

Earnings Presentation

First Half Ended August 31, 2020

CAREERLINK CO., LTD.



Stock Code : 6070
Tokyo Stock Exchange, First Section

October 22 (Thu.), 2020

President & Representative Director
President & Executive Office
Motoaki Narusawa

Precautions

Forecasts, plans and other forward-looking statements concerning Careerlink in this presentation are based on judgments using information that was available at the time of this presentation.

The outlook may differ significantly because of the COVID-19 crisis, changes in the economy and the human resources industry, the emergence of new technologies, and other events.

Consequently, there is a risk that Careerlink's actual performance and other aspects of operations may differ from the information in this presentation. An announcement will be made whenever there is a significant change.

Agenda

- **I . Financial Highlights for the First Half of FY2/21**
- **II . Annual Plan for FY2/21**
- **III . Reference**

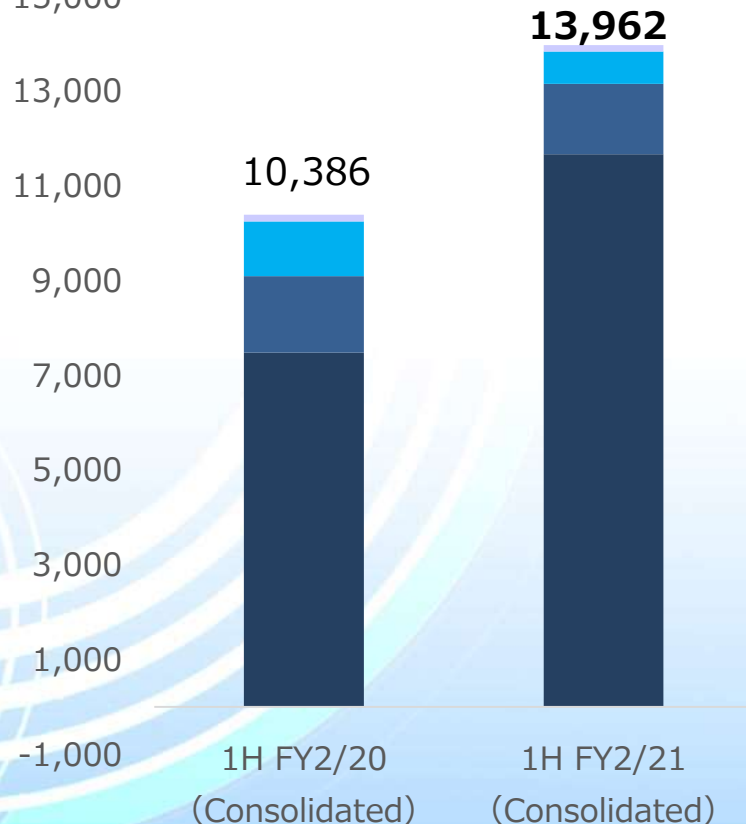
I . Financial Highlights for the First Half of FY2/21



Consolidated Financial Highlights (Sales)

Despite the negative effects of the COVID-19 crisis, this was mainly attributable to the recognition in March 2020 of sales of a large BPO project that started in April 2019 and finished in March 2020, the receipt of new one-time project orders in the first quarter from a current BPO customer, the receipt in the second quarter of large BPO orders from BPO companies and the public sector, and the receipt of a larger than expected volume of orders in the office services segment.

(Million yen)



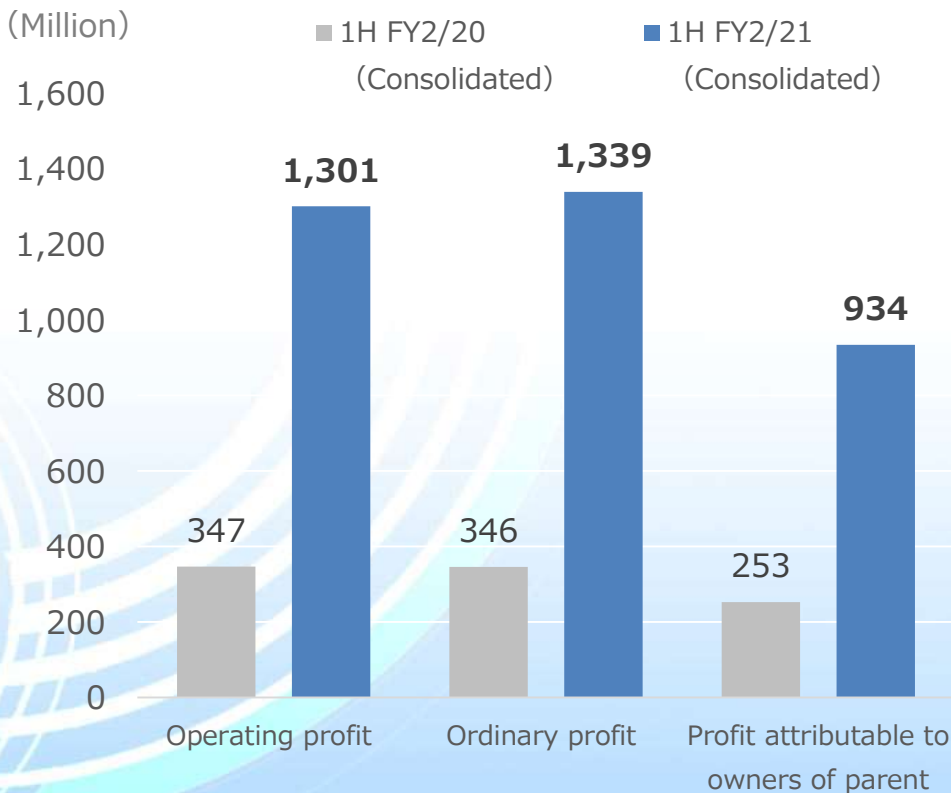
➤ Sales **13,962** million yen

➤ **34.4%** Up y-o-y

- Clerical human resources services business
- Manufacturing human resource services business
- Sales human resource services business
- Others

Consolidated Financial Highlights (Profits)

Earnings were much higher than one year earlier because of sales growth and the receipt of new orders with high profit margins. The growth in earnings was also the result of cost reduction measures, including the efficient recruiting of people required for these new projects and other assignments. In addition, earnings benefited from the postponement due to COVID-19 to the third quarter or afterward of expenditures for the recruitment of key personnel, which was initially planned for the second quarter, and for building a framework for higher efficiency, chiefly by upgrading knowledge management tools and making more progress with the digital transformation.



