

Summary of Consolidated Financial Results For the First Half Ended August 31, 2017 [Japan GAAP]

Name of Company: CAREERLINK CO., LTD.
 Stock Code: 6070
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
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 Date of quarterly securities report (tentative): October 12, 2017
 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 2018 (March 1, 2017 – August 31, 2017)

(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 2017	8,718	-	335	-	331	-	217	-
First half ended August 2016	-	-	-	-	-	-	-	-

Note: Comprehensive income: 2Q FY2/2018: 217 million yen (-%), 2Q FY2/2017: - million yen (-%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended August 2017	17.36		17.33	
First half ended August 2016	-		-	

Note: Careerlink is preparing quarterly consolidated financial statements for the first time in the fiscal year ending in February 2018.
 As a result, there are no figures of the previous fiscal year and comparisons with the previous fiscal year.

(2) Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of August 31, 2017	5,567		3,273		58.5	
As of February 28, 2017	-		-		-	

Reference: Shareholders' equity

As of August 31, 2017: 3,257 million yen As of February 28, 2017 - million yen

Note: Careerlink is preparing quarterly consolidated financial statements for the first time in the fiscal year ending in February 2018.
 As a result, there are no figures of the previous fiscal year.

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 2017	-	0.00	-	10.00	10.00
Fiscal year ending February 2018	-	0.00			
Fiscal year ending February 2018 (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 2018 (Consolidated, March 1, 2017 to February 28, 2018)

(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	19,056	-	709	-	700	-	467	-	37.39

- Notes: 1. Change in the forecast from the latest announcement: None
 2. Careerlink is preparing quarterly consolidated financial statements for the first time in the fiscal year ending in February 2018. As a result, there are no comparisons with the previous fiscal year.

* Notes

- (1) Changes in significant subsidiaries during the quarter: Yes
 (Change in specified subsidiary resulting from change in scope of consolidation)
 Newly included: CareerlinkFactory Corporation
 Excluded: None
 Note: For more information, see “2. Quarterly Consolidated Financial Statements and Notes (4) Notes to Quarterly Consolidated Financial Statements (Significant changes in subsidiaries during the quarter)” on page 8.

- (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, 2017: 12,555,800 As of February 28, 2017: 12,555,800

- (b) Treasury shares

As of August 31, 2017: 64,254 As of February 28, 2017: 29,554

- (c) Average number of shares (first half)

Period ended August 31, 2017: 12,519,766 Period ended August 31, 2016: 12,526,268

Note: There was a two-for-one common stock split with a record date of June 1, 2016. The number of shares issued is calculated as if this split was at the beginning of the previous fiscal year. In addition, the number of shares of treasury stock at the end of the fiscal year includes stock held in a trust account of Trust & Custody Services Bank, Ltd. for the Careerlink Employee Stock Ownership Plan trust (J-ESOP). There were 64,100 shares in this trust account in the first half of the current fiscal year and 29,400 shares in the first half of the previous fiscal year. Stock in this trust account is included in treasury stock that is excluded from the average number of shares in a fiscal year. There were 64,100 shares in this trust account in the first half of the current fiscal year and 29,400 shares in the first half of the previous fiscal year.

* This report is exempt from the quarterly audit review.

* 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 “(3) Forecast for the current fiscal year” on page 3.

(To receive supplementary information about first half results of operations)

Supplementary information about results of information will be posted promptly on the company’s website after the information meeting.

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1. Results of Operations

(1) Overview on business performance

The Japanese economy continued to recover slowly during the first half of the current fiscal year. Corporate earnings improved and the labor market remained strong with the support of government economic stimulus measures and the monetary measures of the Bank of Japan.

The outlook for the global economy is unclear. Reasons include uncertainty about U.S. policies, Britain's departure from the EU, and the risk of economic downturns in China and other emerging Asian countries.

In the Japanese human resources industry, demand for human resource services is expected to grow. The jobs-to-applicants ratio is likely to become even higher as Japan's labor shortage becomes even more serious in the construction, nursing care, welfare services, foodservice, and many other industries.

