

Summary of Consolidated Financial Results For the First Quarter Ended May 31, 2020 [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 and Representative Director, President and Executive Officer
 Name: Motoaki Narusawa
 Contact Person Title: Director, Managing Executive Officer, General Manager of Administration Division and Corporate Planning Department
 Name: Hiroyoshi Fujieda
 TEL: +81-(0)3-6311-7321
 Date of quarterly securities report (tentative): July 10, 2020
 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 2021 (March 1, 2020 – May 31, 2020)

(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 2020	6,436	27.6	526	196.5	525	197.8	364	197.6
First quarter ended May 2019	5,045	13.5	177	647.0	176	288.9	122	484.0

Note: Comprehensive income: 1Q FY2/2021: 394 million yen (239.8%), 1Q FY2/2020: 115 million yen (499.2%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First quarter ended May 2020	29.88		29.74	
First quarter ended May 2019	10.01		9.99	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of May 31, 2020	8,255		4,037		47.9	
As of February 29, 2020	7,480		3,840		50.3	

Reference: Shareholders' equity

As of May 31, 2020: 3,957 million yen As of February 29, 2020: 3,760 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen				
Fiscal year ended February 2020	-	0.00	-	10.00	10.00
Fiscal year ending February 2021	-				
Fiscal year ending February 2021 (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 2021 (Consolidated, March 1, 2020 to February 28, 2021)

(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	11,840	14.0	565	62.6	565	63.0	390	53.8	32.20
Full year	23,132	9.6	585	(15.5)	583	(15.4)	402	(23.6)	33.38

Note 1. Change in the forecast from the latest announcement: Yes

2. Information about revisions to the consolidated forecast is in the press release dated July 6, 2020 titled "Notice of Revision to Consolidated Forecast for the First Half of the Fiscal Year Ending in February 2021."

3. The Board of Directors approved a resolution on April 10, 2020 to repurchase treasury shares. This repurchase of treasury shares is reflected in the earnings per share forecast.

* 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 May 31, 2020: 12,555,800 As of February 29, 2020: 12,555,800

(b) Treasury shares

As of May 31, 2020: 455,655 As of February 29, 2020: 299,855

(c) Average number of shares (first quarter)

Period ended May 31, 2020: 12,211,206 Period ended May 31, 2019: 12,250,075

Note: The number of treasury shares at the end of the fiscal year includes shares 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 48,200 shares in this trust account at the end of the first quarter of the current fiscal year and 48,300 shares at the end of the previous fiscal year. Shares in this trust account is included in treasury shares that are excluded from the average number of shares in a fiscal year. There were 48,285 shares in this trust account in the first quarter of the current fiscal year and 54,170 shares in the first quarter 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

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 and other information about the outlook" on page 3.

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1. Results of Operations

(1) Overview on business performance

In the first quarter of the current fiscal year, there was a steep downturn in economic activity in Japan as COVID-19 shut down movements of people and goods worldwide and the Japanese government asked people to stay home as much as possible.

The COVID-19 outbreak, which was first reported in December 2019 in China, has become a worldwide pandemic that severely impacted supplies of goods with disruption of global supply chains and restricted economic activity in many other ways. As a result, the outlook for the global economy is uncertain.

In the Japanese human resources industry, the jobs-to-applicants ratio announced by the Ministry of Health, Labour and Welfare was 1.20 in May 2020, the fifth consecutive monthly decline because of COVID-19. The labor market has changed significantly from the prolonged labor shortage that continued until the end of 2019. The result was big downturns in the demand for human resources services in the hotel, restaurant, service, wholesale and retail, and other business sectors.

As in the previous fiscal year, the Careerlink Group took many actions aimed at growth in all business units with emphasis on business process outsourcing (BPO) projects, which involve creating proposals for customers for performing outsourced business processes.

COVID-19 had a negative effect on the sales of many businesses. For example, in the sales human resource services business, salesperson stopped visiting their clients and in the clerical human resource services and other businesses many customers responded to this crisis by reducing the number of working days and taking other actions. Nevertheless, COVID-19 did not have a significant impact on group's first quarter performance because of the receipt of new one-time projects and other reasons.

First quarter sales increased 1,390,944 thousand yen (+27.6%) from one year earlier to 6,436,567 thousand yen. One reason is the recognition in March 2020 of the sales of a BPO project that began in April 2019 and ended in March 2020. Sales growth was also attributable to orders for new one-time projects from current BPO customers and to the continuation from the previous fiscal year of a large volume of orders from food processing companies.

