
 URL: <http://www.careerlink.co.jp/>  
 Representative Title: President & Representative Director / President & Executive Officer  
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 Date of quarterly securities report (tentative): October 11, 2019  
 Date of commencement of dividend payment (tentative): -  
 Quarterly earnings supplementary explanatory documents: Yes  
 Quarterly earnings presentation: Yes (for institutional investors and analysts)

(Yen in millions, rounded down)

### 1. Financial results for the first half of the fiscal year ending February 2020 (March 1, 2019 – August 31, 2019)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended August 2019	10,386	13.7	347	-	346	471.3	253	-
First half ended August 2018	9,137	4.8	14	(95.8)	60	(81.7)	16	(92.5)

Note: Comprehensive income: 1H FY2/2020: 258 million yen (-) 1H FY2/2019: 13 million yen (-93.7%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended August 2019	20.69		20.66	
First half ended August 2018	1.34		1.31	

Note: Prior-year comparisons are not shown (-) for operating profit, profit attributable to owners of parent and comprehensive income in the first half of FY2/2020 because the changes are more than 1,000%.

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of August 31, 2019	6,791		3,544		51.3	
As of February 28, 2019	5,917		3,404		56.5	

Reference: Shareholders' equity

As of August 31, 2019: 3,483 million yen As of February 28, 2019: 3,343 million yen

### 2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 2019	-	0.00	-	10.00	10.00
Fiscal year ending February 2020	-	0.00	-	10.00	10.00
Fiscal year ending February 2020 (est.)	-	-	-	10.00	10.00

Note: Change in the estimation of dividend from the latest announcement: None

### 3. Forecast for the fiscal year ending February 2020 (Consolidated, March 1, 2019 to February 29, 2020)

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	21,668	16.3	422	124.9	419	44.5	281	64.7	22.97

Note: Change in the forecast from the latest announcement: Yes

#### \* Notes

- (1) Changes in significant subsidiaries during the quarter: None
- (2) Use of accounting methods specifically for the preparation of the quarterly financial statements: None
- (3) Changes in accounting principles and estimates, and retrospective restatement
  - (a) Changes due to revision of accounting standards: None
  - (b) Changes other than in (a): None
  - (c) Changes in accounting estimates: None
  - (d) Retrospective restatement: None
- (4) Number of shares outstanding (common stock)
  - (a) Shares outstanding (including treasury shares)
 

	As of August 31, 2019:	12,555,800		As of February 28, 2019:	12,555,800
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  - (b) Treasury shares
 

	As of August 31, 2019:	300,755		As of February 28, 2019:	306,655
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  - (c) Average number of shares (first half)
 

	Period ended August 31, 2019:	12,251,188		Period ended August 31, 2018:	12,238,581
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Note: The number of treasury shares at the end of the period includes stock held in a trust account of Trust & Custody Services Bank, Ltd. (trust account E) for the Careerlink Employee Stock Ownership Plan trust (J-ESOP). There were 49,200 shares in this trust account at the end of the first half of the current fiscal year and 55,100 shares at the end of the previous fiscal year. Shares in this trust account is included in treasury stock that is excluded from the average number of shares in a fiscal year. There were 53,057 shares in this trust account in the first half of the current fiscal year and 62,526 shares in the first half of the previous fiscal year.

\* This report is exempt from the quarterly audit review by certified public accountants or accounting firms.

\* 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 available to management at the time this report was prepared and assumptions that management 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 about the forecasts, please see "1. Results of Operations (3) Forecast for the current fiscal year" on page 3.

(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. Results of Operations

### (1) Overview of business performance

The Japanese economy recovered slowly during the first half of the current fiscal year. Corporate earnings of firm continued growth as the job market and personal income improved with the support of government economic measures. However, there were still areas of weakness, mainly involving exports. The outlook for the global economy remained unclear due to the prolonged U.S.-China trade war and the slowing growth of the Chinese economy, as well as uncertainty about the European economy involving Brexit and other issues.

In the Japanese human resources industry, the demand for human resource services is increasing as the jobs-to-applicants ratio remains high because of labor shortages in many industries. However, human resource service companies in Japan must take appropriate actions to adapt to significant changes in the business climate. One source of change is the so-called "2018 problem," which refers to the enactment of the amended Employment Contracts Act and the amended Worker Dispatching Act. Other significant changes will occur in April 2020 due to government measures to prevent excessively long working hours, including the reduction of overtime, and the start of a requirement for equal pay for equal work that aims to eliminate differences in the treatment between full-time employees and other workers.

