

Summary of Consolidated Financial Results For the First Quarter Ended May 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/>
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 Name: Motoaki Narusawa
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 Date of quarterly securities report (tentative): July 11, 2019
 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 2020 (March 1, 2019 – May 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 quarter ended May 2019	5,045	13.5	177	647.0	176	288.9	122	484.0
First quarter ended May 2018	4,445	(0.1)	23	(88.1)	45	(77.1)	20	(84.2)

Note: Comprehensive income: 1Q FY2/2020: 115 million yen (499.2%), 1Q FY2/2019: 19 million yen (-85.4%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First quarter ended May 2019	10.01		9.99	
First quarter ended May 2018	1.72		1.70	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of May 31, 2019	6,236		3,398		53.5	
As of February 28, 2019	5,917		3,404		56.5	

Reference: Shareholders' equity

As of May 31, 2019: 3,337 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				
Fiscal year ended February 2019	-	0.00	-	10.00	10.00
Fiscal year ending February 2020	-				
Fiscal year ending February 2020 (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 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
First half	10,518	15.1	239	-	239	293.9	160	881.5	13.12
Full year	21,668	16.3	422	124.9	419	44.5	281	64.7	22.98

Note: Change in the forecast from the latest announcement: None

* The first half percentage figure of operating profit is presented “-” because it exceeds 1,000%.

* 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, 2019: 12,555,800 As of February 28, 2019: 12,555,800

(b) Treasury shares

As of May 31, 2019: 305,055 As of February 28, 2019: 306,655

(c) Average number of shares (first quarter)

Period ended May 31, 2019: 12,250,075 Period ended May 31, 2018: 12,235,368

Note: The number of treasury shares at the end of the fiscal year 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 53,500 shares in this trust account at the end of the first quarter 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 54,170 shares in this trust account in the first quarter of the current fiscal year and 62,600 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 for the current fiscal year” on page 3.

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1. Results of Operations

(1) Overview on business performance

The Japanese economy continued to recover slowly during the first quarter of the current fiscal year due to the impact of the government economic stimulus measures and sustained improvement in corporate earnings, the labor market and personal income. This trend towards a gradual upturn in the economic environment continued despite continuing weakness in other areas such as exports and production.

On the other hand, the outlook for the global economy remains uncertain due to factors including the direction of the US-China trade friction issue, the slowing growth of the Chinese economy, and the lack of clarity about the European economy because of the Brexit issue. There are concerns about the uncertainty in relation to political and economic trends overseas.

In the Japanese human resources industry, the jobs-to-applicants ratio remained consistently high due to the lack of human resources in various sectors including IT, construction, and transportation sectors as well as in the retail and services industries. On the one hand, this has resulted in growth in demand for human resource services. However, human resource companies in Japan are now faced with the need to respond appropriately to the so-called 2018 problem of employment under the “Revised Labor Contract Act” and the “Revised Worker Dispatching Act”. And with the enforcement of the “Work Style Reform Act” (enacted in June 2018) from April 2020, companies are consequently required to promote appropriate measures in response to the effort to eliminate the problem of long working hours, including overtime work, and to apply the concept in line with the guidelines for “same labor same pay” that seek to eliminate unreasonable differences in the treatment between regular and non-regular employees.

Given such a business environment, and as in the previous fiscal year, the Careerlink Group continued to operate in the clerical human resource service business which consists primarily of business process outsourcing (BPO) involving the creation of proposals for the outsourcing of business processes, and manufacturing human resource service business, mainly in the food processing industry. We also have promoted cashless payment-related consignment business that was launched in October last year.

As a result, business results for the first quarter under review showed strong temporary staffing orders for major telemarketers and financial institutions, and orders from food processors continued to be favorable as the previous fiscal year as well as sales of cashless payment related services, launched in October last year, also increased steadily. Net sales increased 600,490 thousand yen (+13.5%) year-on-year to 5,045,622 thousand yen.

In terms of earnings, in addition to the increase in gross profit due to the increase in sales, we were able to receive orders for new projects with good gross margins, reduce the cost of recruiting temporary staff to work on the new orders, and establish stability in the retention of the staff employed. Operating profit increased by 153,642 thousand yen (+647.0%) year-on-year to 177,387 thousand yen, due to the non-replacement of administrative staff, the consolidation of branches implemented by Japan Business Service Co., Ltd., newly consolidated subsidiary, and the implementation of earnings improvement measures such as office relocation. Ordinary profit increased by 131,012 thousand yen (+288.9%) year-on-year to 176,368 thousand yen and profit attributable to owners of the parent increased 101,606 thousand yen (+484.0%) year-on-year to 122,598 thousand yen.

Business segment performance was as follows. However, in 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”.