Earnings were higher for several reasons. The gross profit increased because of sales growth as well as higher gross profit margin due to measures for improving the efficiency of business processes. Earnings also benefited from the efficient recruiting of people required for new orders. In addition, in response to Japan's declaration of a state of emergency, there were measures for lowering selling, general and administrative expenses, such as reducing recruiting activities for full-time employees, limiting business trips and canceling capital expenditures that are not urgent. As a result, operating profit increased 348,621 thousand yen (+196.5%) to 526,008 thousand yen, ordinary profit increased 348,819 thousand yen (+197.8%) to 525,188 thousand yen and profit attributable to owners of parent increased 242,263 thousand yen (+197.6%) to 364,862 thousand yen.

(Clerical human resource services business)

Business process outsourcing sales increased significantly from one year earlier because of the recognition in March of sales upon the completion of an outsourcing project that started in April 2019 and the receipt of new one-time orders from current customers. Customer relationship management sales decreased mainly because of a downturn in orders caused by COVID-19. There was a big increase in office services sales as the negative effect of COVID-19 on temporary staffing services for private-sector companies other than financial institutions was more than offset by the growth of temporary staffing orders from the public sector and financial institutions. The result was an increase of 1,709,002 thousand yen (+47.6%) in segment sales to 5,302,644 thousand yen. Operating profit was up 374,045 thousand yen (+271.6%) to 511,786 thousand yen primarily because of a higher gross profit margin due to measures for improving the efficiency of business processes and to actions for reducing selling, general and administrative expenses.

(a) Business Process Outsourcing segment

Although performance was negatively affected by the reduction or suspension of operations by some customers due to COVID-19, sales were much higher mainly for two reasons. First is the recognition of sales in March upon the completion of an outsourcing project that started in April 2019. Second is an increase in orders resulting from orders from current customers for one-time projects. As a result, sales were up 1,547,163 thousand yen (+87.1%) to 3,322,593 thousand yen.

(b) Customer Relationship Management segment

Orders in the telemarketing category remained generally steady but sales were affected by employee furloughs and other actions at many CRM projects in response to COVID-19. The result was a 32,924 thousand yen (-3.6%) decrease in sales to 886,448 thousand yen.

(c) Office Services segment

Sales were negatively affected by a decline in new orders from private-sector companies other than financial institutions and reductions by customers in the number of working days for temporary staffing personnel, both caused by COVID-19. However, there was a large volume of temporary staffing orders from the public sector and financial institutions. The result was a 194,764 thousand yen (+21.7%) increase in sales to 1,093,601 thousand yen.

(Manufacturing human resource services business)

Sales in the food processing category remained firm but the orders in the manufacturing category decreased as customers temporarily stopped operations or reduced the number of working days for temporary staffing personnel because of COVID-

19. Overall, segment sales decreased 53,839 thousand yen (-6.8%) to 736,283 thousand yen. Operating profit increased 314 thousand yen (+25.2%) to 1,561 thousand yen mostly because of measures to lower selling, general and administrative expenses.

(Sales human resource services business)

Following Japan's declaration of a state of emergency, this business stopped visiting retail stores and restaurants to sell temporary staffing services and suspended most recruiting activities. As a result, sales were down 259,244 thousand yen (-43.9%) to 331,959 thousand yen. Operating profit fell 32,672 thousand yen (-85.6%) to 5,478 thousand yen because of lower gross profit due to lower sales. Although there were measures for reducing selling, general and administrative expenses, the benefits of those measures were not significant in the first quarter.

(Other services business)

This segment is the automobile management business of Tokyo Jidosha Kanri, a subsidiary of Japan Business Service. Although sales decreased 4,973 thousand yen (-7.0%) to 65,679 thousand yen, operating profit increased 6,933 thousand yen from 248 thousand yen one year earlier to 7,181 thousand yen mainly because of measures for reducing selling, general and administrative expenses.

(2) Overview of financial condition

(Assets)

Total assets were 8,255,992 thousand yen at the end of the first quarter, 775,446 thousand yen more than at the end of the previous fiscal year. Major changes were a 37,994 thousand yen decrease in inventories and increases of 395,130 thousand yen in notes and accounts receivable-trade, 244,330 thousand yen in cash and deposits, 100,000 thousand yen in securities, and 33,530 thousand yen in other current assets, which includes prepaid expenses and advances paid.