During the first half of the current fiscal year, the Careerlink Group increased activities to capture orders for outsourced tasks involving processing of cashless payments, of which the first order was received in October 2018. There were also activities to capture orders associated with the October 2019 consumption tax hike. Increasing the volume of manufacturing staffing services, chiefly in the food industry, was another priority.

Due to these activities, sales increased 1,249,409 thousand yen (+13.7%) to 10,386,781 thousand yen. Sales of outsourced tasks for cashless payment processing increased and orders involving the consumption tax hike were higher than expected. Sales growth was also attributable to a large volume of temporary staffing orders from major telemarketing companies and financial institutions and to the continuing growth of temporary staffing orders from food processing companies.

Earnings were much higher than one year earlier. One reason was an increase in gross profit resulting mainly from more sales from projects with a high gross profit margin, such as outsourced tasks for cashless payment processing and one-time contracts for activities associated with the consumption tax hike. Earnings also benefited from a higher retention rate in the temporary placement workforce, elimination of the need for supplementary administrative personnel due to higher operating efficiency, an improvement in the earnings of Japan Business Service Co., Ltd., which became a subsidiary in February 2018, resulting from the consolidation of branch offices, and the relocation of Careerlink business sites. Operating profit increased 333,301 thousand yen from 14,145 thousand yen one year earlier to 347,446 thousand yen, ordinary profit increased 285,971 thousand yen (+471.3%) to 346,653 thousand yen, and profit attributable to owners of parent increased 237,139 thousand yen from 16,375 thousand yen to 253,514 thousand yen.

Business segment performance was as follows. In the first quarter of the fiscal year, business operations were reorganized in order to operate individual businesses with greater autonomy. Due to this reorganization, Careerlink has three reportable segments beginning with the first quarter of this fiscal year: clerical human resource services, manufacturing human resource services and sales human resource services.

#### (Clerical human resources services business)

The acquisition of one-time orders involving the consumption tax hike were higher than expected and there was a large volume of projects for telemarketing companies and financial institutions. However, the end of a large private-sector BPO project in the previous fiscal year caused first half sales to decrease 88,857 thousand yen (-1.2%) to 7,472,058 thousand yen. Earnings improved significantly because of an increase in the gross profit caused by growth in sales from high-margin projects, mainly one-time orders involving the consumption tax hike, a higher retention rate in the temporary placement workforce, elimination of the need for supplementary administrative personnel due to higher operating efficiency, and the relocation of Careerlink business sites. As a result, operating profit increased 300,322 thousand yen from 1,373 thousand yen loss one year earlier to 298,948 thousand yen.

#### (a) Business Process Outsourcing segment

Capturing new orders for BPO services, including one-time contracts involving the consumption tax hike, was one goal in this business sector. There was also an increase in the volume of business at some current BPO projects. However, sales decreased 764,357 thousand yen (-16.5%) to 3,855,739 thousand yen mainly because of the completion in the previous fiscal year of a large private-sector BPO project.

#### (b) Customer Relationship Management segment

There was a large volume of orders from telemarketing companies in the Tokyo, Osaka and Fukuoka areas and other areas of Japan and orders from securities companies and other financial services companies remained strong. As a result, sales increased 448,050 thousand yen (+32.4%) to 1,832,446 thousand yen.

#### (c) Office Services segment

Orders from securities companies and other financial services companies remained strong and there were new orders from private-sector companies and the public sector. The result was a 227,449 thousand yen increase (+14.6%) in sales to 1,783,871 thousand yen.

#### (Manufacturing human resource services business)

Orders from manufacturing and processing companies were down because of slowing economic growth in China but orders in the food processing category remained strong. The result was an increase of 165,706 thousand yen (+11.4%) in sales to 1,619,380 thousand yen. The gross profit benefited from higher food processing sales but was reduced by the decline in manufacturing and processing category sales. In addition, personnel expenses increased because of higher expenses for recruiting and training temporary placement personnel and for measures to reinforce internal management systems, including for safety, and governance. As a result, operating profit was down 10,329 thousand yen (-67.2%) to 5,038 thousand yen.