In the fiscal year's first half, sales were 8,718,671 thousand yen, operating profit was 335,211 thousand yen, ordinary profit was 331,269 thousand yen and income attributable to owners of parent was 217,390 thousand yen. Performance reflected a greater than expected decline in the volume of a BPO project for a private-sector company.

Careerlink established CareerlinkFactory Corporation on March 1, 2017 as a wholly owned consolidated subsidiary. As a result, there are no comparisons with the previous fiscal year because Careerlink started announcing consolidated results of operations in the first quarter of this fiscal year. In addition, Careerlink has changed its financial reports from a single business segment, the comprehensive human resource services business, to two segments starting with this fiscal year. The business segments are the clerical human resource services business and the manufacturing human resource services business.

Business segment performance was as follows.

(Clerical human resources services)

Business process outsourcing (BPO) is the primary activity in this segment. During the first half, there were activities aimed at capturing new orders from large BPO companies and other sources. However, performance was impacted by a larger than expected decline in the volume of a major BPO project for a private-sector company. As a result, segment sales were 7,500,523 thousand yen and operating profit was 308,700 thousand yen.

(a) Business Process Outsourcing

Performance benefited from new orders from large BPO companies, the public sector, financial institutions, system integration companies and other sources. However, due to a larger than expected decline in the volume of a major BPO project for a private-sector company, sales totaled 6,177,677 thousand yen.

(b) Customer Relationship Management

There were new orders from telemarketing companies in regions other than Japan's major metropolitan areas. But call center orders in the Tokyo area did not recover and there were call center orders that were included in business process outsourcing because they included associated tasks. As a result, sales totaled 905,447 thousand yen.

(c) Office Services

Although there were new temporary staffing orders from the public sector and private-sector companies, many of these orders were included in the BPO sector because they included associated office tasks. As a result, sales totaled 417,397 thousand yen.

(Manufacturing human resource services)

Due to a large volume of orders from food processors, large home electronics and appliance manufacturers, and other companies, segment sales were 1,218,148 thousand yen and operating profit was 26,510 thousand yen.

(2) Overview of financial condition

(a) Assets, liabilities and net assets

(Assets)

Total assets were 5,567,770 thousand yen at the end of the first half. Cash and deposits were 2,639,931 thousand yen, notes and accounts receivable-trade were 1,898,762 thousand yen, investments and other assets were 402,333 thousand yen, securities were 200,040 thousand yen, intangible assets were 127,815 thousand yen, and property, plant and equipment was 113,999 thousand yen.

(Liabilities)

Liabilities were 2,293,980 thousand yen at the end of the first half. Accounts payable-other was 878,997 thousand yen, other current liabilities were 476,067 thousand yen, long-term loans payable (including the current portion) were 303,408 thousand yen, bonds payable (including the current portion) were 211,500 thousand yen, income taxes payable were 124,599 thousand yen, and the provision for bonuses was 100,150 thousand yen.

(Net assets)

Net assets were 3,273,789 thousand yen at the end of the first half. This included retained earnings of 2,683,610 thousand yen, capital stock of 388,005 thousand yen and a capital surplus of 234,364 thousand yen.

(b) Cash flows

Cash and cash equivalents totaled 2,739,981 thousand yen at the end of the first half. Principal cash flows during the first half are outlined below.

(Operating activities)

Net cash provided by operating activities was 180,922 thousand yen. Major sources of cash were profit before income taxes of 331,269 thousand yen and a 185,478 thousand yen increase in notes and accounts receivable-trade and major uses of cash were an 87,463 thousand yen decrease in accounts payable-other, income taxes paid of 197,877 thousand yen, and a 139,973 thousand yen decrease in accrued consumption taxes.

(Investing activities)

Net cash used in investing activities was 16,730 thousand yen. purchase of property, plant and equipment and purchase of intangible assets of 14,789 thousand yen was the primary use of cash.

(Financing activities)

Net cash used in financing activities was 202,695 thousand yen. The repayment of long-term loans payable was 136,832 thousand yen, proceeds from long-term loans payable were 100,000 thousand yen, and cash dividends paid were 125,077 thousand yen.