➤ **Op. P 1,301** million yen

➤ **274.6%** Up y-o-y

➤ **Ord. P 1,339** million yen

➤ **286.5%** Up y-o-y

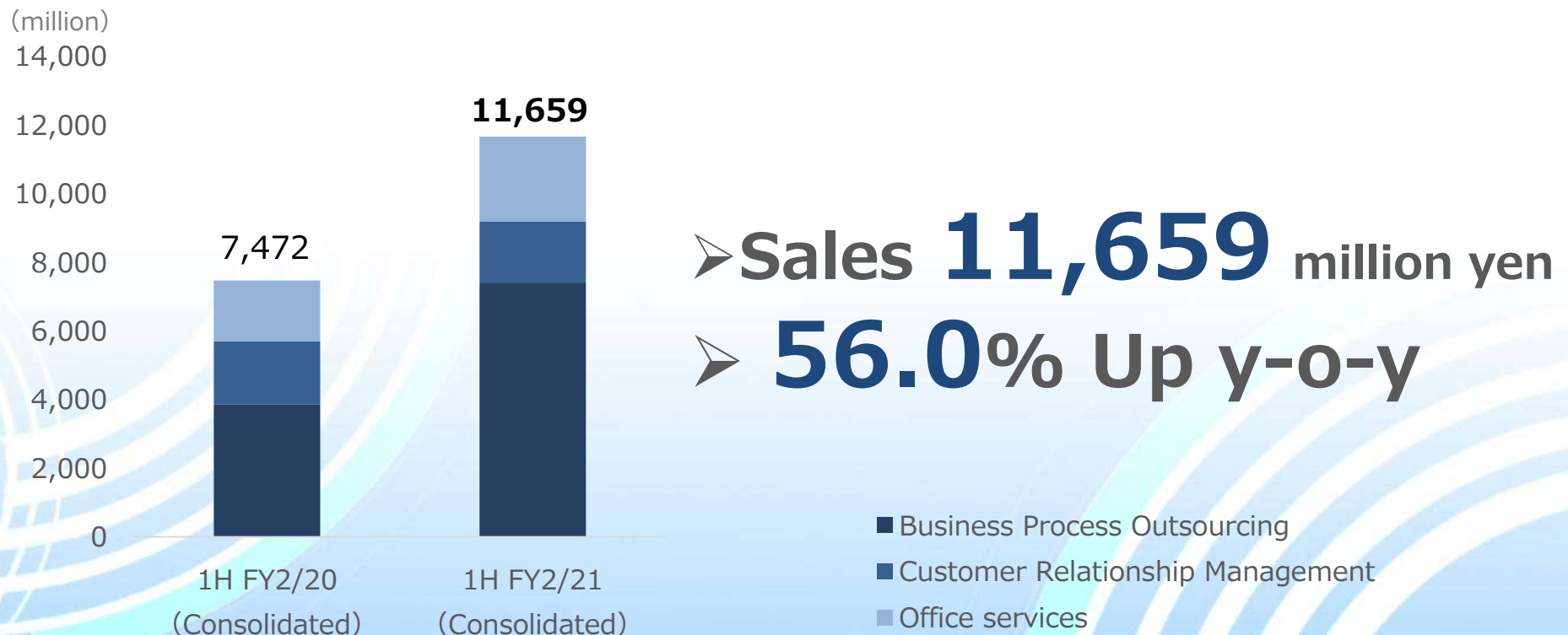
➤ **Profit attributable to owners of parent 934** million yen

➤ **268.5%** Up y-o-y

Segment Information (1)

