

Summary of Consolidated Financial Results For the First Quarter Ended May 31, 2017 [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/>
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 Name: Motoaki Narusawa
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 Date of quarterly securities report (tentative): July 13, 2017
 Date of commencement of dividend payment (tentative): -
 Quarterly earnings supplementary explanatory documents: None
 Quarterly earnings presentation: None

(Yen in millions, rounded down)

1. Financial results for the first quarter of the fiscal year ending February 2018 (March 1, 2017 – May 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 quarter ended May 2017	4,449	-	200	-	198	-	132	-
First quarter ended May 2016	-	-	-	-	-	-	-	-

Note: Comprehensive income: 1Q FY2/2018: 132 million yen (-%), 1Q FY2/2017: - million yen (-%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First quarter ended May 2017	10.58		10.56	
First quarter ended May 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 (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of May 31, 2017	5,623		3,210		56.8	
As of February 28, 2017	-		-		-	

Reference: Shareholders' equity

As of May 31, 2017: 3,194 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
Fiscal year ended February 2017	Yen -	Yen 0.00	Yen -	Yen 10.00	Yen 10.00
Fiscal year ending February 2018	-	-	-	-	-
Fiscal year ending February 2018 (est.)	-	0.00	-	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
First half	9,163	-	341	-	336	-	224	-	17.96
Full year	19,056	-	709	-	700	-	467	-	37.32

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 first half of the previous fiscal year and 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: Careerlink Factory Co., Ltd.

Excluded: None

Note: For more information, see “2. Quarterly Consolidated Financial Statements and Notes (3) Notes to Quarterly Consolidated Financial Statements (Significant changes in subsidiaries during the quarter)” on page 7.

(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 May 31, 2017: 12,555,800 As of February 28, 2017: 12,555,800

(b) Treasury shares

As of May 31, 2017: 29,554 As of February 28, 2017: 29,554

(c) Average number of shares (first quarter)

Period ended May 31, 2017: 12,526,246 Period ended May 31, 2016: 12,526,291

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 29,400 shares in this trust account in the first quarter of the current fiscal year and in 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 29,400 shares in this trust account in the first quarter of the current fiscal year and in the previous fiscal year.

* This report is exempt from the quarterly audit review.

* Cautionary statement regarding forecasts of operating results and special notes

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.

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1. Results of Operations

(1) Overview on business performance

1) First quarter summary

The slow recovery of the Japanese economy continued in the first quarter of the current fiscal year despite the slow pace of improvements in some sectors. There was growth in corporate earnings and an improvement in jobs backed by government economic stimulus measures and monetary measures by the Bank of Japan.

The economic outlook overseas is unclear. In the United States, there is uncertainty about the effects of a return to a normal monetary policy and upcoming actions by the Trump administration. There is also uncertainty about the effects of Britain's departure from the EU and slowing economic growth in China and other emerging countries in Asia.

In the Japanese human resources industry, many business sectors are struggling with severe labor shortages. Examples included the construction, nursing care, and food and beverage service industries. As the active opening rate increases, there is growing demand for the services of human resource companies.

Results of operations in the first quarter were affected by a decline in the volume of work at a business process outsourcing project for a private-sector company. First quarter sales were 4,449,883 thousand yen, operating profit was 200,235 thousand yen, ordinary profit was 198,200 thousand yen and income attributable to owners of parent was 132,495 thousand yen.

On March 1, 2017, Careerlink established Careerlink Factory Co., Ltd. as a wholly owned consolidated subsidiary. As a result, Careerlink is preparing consolidated quarterly financial statements beginning with the first quarter of this fiscal year and there is no analysis regarding comparisons with performance in the previous fiscal year or at the end of the fiscal year. Furthermore, beginning with the fiscal year ending in February 2018, Careerlink has changed its reportable segments from a single segment, the comprehensive human resource services business, to two segments: 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 quarter, there were activities aimed at capturing new orders from large BPO companies and other sources. But there was a decline in the volume of work at a large BPO project for a private-sector company. The result was first quarter sales of 3,877,085 thousand yen and operating profit of 187,080 thousand yen.

(a) Business Process Outsourcing

During the first quarter, there were new orders from large BPO companies, the public sector and financial institutions. However, the volume of work declined at a large private-sector project. The result was sales of 3,234,329 thousand yen.

(b) Customer Relationship Management

The volume of new orders from telemarketing companies was low and sales in this category were also affected by the inclusion of CRM tasks associated with call center operations in the business process outsourcing category. The result was sales of 430,039 thousand yen.

(c) Office Services

Performance benefited from a new public-sector order for office tasks. But sales for general office work that is part of other orders were included in the business process outsourcing category. The result was sales of 212,715 thousand yen.

(Manufacturing human resource services)

Due to the large volume of orders received from manufacturers of food products and home electronics, sales totaled 572,798 thousand yen and operating profit was 13,155 thousand yen.

(2) Overview of financial condition

(Assets)

Assets totaled 5,623,569 thousand yen at the end of the first quarter. Major items include cash and deposits 2,922,547 thousand yen, accounts receivable-trade 1,820,955 thousand yen, investments and other assets 387,336 thousand yen, intangible assets 125,271 thousand yen, property, plant and equipment 117,215 thousand yen and securities 100,120 thousand yen.

(Liabilities)

Liabilities totaled 2,413,174 thousand yen at the end of the first quarter. Major items include accounts payable 844,614 thousand yen, other current liabilities 778,024 thousand yen, long-term loans payable (include current portion) 375,983 thousand yen and bonds (include current portion) 228,000 thousand yen.