(3) Forecast for the current fiscal year

There are no revisions to the forecast announced on April 14, 2017 for the fiscal year ending in February 2018.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Thousand yen)

First half ended August 2017

(As of August 31, 2017)

ASSETS	
Current assets	
Cash and deposits	2,639,981
Notes and accounts receivable - trade	1,898,762
Securities	200,040
Inventories	46,594
Other	138,742
Allowance for doubtful accounts	(499)
Total current assets	4,923,621
Noncurrent assets	
Property, plant and equipment	113,999
Intangible assets	127,815
Investments and other assets	402,333
Total noncurrent assets	644,148
Total assets	5,567,770
LIABILITIES	
Current liabilities	
Short-term loans payable	66,000
Current portion of bonds	91,500
Current portion of long-term loans payable	206,167
Accounts payable - other	878,997
Income taxes payable	124,599
Provision for bonuses	100,150
Other	476,067
Total current liabilities	1,943,481
Noncurrent liabilities	
Bonds payable	120,000
Long-term loans payable	97,241
Provision for employee stock ownership plan	30,083
Asset retirement obligations	56,736
Other	46,438
Total noncurrent liabilities	350,499
Total liabilities	2,293,980
NET ASSETS	
Shareholder's equity	
Capital stock	388,005
Capital surplus	234,364
Retained earnings	2,683,610
Treasury shares	(48,477)
Total shareholder's equity	3,257,502
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	0
Total accumulated other comprehensive income	0
Subscription rights to shares	16,285
Total net assets	3,273,789
Total liabilities and net assets	5,567,770

(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 2017 (March 1, 2017 – August 31, 2017)
Net sales	8,718,671
Cost of sales	7,079,478
Gross profit	1,639,192
Selling, general and administrative expenses	1,303,980
Operating profit	335,211
Non-operating income	
Interest income	251
Gain on forfeiture of unclaimed dividends	72
Other	20
Total non-operating income	344
Non-operating expenses	
Interest expenses	2,952
Amortization of bond issuance cost	604
Other	729
Total non-operating expenses	4,286
Ordinary profit	331,269
Profit before income taxes	331,269
Income taxes-current	97,378
Income taxes-deferred	16,500
Total income taxes	113,878
Profit	217,390
Profit attributable to non-controlling interests	-
Profit attributable to owners of parent	217,390

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

(Thousand yen)

	First half ended August 2017 (March 1, 2017 – August 31, 2017)
Profit	217,390
Other comprehensive income	
Valuation difference on available-for-sale securities	(36)
Total other comprehensive income	(36)
Comprehensive income	217,354
Comprehensive income attributable to owners of parent	217,354
Comprehensive income attributable to non-controlling interests	-

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

	First half ended August 2017 (March 1, 2017 – August 31, 2017)
Cash flows from operating activities	
Profit before income taxes	331,269
Depreciation	36,054
Increase (decrease) in allowance for doubtful accounts	(133)
Increase (decrease) in provision for bonuses	(7,107)
Increase (decrease) in provision for stock benefits	3,348
Interest income	(251)
Interest expenses	2,952
Amortization of bond issuance cost	604
Decrease (increase) in notes and accounts receivable - trade	185,478
Decrease (increase) in inventories	16,302
Increase (decrease) in accounts payable - other	(87,463)
Increase (decrease) in accrued consumption taxes	(139,973)
Other, net	40,385
Subtotal	<u>381,466</u>
Interest income received	251
Interest expenses paid	(2,917)
Income taxes paid	<u>(197,877)</u>
Cash flows from operating activities	<u>180,922</u>
Cash flows from investing activities	
Purchase of property, plant and equipment	(5,224)
Purchase of intangible assets	(9,565)
Payments for lease and guarantee deposits	(1,345)
Proceeds from collection of lease and guarantee deposits	1,297
Other, net	<u>(1,892)</u>
Cash flows from investing activities	<u>(16,730)</u>
Cash flows from financing activities	
Proceeds from long-term loans payable	100,000
Repayments of long-term loans payable	(136,832)
Proceeds from issuance of bonds	49,395
Redemption of bonds	(68,000)
Purchase of treasury shares	(21,486)
Cash dividends paid	(125,077)
Other, net	<u>(694)</u>
Cash flows from financing activities	<u>(202,695)</u>
Effect of exchange rate change on cash and cash equivalents	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(38,503)</u>
Cash and cash equivalents at beginning of period	<u>2,778,484</u>
Cash and cash equivalents at end of period	<u>2,739,981</u>