【 Clerical Human Resource Services(Sales) 】

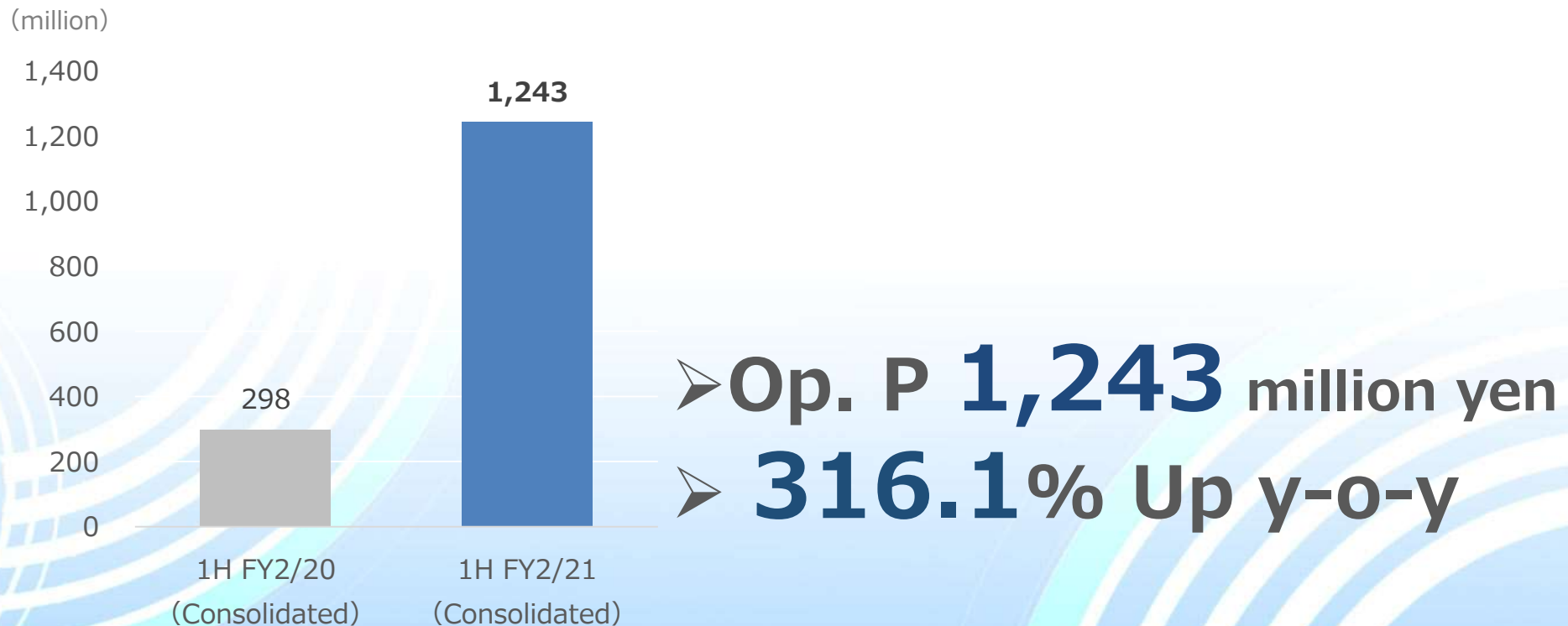
BPO segment sales increased significantly mainly because of the recognition in March 2020 of sales of a large BPO project that started in April 2019 and finished in March 2020 and the receipt of large orders and new one-time project orders from BPO companies and the public sector. Although part of orders were down because of COVID-19 but new orders have been recovering slowly after the end of the state of emergency.



Segment Information (1)

【 Clerical Human Resource Services(Profits) 】

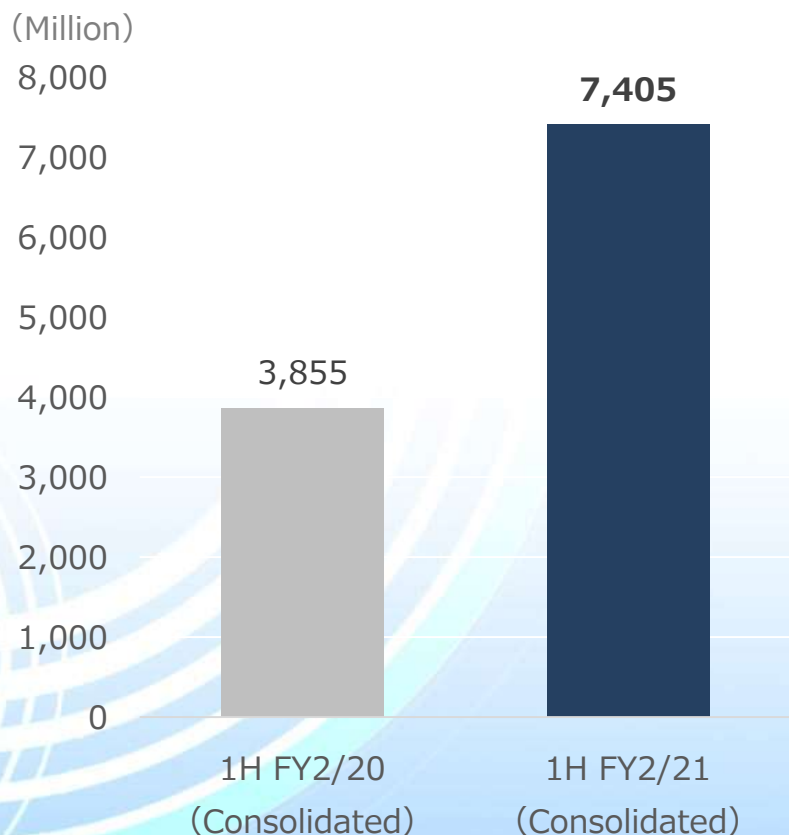
Earnings increased significantly for a number of reasons. The gross profit margin increased because of cost cutting measures, including the efficient recruiting of the temporary placement personnel, and steps to lower selling, general and administrative expenses. Expenses were also held down by the postponement due to COVID-19 to the third quarter and afterward of expenditures for hiring people for key positions and for building an operating framework for higher efficiency, mainly by making more progress with the digital transformation.