(Sales human resource services business)

The performance reflects the geographic expansion of the receipt of orders for outsourced cashless payment processing activities that Careerlink started in October 2018. Sales were 1,155,381 thousand yen and operating profit was 44,117 thousand yen.

(Other services business)

This business is the automobile management business of Tokyo Jidosha Kanri, a subsidiary of Japan Business Service. Although sales increased 16,835 thousand yen (+13.7%) to 139,961 thousand yen, there was an operating loss of 658 thousand yen compared with a 150 thousand yen profit one year earlier. A decline in the gross profit caused by a change in contract prices with some of the ordinary customers and higher personnel expenses caused by the conversion of some employees to permanent status were mainly responsible for this loss.

(2) Overview of financial condition

Partial Revision of Accounting Standards for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) has been applied from the beginning of the first quarter of this fiscal year. Figures for the previous fiscal year have been retrospectively revised for conformity with these amendments in order to facilitate comparisons and analysis.

(a) Assets, liabilities and net assets

(Assets)

Total assets were 6,791,630 thousand yen at the end of the first half, 874,430 thousand yen more than at the end of the previous fiscal year. Other current assets, which include prepaid expenses and advances paid, decreased 72,602 thousand yen and there were increases of 393,308 thousand yen in cash and deposits, 369,805 thousand yen in notes and accounts receivable-trade, 110,661 thousand yen in inventories and 100,000 thousand yen in investment securities.

(Liabilities)

Liabilities increased 734,177 thousand yen to 3,247,090 thousand yen at the end of the first half. Major changes were a decrease of 134,408 thousand yen in long-term loans payable (including the current portion) and increases of 386,705 thousand yen in accounts payable-other, 363,723 thousand yen in other current liabilities, which include accrued expenses, accrued consumption taxes and other items, and 67,078 thousand yen in income taxes payable.

(Net assets)

Net assets increased 140,252 thousand yen to 3,544,540 thousand yen at the end of the first half. Retained earnings increased 130,471 thousand yen (the difference between the profit attributable to owners of parent of 253,514 thousand yen and dividend payments of 123,042 thousand yen), the valuation difference on available-for-sale securities deduction decreased 5,116 thousand yen and the treasury stock deduction decreased 4,454 thousand yen.

(b) Cash flows

Cash and cash equivalents totaled 3,177,070 thousand yen at the end of the first half, 493,308 thousand yen more than at the end of the previous fiscal year. Summary of cash flows are outlined below.

(Operating activities)

Net cash provided by operating activities was 713,616 thousand yen compared with 263,669 thousand yen in the first half of the previous fiscal year. The major sources of cash were profit before income taxes of 346,653 thousand yen, a 380,790 thousand yen increase in accounts payable-other and a 36,126 thousand yen increase in advances received. The major use of cash was income taxes paid of 37,467 thousand yen.

(Investing activities)

Net cash used in investing activities decreased from 167,374 thousand yen one year earlier to 12,116 thousand yen. There were payments of 1,336 thousand yen for the purchase of property, plant and equipment and intangible assets and 12,475 thousand yen for payments of leasehold and guarantee deposits, and proceeds of 2,752 thousand yen from refund of leasehold and guarantee deposits.

(Financing activities)

Net cash used in financing activities decreased from 365,596 thousand yen one year earlier to 208,191 thousand yen. There were proceeds of 49,045 thousand yen from the issuance of bonds and payments of 134,408 thousand yen for the repayment of long-term loans payable and 122,440 thousand yen for cash dividends paid.

(3) Forecast for the current fiscal year

There are no revisions to the consolidated business forecast announced on October 2, 2019 for the fiscal year ending February 2020.