(4) Notes to quarterly financial statement

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Significant change in subsidiary during the first half)

Careerlink established CareerlinkFactory Corporation on March 1, 2017 and this subsidiary is included in the consolidated financial statements beginning with the first quarter of the fiscal year ending in February 2018. This subsidiary meets the requirements of a specified subsidiary.

(Supplementary information)

(Basis for preparation of the quarterly consolidated financial statements)

Careerlink is preparing quarterly consolidated financial statements beginning with the first quarter of the fiscal year ending in February 2018. The following information is the basis for the preparation of these financial statements.

1. Scope of consolidation

Consolidated subsidiaries: 1

Name of subsidiary: CareerlinkFactory Corporation

2. Equity-method affiliates

None

3. Fiscal period of consolidated subsidiary

The fiscal period of CareerlinkFactory Corporation is same as Careerlink.

4. Accounting standards

(1) Valuation standard and method for securities

Other securities

Securities with fair value

Market value method (valuation differences are included in net assets and the moving-average method is used to determine the cost of securities sold) based on market prices and other items as of the end of the fiscal period.

(2) Valuation standard and method for inventories

a) Work in process

Cost using specific identification method (book value reduced when profitability declines)

b) Supplies

Cost using the last purchase price (book value reduced when profitability declines)

(3) Depreciation method for non-current assets

a) Property, plant and equipment

Declining-balance method

The straight-line method is used for structures and facilities attached to buildings acquired on or after April 1, 2016.

The useful lives of major asset categories are as follows.

Buildings: 10 to 15 years

Tools, equipment and supplies: 5 to 15 years

b) Intangible assets

Straight-line method

For software, the useful life is the number of years that each item can be used internally (maximum of 5 years).

(4) Treatment of deferred assets

Bond issuing expenses

Recorded as an expense when payments are made

(5) Standards for allowances and provisions

a) Allowance for doubtful accounts

This allowance is based on the actual write-off ratio for ordinary receivables and on the estimated losses for receivables in doubt, using the outlook for the amount that is expected to be recovered for each receivable.

b) Provision for bonuses

The amount of expected bonus payments applicable to the current quarter is added to this provision.

c) Provision for stock benefits

For the distribution of stock to employees in accordance with the stock distribution rules, this provision is equal to expected stock distribution liabilities at the end of the quarter.

(6) Other information concerning the quarterly consolidated financial statements

Consumption taxes

All amounts in the financial statements do not include consumption and local consumption taxes.

(Application of implementation guidance on recoverability of deferred tax assets)

Careerlink is using the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) beginning in the first quarter of the fiscal year ending in February 2018.

(Segment information, etc.)

[Segment information]

For the first half ended August 2017 (March 1, 2017 – August 31, 2017)

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

(Thousand yen)

	Reporting segments			Amount on the quarterly consolidated statements of income (Note)
	Clerical human resources services	Manufacturing human resource services	Total	
Net sales (of which to outside customers) (of which inter-segment)	7,500,523 -	1,218,148 -	8,718,671 -	8,718,671 -
Total	7,500,523	1,218,148	8,718,671	8,718,671
Segment income	308,700	26,510	335,211	335,211

Note: The segment income matches operating profit in the consolidated income statement.

2. Information about assets by reporting segments

Not applicable

3. Change in reportable segments

On March 1, 2017, Careerlink established CareerlinkFactory Corporation as a wholly owned consolidated subsidiary. In association with this new subsidiary, Careerlink has changed its reportable segments beginning with the first quarter of the fiscal year ending in February 2018. Instead of using the single reportable segment of comprehensive human resource services business, Careerlink is now using two segments: the clerical human resource services business and the manufacturing human resource services business.

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

Not applicable