Breakdown of Clerical Human Resource Services

① Business Process Outsourcing

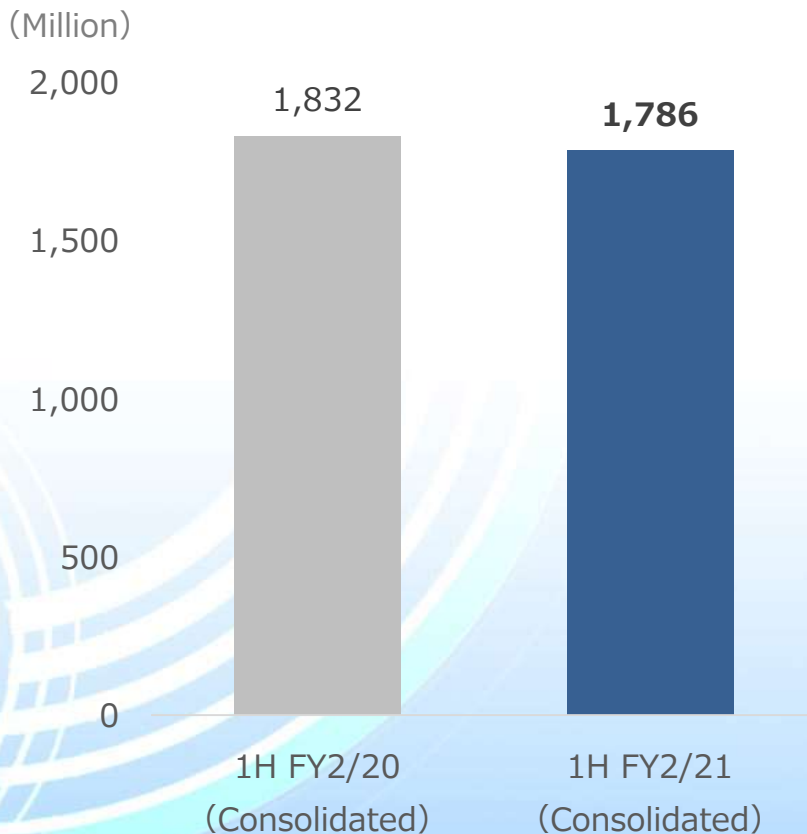
The main reasons are the recognition in March 2020 of sales of a large BPO project that started in April 2019 and finished in March 2020 and the receipt of large orders and new one-time project orders from BPO companies and the public sector.



- Sales **7,405** million yen
- **92.1% Up y-o-y**

② Customer Relationship Management

Sales decreased because of adjustments to working hours in order to prevent the spread of COVID-19. The volume of orders started to recover following the end of Japan's state of emergency, although the pace of the recovery is stronger at some customers than at others.

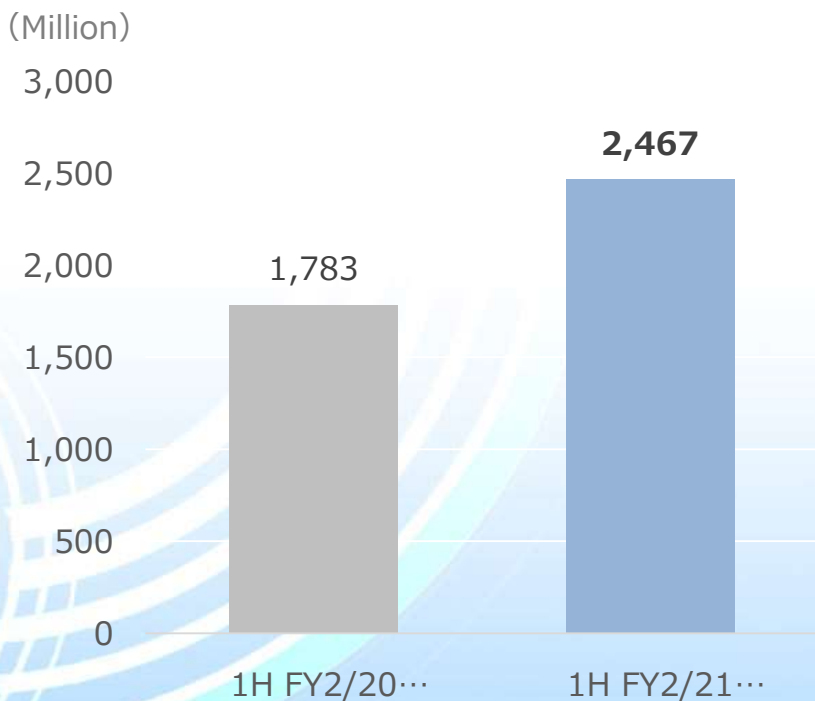


- Sales **1,786** million yen
- **2.5% Down y-o-y**

Breakdown of Clerical Human Resource Services

③ Office Services

Decrease in new orders from the public sector and companies other than financial institutions because of COVID-19 and working days adjustment of temporary placement personnel at ongoing projects to prevent the spread of infections were offset by a larger than expected volume of new orders after the end of the state of emergency which contributed to sales growth.

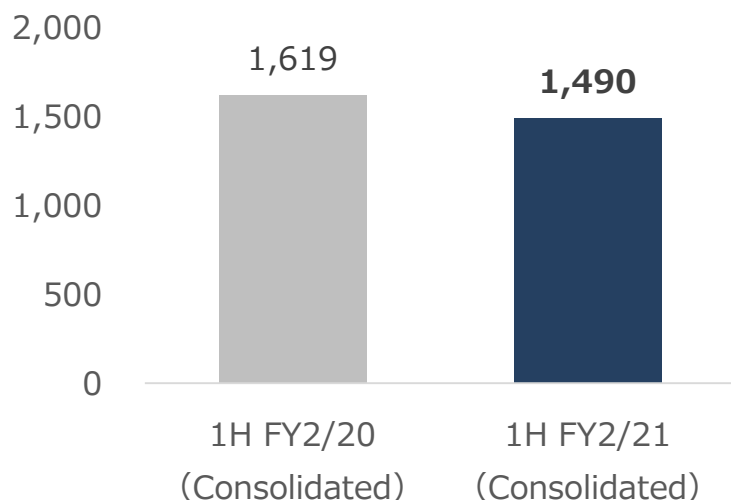


- Sales **2,467** million yen
- **38.3% Up y-o-y**

Segment Information (2)

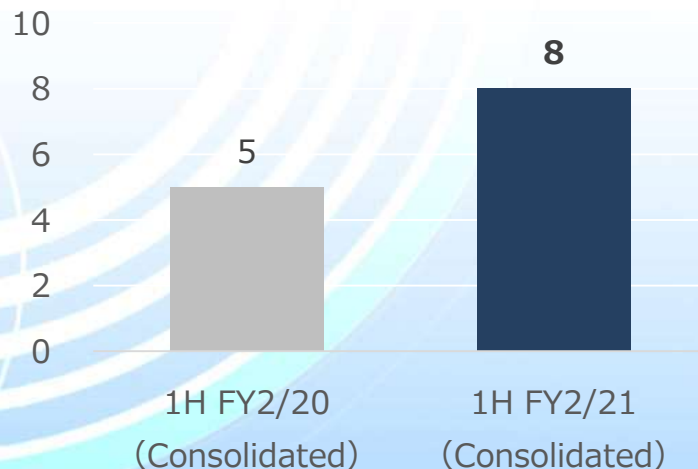
【Manufacturing Human Resource Services】

(Million)



The COVID-19 crisis continues to hold down orders, mainly in the manufacturing and processing category, even after the end of the state of emergency.