## 2. Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly consolidated balance sheet

(Thousand yen)

	Fiscal year ended February 2019 (As of February 28, 2019)	First half ended August 2019 (As of August 31, 2019)
<b>ASSETS</b>		
Current assets		
Cash and deposits	2,683,762	3,077,070
Notes and accounts receivable - trade	2,198,763	2,568,568
Securities	-	100,000
Inventories	2,641	113,302
Income taxes receivable	13,148	-
Other	219,595	146,993
Allowance for doubtful accounts	(909)	(927)
Total current assets	5,117,001	6,005,008
Non-current assets		
Property, plant and equipment	79,345	72,875
Intangible assets	85,960	62,318
Investments and other assets		
Other	635,543	652,112
Allowance for doubtful accounts	(650)	(684)
Total investments and other assets	634,892	651,427
Total non-current assets	800,199	786,621
Total assets	5,917,200	6,791,630
<b>LIABILITIES</b>		
Current liabilities		
Short-term loans payable	84,000	104,000
Current portion of bonds	40,000	50,000
Current portion of long-term loans payable	257,736	232,745
Accounts payable - other	1,104,721	1,491,427
Income taxes payable	46,816	113,894
Provision for bonuses	103,112	105,418
Other	331,358	695,082
Total current liabilities	1,967,744	2,792,567
Non-current liabilities		
Bonds payable	60,000	80,000
Long-term loans payable	357,605	248,188
Provision for employee stock ownership plan	16,661	12,563
Net defined benefit liability	14,438	15,666
Asset retirement obligations	46,142	46,337
Other	50,321	51,768
Total non-current liabilities	545,167	454,523
Total liabilities	2,512,912	3,247,090
<b>Net ASSETS</b>		
Shareholders' equity		
Capital stock	388,005	388,005
Capital surplus	228,433	228,433
Retained earnings	2,927,144	3,057,616
Treasury shares	(184,877)	(180,422)
Total shareholders' equity	3,358,706	3,493,632
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(15,503)	(10,387)
Total accumulated other comprehensive income	(15,503)	(10,387)
Subscription rights to shares	16,285	16,285
Non-controlling interests	44,799	45,009
Total net assets	3,404,287	3,544,540
Total liabilities and net assets	5,917,200	6,791,630

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income  
Quarterly consolidated statements of income  
For the first half

(Thousand yen)

	First half ended August 2018 (March 1, 2018 – August 31, 2018)	First half ended August 2019 (March 1, 2019 – August 31, 2019)
Net sales	9,137,371	10,386,781
Cost of sales	7,491,412	8,416,524
Gross profit	1,645,958	1,970,256
Selling, general and administrative expenses	1,631,813	1,622,809
Operating profit	14,145	347,446
Non-operating income		
Interest income	481	513
Dividend income	439	1,018
Gain on consumption taxes	47,273	-
Other	1,861	1,167
Total non-operating income	50,056	2,699
Non-operating expenses		
Interest expenses	2,913	2,284
Amortization of bond issuance cost	-	954
Other	606	252
Total non-operating expenses	3,519	3,492
Ordinary profit	60,681	346,653
Profit before income taxes	60,681	346,653
Income taxes-current	35,383	91,420
Income taxes-deferred	5,808	1,508
Total income taxes	41,192	92,929
Profit	19,489	253,724
Profit attributable to non-controlling interests	3,113	209
Profit attributable to owners of parent	16,375	253,514



Quarterly consolidated statements of comprehensive income  
For the first half

(Thousand yen)

	First half ended August 2018 (March 1, 2018 – August 31, 2018)	First half ended August 2019 (March 1, 2019 – August 31, 2019)
Profit	19,489	253,724
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,868)	5,116
Total other comprehensive income	(5,868)	5,116
Comprehensive income	13,620	258,840
Comprehensive income attributable to owners of parent	10,506	258,630
Comprehensive income attributable to non-controlling interests	3,113	209

## (3) Quarterly consolidated statements of cash flows

(Thousand yen)