(Liabilities)

Liabilities increased 578,123 thousand yen to 4,218,501 thousand yen at the end of the first quarter. Major changes were decreases of 70,395 thousand yen in the provision for bonuses, 36,340 thousand yen in income taxes payable and 34,000 thousand yen in short-term borrowings and increases of 532,229 thousand yen in long-term borrowings (including the current portion), 187,366 thousand yen in accounts payable-other, and 31,477 thousand yen in other current liabilities, which includes accrued expenses and consumption taxes payable.

(Net assets)

Net assets increased 197,323 thousand yen to 4,037,490 thousand yen at the end of the first quarter. The treasury shares deduction increased 73,793 thousand yen, retained earnings increased 241,820 thousand yen (the difference between the profit attributable to owners of parent of 364,862 thousand yen and dividend payments of 123,042 thousand yen), and the valuation difference on available-for-sale securities increased 29,232 thousand yen.

(3) Forecast and other information about the outlook

In the first half of the fiscal year ending in February 2021, we expect the negative effect on sales of COVID-19 to continue through the second quarter. However, due to the receipt of new one-time BPO orders in the first quarter and for other reasons, we forecast first half sales of 11,840 million yen, which is 361 million yen higher (+3.1%) than the sales forecast announced in April 2020.

During the first half, we anticipate several negative factors concerning earnings, including a lower gross profit caused by sales declines due to COVID-19, expenses for increasing the use of teleworking to protect employees from COVID-19, and an increase in the use of paid vacation days by temporary staffing personnel. Despite these factors, we have increased first half earnings forecasts because of gross profit associated with sales from the new one-time BPO orders in the first quarter and for other reasons. Compared with the forecasts announced on April 2020, we have increased the operating profit forecast 200 million yen (+54.8%) to 565 million yen, the ordinary profit forecast 201 million yen (+55.2%) to 565 million yen and the profit attributable to owners of parent forecast 140 million yen (+56.0%) to 390 million yen.

There is no change to the full year forecast for the fiscal year ending in February 2021 because of the current inability to predict the effects of COVID-19 on sales and earnings in the fiscal year's second half. An announcement will be made promptly if a revision is required once it becomes possible to determine a forecast for the fiscal year.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Thousand yen)

	Fiscal year ended February 2020 (As of February 29, 2020)	First quarter ended May 2020 (As of May 31, 2020)
ASSETS		
Current assets		
Cash and deposits	3,916,730	4,161,060
Notes and accounts receivable - trade	2,358,451	2,753,581
Securities	-	100,000
Inventories	248,052	210,058
Income taxes receivable	11,487	13,286
Other	134,627	168,158
Allowance for doubtful accounts	(841)	(973)
Total current assets	6,668,507	7,405,171
Non-current assets		
Property, plant and equipment	58,210	59,127
Intangible assets	55,136	46,471
Investments and other assets	698,690	745,221
Total non-current assets	812,037	850,820
Total Assets	7,480,545	8,255,992
LIABILITIES		
Current liabilities		
Short-term borrowings	54,000	20,000
Current portion of bonds payable	65,000	60,000
Current portion of long-term borrowings	200,224	300,594
Accounts payable - other	1,467,883	1,655,250
Income taxes payable	183,756	147,416
Provision for bonuses	105,217	34,821
Other	1,139,847	1,171,324
Total current liabilities	3,215,930	3,389,407
Non-current liabilities		
Bonds payable	140,000	120,000
Long-term borrowings	157,381	589,240
Provision for share-based remuneration	13,668	13,261
Retirement benefit liability	14,259	6,585
Asset retirement obligations	46,946	47,008
Other	52,192	52,998
Total non-current liabilities	424,448	829,094
Total liabilities	3,640,378	4,218,501
NET ASSETS		
Shareholders' equity		
Share capital	388,005	388,005
Capital surplus	228,433	228,433
Retained earnings	3,330,756	3,572,576
Treasury shares	(179,743)	(253,536)
Total shareholders' equity	3,767,452	3,935,479
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7,192)	22,039
Total accumulated other comprehensive income	(7,192)	22,039
Share acquisition rights	33,130	33,130
Non-controlling interests	46,776	46,840
Total net assets	3,840,167	4,037,490
Total liabilities and net assets	7,480,545	8,255,992