- **Sales 1,490** million yen
- **8.0% Down y-o-y**

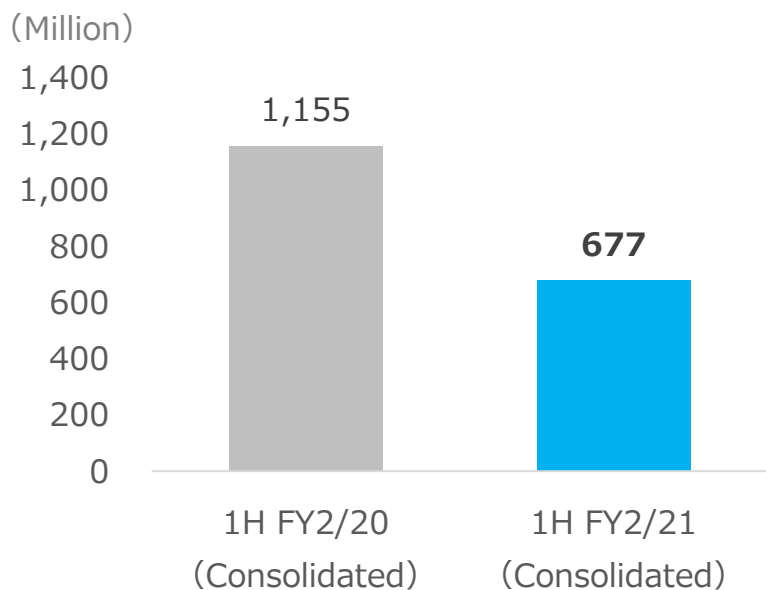


Because of measures to lower selling, general and administrative expenses in response to the challenging business climate.

- **Op. P 8** million yen
- **65.7% Up y-o-y**

Segment Information (3)

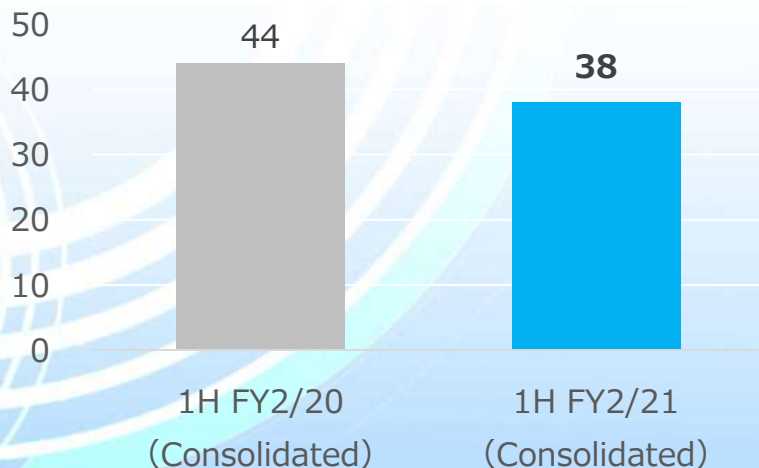
【Sales Human Resource Services】



Sales decreased because of the suspension during the state of emergency of sales activities that involve visiting retail stores, restaurants and other businesses. Furthermore, the recovery in sales activities has been slow even after the state of emergency ended due to the continuation of the COVID-19 crisis.

➤ Sales **677** million yen

➤ **41.3%** Down y-o-y



➤ Op. P **38** million yen

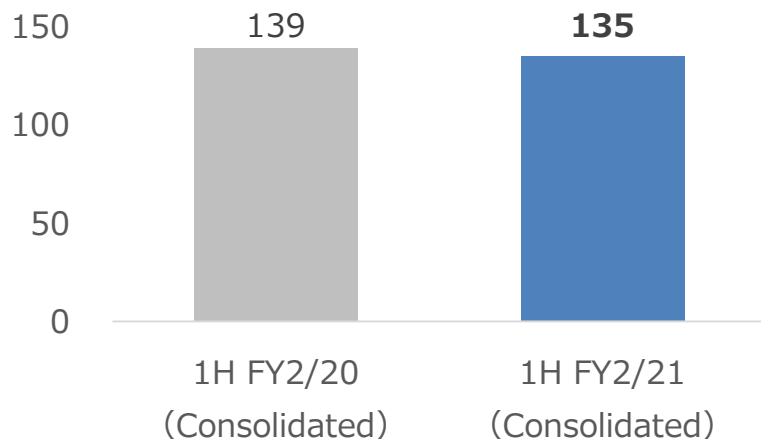
➤ **13.6%** Down y-o-y

Segment Information (4)

【Other services business】

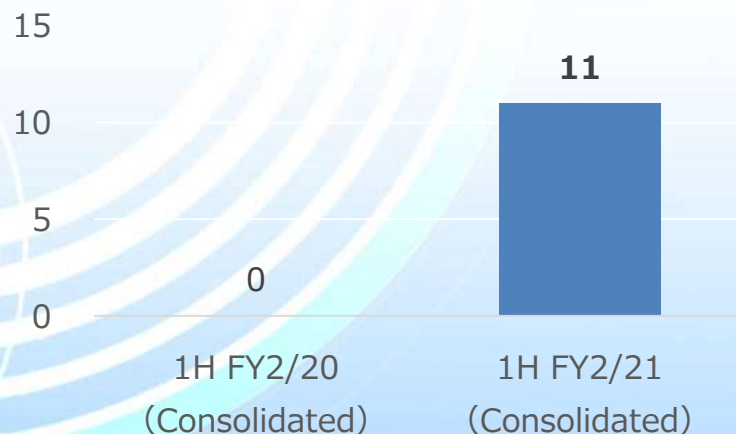
This segment is the automobile management business of Tokyo Jidosha Kanri, a subsidiary of Japan Business Service.