	First half ended August 2018 (March 1, 2018 – August 31, 2018)	First half ended August 2019 (March 1, 2019 – August 31, 2019)
Cash flows from operating activities		
Profit before income taxes	60,681	346,653
Depreciation	68,742	36,210
Amortization of goodwill	5,999	-
Increase (decrease) in allowance for doubtful accounts	(52)	51
Increase (decrease) in provision for bonuses	(10,012)	2,305
Increase (decrease) in provision for share-based remuneration	(2,431)	(4,098)
Interest and dividend income	(921)	(1,531)
Interest expenses	2,913	2,284
Amortization of bond issuance cost	-	954
Decrease (increase) in notes and accounts receivable - trade	132,204	(369,805)
Decrease (increase) in inventories	(107)	(110,661)
Increase (decrease) in advances received	-	36,126
Increase (decrease) in accounts payable - other	(77,066)	380,790
Decrease/increase in consumption taxes receivable/payable	44,357	248,615
Other, net	55,834	174,001
Subtotal	280,141	741,896
Interest and dividend income received	921	1,531
Interest expenses paid	(2,809)	(2,189)
Income taxes paid	(29,633)	(37,467)
Income taxes refund	15,049	9,844
Net cash provided by (used in) operating activities	263,669	713,616
Cash flows from investing activities		
Purchase of investment securities	(72,171)	(1,286)
Purchase of property, plant and equipment	(13,595)	(108)
Purchase of intangible assets	(17,123)	(1,228)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(63,512)	-
Payments of leasehold and guarantee deposits	(7,628)	(12,475)
Proceeds from refund of leasehold and guarantee deposits	6,322	2,752
Other, net	333	228
Net cash provided by (used in) investing activities	(167,374)	12,116
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(12,000)	20,000
Repayments of long-term loans payable	(158,618)	(134,408)
Proceeds from issuance of bonds	-	49,045
Redemption of bonds	(37,500)	(20,000)
Purchase of treasury shares	(104,819)	-
Proceeds from disposal of treasury shares	71,089	-
Cash dividends paid	(123,510)	(122,440)
Other, net	(238)	(388)
Net cash provided by (used in) financing activities	(365,596)	(208,191)
Net increase (decrease) in cash and cash equivalents	(269,301)	493,308
Cash and cash equivalents at beginning of period	3,084,127	2,683,762
Cash and cash equivalents at end of period	2,814,826	3,177,070

(4) Notes to quarterly consolidated financial statement

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Additional information)

Partial Revision of Accounting Standards for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) has been applied from the beginning of the first quarter of this fiscal year, and deferred tax assets are displayed in the categories of investments and other assets, and deferred tax liabilities are indicated in the categories of non-current liabilities.

(Segment information, etc.)

[Segment information]

I For the first half ended August 2018 (March 1, 2018 – August 31, 2018)

1. Information about sales and income (loss) by reporting segments

(Thousand yen)

	Reporting segments				Other (Note 1)	Total	Adjustment	Amount on the quarterly consolidated statements of income (Note 2)
	Clerical human resources services	Manufacturing human resource services	Sales human resource services	Total				
Net sales (of which to outside customers)	7,560,572	1,453,673	-	9,014,245	123,125	9,137,371	-	9,137,371
(of which inter- segment)	343	-	-	343	-	343	(343)	-
Total	7,560,916	1,453,673	-	9,014,589	123,125	9,137,714	(343)	9,137,371
Segment income (loss)	(1,373)	15,368	-	13,995	150	14,145	-	14,145

Note 1: "Other" is the automobile management business of Tokyo Jidosha Kanri which is not a reportable segment.

2: The segment income (loss) matches operating profit in the consolidated income statement.

2. Information about impairment loss or goodwill etc.in non-current assets by reporting segments

Omitted because of lack of materiality

II For the first half ended August 2019 (March 1, 2019 – August 31, 2019)

1. Information about sales and income (loss) by reporting segments

(Thousand yen)

	Reporting segments				Other (Note 1)	Total	Adjustment	Amount on the quarterly consolidated statements of income (Note 2)
	Clerical human resources services	Manufacturing human resource services	Sales human resource services	Total				
Net sales (of which to outside customers)	7,472,058	1,619,380	1,155,381	10,246,819	139,961	10,386,781	-	10,386,781
(of which inter- segment)	-	-	-	-	-	-	-	-
Total	7,472,058	1,619,380	1,155,381	10,246,819	139,961	10,386,781	-	10,386,781
Segment income (loss)	298,948	5,038	44,117	348,104	(658)	347,446	-	347,446

Note 1: "Other" is the automobile management business of Tokyo Jidosha Kanri which is not a reportable segment.

2: The segment income (loss) matches operating profit in the consolidated income statement.

2. Change in reportable segments

From the first quarter of the current fiscal year, we implemented organizational changes to better operate as an independent organization. Accordingly, the Group's reporting segments have now been changed into three categories: "Clerical human resources services business", "Manufacturing human resource services business", and "Sales human resource services business".

The segment information for the first half ended August 2018 is presented by revised categories.

3. Information about impairment loss or goodwill etc.in non-current assets by reporting segments

None