(Net assets)

Net assets were 3,210,395 thousand yen at the end of the first quarter. Major items include retained earnings 2,598,714 thousand yen, capital stock 388,005 thousand yen and capital surplus 234,364 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 quarter ended May 2017 (As of May 31, 2017)
ASSETS	
Current assets	
Cash and deposits	2,922,547
Accounts receivable-trade	1,820,955
Securities	100,120
Inventories	48,809
Other	101,867
Allowance for doubtful accounts	(552)
Total current assets	4,993,746
Noncurrent assets	
Property, plant and equipment	117,215
Intangible assets	125,271
Investments and other assets	387,336
Total noncurrent assets	629,823
Total assets	5,623,569
LIABILITIES	
Current liabilities	
Current portion of bonds	108,000
Current portion of long-term loans payable	248,078
Accounts payable	844,614
Income taxes payable	27,909
Provision for bonuses	27,041
Other	778,024
Total current liabilities	2,033,666
Noncurrent liabilities	
Bonds payable	120,000
Long-term loans payable	127,905
Provision for employee stock ownership plan	30,820
Asset retirement obligations	56,593
Other	44,188
Total noncurrent liabilities	379,507
Total liabilities	2,413,174
NET ASSETS	
Shareholder's equity	
Capital stock	388,005
Capital surplus	234,364
Retained earnings	2,598,714
Treasury shares	(26,991)
Total shareholder's equity	3,194,093
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	16
Total accumulated other comprehensive income	16
Subscription rights to shares	16,285
Total net assets	3,210,395
Total liabilities and net assets	5,623,569

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

(Thousand yen)

	First quarter ended May 2017 (March 1, 2017 – May 31, 2017)
Net sales	4,449,883
Cost of sales	3,606,094
Gross profit	843,788
Selling, general and administrative expenses	643,553
Operating profit	200,235
Non-operating income	
Interest income	225
Gain on forfeiture of unclaimed dividends	72
Total non-operating income	298
Non-operating expenses	
Interest expenses	1,477
Amortization of bond issuance cost	604
Other	251
Total non-operating expenses	2,333
Ordinary profit	198,200
Profit before income taxes	198,200
Income taxes-current	14,139
Income taxes-deferred	51,566
Total income taxes	65,705
Profit	132,495
Profit attributable to non-controlling interests	-
Profit attributable to owners of parent	132,495

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

(Thousand yen)

	First quarter ended May 2017 (March 1, 2017 – May 31, 2017)
Profit	132,495
Other comprehensive income	
Valuation difference on available-for-sale securities	(20)
Total other comprehensive income	(20)
Comprehensive income	132,474
Comprehensive income attributable to owners of parent	132,474
Comprehensive income attributable to non-controlling interests	-

(3) Notes to quarterly financial statement

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Significant change in subsidiary during the first quarter)

Careerlink established Careerlink Factory Co., Ltd. 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: Careerlink Factory Co., Ltd.

2. Equity-method affiliates

None

3. Fiscal period of consolidated subsidiary

The first quarter of Careerlink Factory is the same as the first quarter of 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 employee stock ownership plan

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 quarter ended May 2017 (March 1, 2017 – May 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)	3,877,085 -	572,798 -	4,449,883 -	4,449,883 -
Total	3,877,085	572,798	4,449,883	4,449,883
Segment income	187,080	13,155	200,235	200,235

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 Careerlink Factory Co., Ltd. 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

(Subsequent events)

Careerlink established wholly owned subsidiary Careerlink Factory Co., Ltd. on March 1, 2017. On March 15, 2017, Careerlink and Careerlink Factory signed a contract for a divestiture (simple absorption-type split) in which Careerlink divested its Manufacturing and Technology business and this business was absorbed by Careerlink Factory, and the absorption was completed on June 1, 2017.

1. Purpose of the divestiture

The Manufacturing and Technology business conducts operations by using an operating framework that differs from the framework for staffing services for clerical and other office tasks, which are provided mainly by the Business Process Outsourcing business, Careerlink's core business. Divesting the Manufacturing and Technology business will make it possible to make speedy management decisions that are consistent with this business sector as well as to operate more efficiently by specializing in staffing services in this sector. The objective is to use this new framework to make the Manufacturing and Technology business even more competitive.

2. Summary of the divestiture

(1) Schedule

Board of directors approval of absorption-type split contract	March 15, 2017
Signing of absorption-type split contract	March 15, 2017
Effective date of split and absorption contract	June 1, 2017

(Note) The approval of Careerlink shareholders is not needed for this absorption-type split contract because this is a simplified divestiture and absorption as defined in Article 784, Paragraph 2 of the Companies Act.

(2) Divestiture method

Careerlink will divest a business unit that will then be absorbed by the newly established Careerlink Factory.

(3) Allocations associated with the divestiture

There is no payment for this divestiture because Careerlink Factory is a wholly owned subsidiary of Careerlink. Careerlink Factory makes no cash payment, distribute no stock or submit any other compensation to Careerlink.

3. Profiles of Careerlink and Careerlink Factory (As of June 1, 2017)

(1) Name	Careerlink Co., Ltd. (Divesting company)	Careerlink Factory Co., Ltd. (Absorbing company)
(2) Head office	2-1-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo	137 Toyozawa-cho, Himeji, Hyogo
(3) Representatives	Yasuhiko Kondo, Chairman and Representative Director Motoaki Narisawa, President and Representative Director	Yasuhiko Kondo, President and Representative Director
(4) Activities	Clerical human resources services	Manufacturing human resource services (Previously Manufacturing and Technology business)
(5) Capital stock	388,005,500 yen	100,000,000 yen
(6) Established	October 1, 1996	March 1, 2017
(7) Shares outstanding	12,555,800 shares	2,000 shares
(8) Fiscal year end	End of February	End of February