(Million)



➤ Sales **135** million yen

➤ **3.3%** Down y-o-y



➤ Op. P **11** million yen

(The 658 thousand yen loss in the first half of the previous fiscal year.)

Statements of Income

| | 1H FY2/2019 Actual (Consolidated) | 1H FY2/2020 Actual (Consolidated) | 1H FY2/2021 Actual (Consolidated) | | |
|---|---|---|--------------------------------------|--|-----------------|
| | Amount (Million yen) | Amount (Million yen) | Amount (Million yen) | Compared to the same period last year Variance (Million yen/%) | Year On Year |
| Net sales | 9,137 | 10,386 | 13,962 | 4,825 52.8 | 3,575 34.4 |
| Clerical Human Resources Services (Sales Composition) | 7,560 82.7% | 7,472 71.9% | 11,659 83.5% | 4,098 54.2 | 4,187 56.0 |
| BPO (Sales Composition) | 4,620 50.6% | 3,855 37.1% | 7,405 53.0% | 2,785 60.3 | 3,549 92.1 |
| CRM (Sales Composition) | 1,384 15.2% | 1,832 17.6% | 1,786 12.8% | 401 29.0 | △ 46 △ 2.5 |
| Offices Services (Sales Composition) | 1,556 17.0% | 1,783 17.2% | 2,467 17.7% | 911 58.6 | 684 38.3 |
| Manufacturing Human Resources Services (Sales Composition) | 1,453 15.9% | 1,619 15.6% | 1,490 10.7% | 36 2.5 | △ 129 △ 8.0 |
| Sales Human Resources Services (Sales Composition) | - - | 1,155 11.1% | 677 4.9% | 677 - | △ 477 △ 41.3 |
| Others (Sales Composition) | 123 1.3% | 139 1.3% | 135 1.0% | 12 10.0 | △ 4 △ 3.3 |
| Operating Profit (Operating profit to Sales) | 14 0.2% | 347 3.3% | 1,301 9.3% | 1,287 9101.3 | 954 274.6 |
| Ordinary Profit (Ordinary profit to Sales) | 60 0.7% | 346 3.3% | 1,339 9.6% | 1,279 2107.8 | 993 286.5 |
| Profit attributable to owners of parent (Profit to Sales) | 16 0.2% | 253 2.4% | 934 6.7% | 917 5605.0 | 680 268.5 |

Financial Condition

| | | End of FY2/20 (Consolidated) | 1H FY2/21 (Consolidated) | | |
|----------------------------------|-------------------------|---------------------------------|--------------------------|---------------------------|---|
| | | Amount (Million yen) | Amount (Million yen) | Variance (Million yen) | Main reasons for changes (Million yen) |
| | Current assets | 6,668 89.1% | 8,513 92.1% | 1,845 | Notes and accounts receivable - trade +853 Inventories +541 Other +311 Cash and deposits +49 |
| | Non-current assets | 812 10.9% | 727 7.9% | △ 84 | |
| | Total assets | 7,480 100.0% | 9,240 100.0% | 1,760 | |
| | Current liabilities | 3,215 43.0% | 4,096 44.3% | 880 | Corporate bonds / long and short borrowings +433 Other non-current liabilities △22 Accounts payable - other +284 Other current liabilities +262 Income taxes payable +222 |
| | Non-current liabilities | 424 5.7% | 738 8.0% | 314 | |
| | Total liabilities | 3,640 48.7% | 4,834 52.3% | 1,194 | |
| | Total net assets | 3,840 51.3% | 4,406 47.7% | 565 | |
| Total liabilities and net assets | | 7,480 100.0% | 9,240 100.0% | 1,760 | |

Cash Flows

| | | 1H FY2/20 | 1H FY2/21 | |
|--|-------|-------------------------|---|---|
| | | Amount (Million yen) | Amount (Million yen) | Main reasons for changes (Million yen) |
| Operating activities | 713 | 50 | Profit before income taxes | + 1,339 |
| | | | Increase in accounts payable - other | + 270 |
| | | | Decrease in trade receivables | △853 |
| | | | Decrease in inventories | △541 |
| | | | Income taxes paid | △197 |
| Investing activities | △ 12 | 88 | Purchase of property, plant and equipment and intangible assets | △17 |
| | | | Payments of leasehold and guarantee deposits | △16 |
| | | | Proceeds from sales of investment securities | + 101 |
| | | | Other, net | + 22 |
| Free cash flow | 701 | 138 | | |
| Financing activities | △ 208 | 11 | Purchase of treasury shares | △298 |
| | | | Repayments of long-term borrowings | △151 |
| | | | Dividends paid | △122 |
| | | | Redemption of bonds | △35 |
| | | | Proceeds from long-term borrowings | + 600 |
| Net increase (decrease) in cash and cash equivalents | 493 | 149 | | |
| Cash and cash equivalents at beginning of period | 2,683 | 3,916 | | |
| Cash and cash equivalents at end of period | 3,177 | 4,066 | | |