(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 2019 (March 1, 2019 – May 31, 2019)	First quarter ended May 2020 (March 1, 2020 – May 31, 2020)
Net sales	5,045,622	6,436,567
Cost of sales	4,078,776	5,025,380
Gross profit	966,846	1,411,186
Selling, general and administrative expenses	789,459	885,178
Operating profit	177,387	526,008
Non-operating income		
Interest income	66	61
Dividend income	550	-
Insurance claim income	-	170
Gain on sales of non-current assets	-	318
Other	602	171
Total non-operating income	1,218	721
Non-operating expenses		
Interest expenses	1,156	1,044
Amortization of bond issuance cost	954	-
Other	125	497
Total non-operating expenses	2,237	1,542
Ordinary profit	176,368	525,188
Profit before income taxes	176,368	525,188
Income taxes-current	72,590	171,909
Income taxes-deferred	(18,810)	(11,647)
Total income taxes	53,779	160,261
Profit	122,588	364,926
Profit (loss) attributable to non-controlling interests	(10)	63
Profit attributable to owners of parent	122,598	364,862

Quarterly consolidated statements of comprehensive income
For the first quarter

(Thousand yen)

	First quarter ended May 2019 (March 1, 2019 – May 31, 2019)	First quarter ended May 2020 (March 1, 2020 – May 31, 2020)
Profit	122,588	364,926
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,605)	29,232
Total other comprehensive income	(6,605)	29,232
Comprehensive income	115,983	394,158
Comprehensive income attributable to owners of parent	115,993	394,094
Comprehensive income attributable to non-controlling interests	(10)	63

(3) Notes to quarterly financial statement

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Segment information, etc.)

[Segment information]

I. For the first quarter ended May 2019 (March 1, 2019 – May 31, 2019)

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

(Thousand yen)

	Reporting segments				Other (Note 1)	Amount on the quarterly consolidated statements of income (Note 2)
	Clerical human resource services	Manufacturing human resource services	Sales human resource services	Total		
Net sales (of which to outside customers) (of which inter- segment)	3,593,641 -	790,122 -	591,204 -	4,974,968 -	70,653 -	5,045,622 -
Total	3,593,641	790,122	591,204	4,974,968	70,653	5,045,622
Segment income	137,741	1,246	38,150	177,138	248	177,387

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

2. The segment income matches operating profit in the consolidated statement of income.

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

None

II For the first quarter ended May 2020 (March 1, 2020 – May 31, 2020)

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

(Thousand yen)

	Reporting segments				Other (Note 1)	Amount on the quarterly consolidated statements of income (Note 2)
	Clerical human resource services	Manufacturing human resource services	Sales human resource services	Total		
Net sales (of which to outside customers) (of which inter- segment)	5,302,644 -	736,283 -	331,959 -	6,370,887 -	65,679 -	6,436,567 -
Total	5,302,644	736,283	331,959	6,370,887	65,679	6,436,567
Segment income	511,786	1,561	5,478	518,826	7,181	526,008

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

2. The segment income matches operating profit in the consolidated statement of income.

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

None

(Significant subsequent events)

Purchase of treasury shares

On April 10, 2020, the Careerlink Board of Directors approved a resolution to purchase treasury shares based on Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of this act. Treasury shares were subsequently purchased as follows.

1. Type of shares purchased	Careerlink common shares
2. Number of shares purchased	104,400 shares
3. Cost of shares purchased	60,089,100 yen
4. Beginning and end of purchases	June 1 to June 30, 2020
5. Purchase method	Open market transactions using the Tokyo Stock Exchange

(Reference)

1. Summary of the resolution approved by the Board of Directors on April 10, 2020
 - (1) Reasons for purchasing treasury shares
Increase shareholder value per share of stock and facilitate quick and timely capital policies in response to changes in the business climate.
 - (2) Type of shares to be purchased
Careerlink common shares
 - (3) Number of shares to be purchased
600,000 shares (maximum)
 - (4) Total cost of shares to be purchased
300,000,000 yen (maximum)
 - (5) Beginning and end of purchases
April 13 to September 30, 2020
2. Total number of shares purchased by June 30, 2020 according to the resolution
 - (1) Total number of shares purchased
260,300 shares
 - (2) Total cost of shares purchased
133,957,600 yen

3. Other Information

(1) Change in directors

Resignation of the representative director (As of July 31, 2020)

Representative director to be resigned: Hirohiko Kondo (Chairman and representative director)

Note: Please refer the notice of change in directors announced on July 6, 2020 for more details.