II. Annual Plan for FY2/21



Group Initiatives in Corona Virus

Status of infection prevention measures in the Group

- ❑ Three Cs prevention by W.F.H. and Staggered commuting and Split operation
- ❑ Thorough management of employee physical condition and Temperature measurement of visitors by thermography
- ❑ Wearing a mask, Partition installation, Regular disinfection measures
- ❑ Utilization of online communication tools such as telephone and TV meetings
- ❑ Use of contact confirmation app for employees and working staff

Active investment with an eye on post-corona

Recruitment of core human resources

System maintenance investment for the business efficiency

Enhancement of knowledge management tools

Promotion of digital transformation

Revised Annual Plan for FY2/21 (consolidated)

On September 25, 2020, Careerlink revised the consolidated forecast for the fiscal year ending in February 2021

| FY2/21 | Previous Plan (Million yen) | Revised Plan (Million yen) | Change | |
|---|--------------------------------|-------------------------------|---------------|----------------|
| | | | (Million yen) | rate (%) |
| Sales | 23,132 | 26,980 | 3,848 | +16.6% |
| Operating profit [%to Sales] | 585 [2.5%] | 1,795 [6.7%] | 1,210 | +206.8% |
| Ordinary profit [%to Sales] | 583 [2.5%] | 1,830 [6.8%] | 1,247 | +213.9% |
| Profitat tributable to owners of parent [%to Sales] | 402 [1.7%] | 1,275 [4.7%] | 873 | +217.2% |



Annual Plan for FY2/21 (consolidated)

- Although the number of new BPO large-scale projects newly ordered in the second quarter will shrink slightly, it will continue in the third quarter and beyond.
- Economic activity is beginning to pick up despite the fact that the spread and contraction of the COVID-19 cannot be expected in the future.
- Due to investment such as recruitment scheduled in the second half.

| | FY2/20 Actual | | FY2/21 Plan | |
|--|-----------------------------|---------------|-------------------------------|----------------|
| | Amount (Million yen) | VS.FY2/19 | Amount (Million yen) | VS.FY2/20 |
| Sales | 21,103 | 13.3% | 26,980 | 27.8% |
| Clerical human resources services business | 15,686 | 6.3% | 22,292 | 42.1% |
| Manufacturing human resource services business | 3,194 | 2.7% | 3,104 | △ 2.8% |
| Sales human resource services business | 1,947 | 295.2% | 1,309 | △ 32.8% |
| Others | 274 | 2.6% | 274 | — |
| Operating profit [% to Sales] | 692 [3.3%] | 268.9% | 1,795 [6.7%] | 159.3% |
| Ordinary profit [% to Sales] | 690 [3.3%] | 137.9% | 1,830 [6.8%] | 165.1% |
| Profit attributable to owners of parent [% to Sales] | 526 [2.5%] | 208.1% | 1,275 [4.7%] | 142.1% |

About The Medium-Term Management Plan

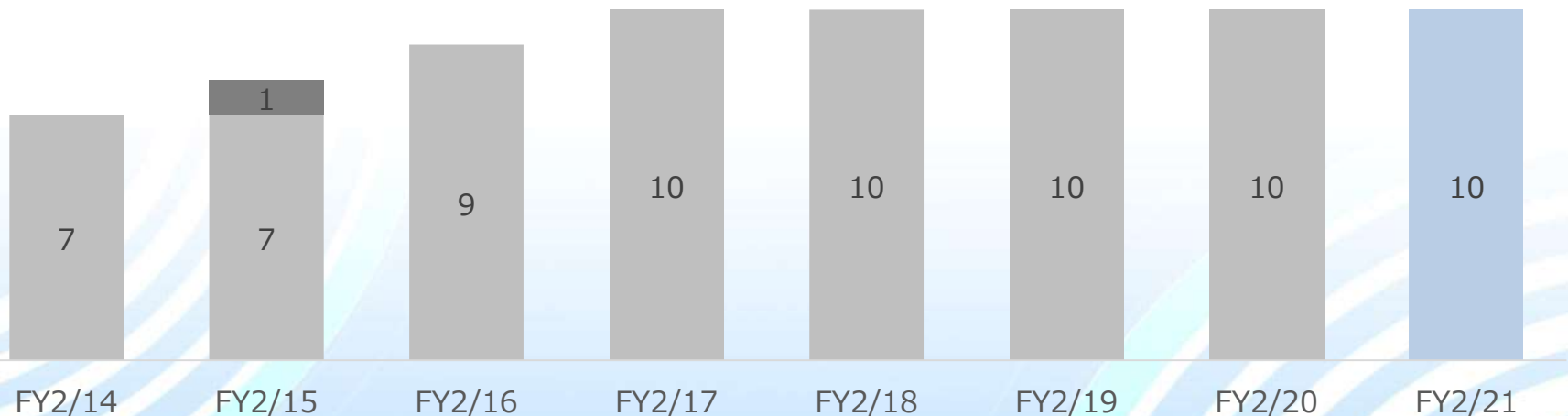
Regarding the medium-term management plan, the business environment surrounding the Group remains uncertain due to the global expansion of COVID-19, and it is difficult to set rational numerical targets. The announcement is undecided.

Shareholder Distributions ①

In accordance with the basic policy for shareholder distributions, shareholders will receive an annual dividend of ¥10 per share and QUO cards (¥500 for 100 to 199 shares, ¥1,000 for 200 to 499 shares and ¥2,000 for 500 shares or more). Careerlink may consider additional distributions based on results of operations and other factors.

Dividend per Share

- Ordinary Dividend
- Commemorative Dividend



Note: Dividends per share have been adjusted for the two-for-one stock split on June 1, 2016.

Shareholder Distributions ②

Shareholder Gift

◆ Record date: End of August

◆ Gift: Original QUO card

● 100 to less than 200 shares ⇒ ¥500

● 200 to less than 500 shares ⇒ ¥1,000

● 500 shares and above ⇒ ¥2,000



III. REFERENCE

Company Overview

| | |
|----------------------------------|---|
| CAREERLINK Co., Ltd. | |
| Head Office | Nishi-Shinjuku 2-1-1, Shinjuku Ward, Tokyo |
| Representative | President & Representative Director: Motoaki Narusawa |
| Established | October 1 st , 1996 |
| Main Corporate Activities | (Careerlink Group) |
| | Clerical Human Resource Service Business |
| | ■ Business Process Outsourcing |
| | ■ Customer Relationship Management |
| | ■ Office Services |
| | Manufacturing Human Resource Service Business |
| | Sales Human Resource Service Business |
| Stated Capital | 392,204,950 yen |
| Employees | 414 (Consolidated 569) (As of Aug 31, 2020) |
| Accounting Period | February |
| Stock Exchange Listing | Tokyo Stock Exchange, First Section |
| | (Stock Code: 6070) |
| Group Companies | CAREERLINKFACTORY CO., LTD. |
| | ■ Manufacturing human resource business |
| | Japan Business Service Co., Ltd. |
| | ■ Clerical human resource service/other business |
| | Tokyo Jidosha Kanri Co., Ltd. |
| | ■ Automobile management business |

Significant Events and Sales Growth

(Million yen)

25,000

20,000

15,000

10,000

5,000

0

Company established to provide general temporary staffing services

Received approval for a general temporary staffing service, started supplying office and call center workers, started what is now the Customer Relationship Management business

Received approval for an employee placement service and started this business (including the current office worker staffing business)

Following amendment to temporary staffing law, started operations for factory workers and engineers

Started the Business Process Outsourcing business

Aug. 2013
Listed on Tokyo Stock Exchange Second Section

Jan. 2015
Listed on Tokyo Stock Exchange First Section

Nov. 2012
Listed on Tokyo Stock Exchange Mothers Market

Mar. 2017
Established Careerlink Factory

Mar. 2018
Acquired Japan Business Service and Tokyo Jidosh Kanri

FY3/03
FY3/02
FY3/01
FY3/00
FY3/01
FY3/02
FY3/03
FY3/04
FY3/05
FY2/06
FY2/07
FY2/08
FY2/09
FY2/10
FY2/11
FY2/12
FY2/13
FY2/14
FY2/15
FY2/16
FY2/17
FY2/18
FY2/19
FY2/20
FY2/21 Plan

Business Activities (1)

<Clerical Human Resource Services>

① Business Process Outsourcing

Business process outsourcing involves the planning, design and implementation of selected activities for government agencies, companies and other organizations.

Activities

- ◆ Business processes by Careerlink alone or by using a BPO vendor
- ◆ Provision of workers and performing contracted business processes in association with proposals for restructuring business processes
- ◆ Contracted business processes for government agencies, companies and other organizations

Benefits of Using Careerlink

- Higher efficiency and quality by using a Careerlink proposal for restructuring business processes
- Ability to quickly start a business process facility even for handling a large volume of work

Business Activities (2)

② Customer Relationship Management

The use of data systems at contact centers and other locations to establish long-term relationships with customers

Activities

- ◆ Temporary staffing and permanent placement services for telemarketing companies
- ◆ Temporary staffing and permanent placement services for contact centers of companies and other organizations
- ◆ Contracted CRM services using Careerlink contact centers

Benefits of Using Careerlink

- ◆ Access to Careerlink's extensive knowledge concerning recruiting, training and the operation of contact centers
- ◆ Ability to utilize Careerlink's advanced data equipment and a team of highly skilled professionals

③ Office Services

Activities

- ◆ Speedy temporary staffing and permanent placement services for all types of office workers, from specialists to other employees

<Sales Human Resource Services>

Activities

- ◆ Temporary staffing in sales business and contracted business

<Manufacturing Human Resource Services>

Activities

- ◆ Temporary staffing, temporary-to-permanent employment and permanent placement services for food companies; temporary staffing, temporary-to-permanent employment, permanent placement services and subcontracting for manufacturing, packaging, shipping and other tasks involving manufacturing and other industries

Three Key Strengths

1 Plans for both higher efficiency and quality

- Proposals that encompass everything from business process designs to production, delivery, quality assurance and operational know-how
- Significant cost savings due to higher efficiency

2 Able to start operations quickly and handle large volumes of work

- A unique matching system for immediately selecting the most suitable workers
- Able to start operations in about one month even for large projects requiring more than 1,000 workers

3 A framework for increasing workers' skills and job satisfaction

- Career path system gives people at the same workplace a roadmap for promotions. This system makes workers more motivated as they aim to improve their skills and become regular full-time employees.
- A workforce management system incorporating CRM expertise allows precisely reflecting the individual traits of each worker. This results in better job satisfaction along with higher rates of job placements and fewer missed days of work on assignments.
- For temporary workers, a supervisor solely for each workplace ensures that shifts are allocated evenly and training is provided.

Strategy SDGs Action

Contribute to society through our business

Since the establishment of Careerlink in October 1996, the Group's mission has been to contribute to society through the expansion of employment. By setting our goal as 「Aiming to become Japan's most caring human resources company」, We have grown by providing a wide variety of job opportunities for many job seekers. With our corporate philosophy of “We believe the joy of work” as our starting point, continuing the mission in the mid-term plan, we will continue to take actions on SDGs.

SUSTAINABLE DEVELOPMENT GOALS



The SDGs (Sustainable Development Goals) are the international goals for the period 2016-2030 as stated in the 2030 Agenda for Sustainable Development, adopted at the United Nations Summit in September 2015.

Dedicated to sincerity and excellence for human resource services



すべての  に
働くよろこびを
We believe the joy of work.

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Shinjuku Ward, Tokyo**

【 T E L 】81-3-6311-7321

【 F A X 】81-3-6311-7324