(Clerical human resource services business)

In this segment, temporary staffing orders for telemarketers and financial institutions remained strong. However, sales were affected by an adverse impact that is attributable to the end of a large-scale BPO project for a private company in the previous fiscal year. As a result, overall sales decreased by 104,985 thousand yen (-2.8%) year-on-year to 3,593,641 thousand yen. In terms of profits, we were able to receive orders for new projects with good gross margins, reduce recruitment costs for temporary staff on new order projects, establish stability in the retention of the staff employed, and improve earnings with measures such as the relocation of offices and non-replacement of administrative staff. As a result of these initiatives, operating income increased 128,669 thousand yen (+1,418.3%) year-on-year to 137,741 thousand yen.

(a) Business Process Outsourcing segment

In this business segment, orders for some existing BPO projects increased compared to the same period in the previous fiscal year, and new orders for public sector BPO projects also higher compared to the same period in the previous fiscal year. However, one large-scale BPO project for a private enterprise ended in the previous fiscal year. Net sales in this segment decreased 602,828 thousand yen (-25.3%) year-on-year to 1,775,430 thousand yen.

(b) Customer Relationship Management segment

In this segment, orders from telemarketers remained strong in the Tokyo metropolitan area, as well as in Osaka, Fukuoka, etc. Moreover, orders from financial institutions were also successfully booked. The segment’s sales increased by 258,521 thousand yen (+39.1%) year-on-year to 919,373 thousand yen.

(c) Office Services segment

This segment sales increased by 239,321 thousand yen (+36.3%) year-on-year to 898,837 thousand yen, as new orders for projects from the public sector and private enterprises and orders for projects for financial institutions remained strong.

(Manufacturing human resource services business)

In this segment, although orders received from some manufacturing and processing companies decreased, sales increased by 93,979 thousand yen (+13.5%) year-on-year, mainly due to strong orders from food processors and other items, to 790,122 thousand yen. Operating profit decreased by 12,616 thousand yen (-91.0%) year-on-year to 1,246 thousand yen due mainly to higher hiring and training expenses for working staff and additional personnel expenses for strengthening internal management and governance systems.

(Sales human resource services business)

This segment consists of a cashless payment related consignment business that started receiving orders in October last year. With the consignment business expanding steadily during the first quarter, the segment recorded sales of 591,204 thousand yen. Operating profit was 38,150 thousand yen.

(Other services business)

This segment is the “automotive management business” of the Tokyo Jidosha Kanri Co., Ltd., a subsidiary of Japan Business Services Co., Ltd. Net sales increased by 20,293 thousand yen (+40.3%) year-on-year to 70,653 thousand yen and operating income decreased 560 thousand yen (-69.3%) year-on-year to 248 thousand yen.

(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.

Accordingly, the figures presented for the financial position for the previous fiscal year have been retrospectively adjusted to reflect the application of the aforementioned standard in order to conduct comparison and analysis against the previous fiscal year.

(Assets)

Total assets at the end of the first quarter of the current fiscal year were 6,236,410 thousand yen, an increase of 319,209 thousand yen compared to the end of the previous fiscal year. The main reasons were: while other current assets including prepaid expenses and advances paid decreased by 75,425 thousand yen, cash and deposits increased by 256,509 thousand yen, securities by 100,000 thousand yen, notes and accounts receivable-trade by 36,110 thousand yen, and investment and other assets, including deferred tax assets, under other investments by 18,920 thousand yen, respectively.

(Liabilities)

Total liabilities at the end of the first quarter of the current fiscal year were 2,837,973 thousand yen, an increase of 325,061 thousand yen from the end of the previous fiscal year. There were decreases in long-term loans payable (including current portion of long-term loans payable) of 67,204 thousand yen, provision for bonuses of 66,338 thousand yen, and short-term loans payable of 54,000 thousand yen. The main drivers of the increase were the increase of 477,301 thousand yen in other in current liabilities including accrued expenses and accrued consumption taxes, and an increase of 37,597 thousand yen in income taxes payable.

(Net assets)

Total net assets at the end of the first quarter of the current fiscal year were 3,398,436 thousand yen, a decrease of 5,851 thousand yen from the end of the previous fiscal year. The main reasons for the decrease were although there were an increase of 1,208 thousand yen because of a decrease in treasury shares and 764 thousand yen increase in shareholders' equity, there were 6,605 thousand yen decrease in valuation difference on available for sale securities and 443 thousand yen decrease in retained earnings (an increase of 122,598 thousand yen in profit attributable to owners of parent and a decrease of 123,042 thousand yen due to the payment of dividend).

(3) Forecast for the current fiscal year

There are no revisions to the consolidated business forecast announced on July 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 quarter ended May 2019 (As of May 31, 2019)
ASSETS		
Current assets		
Cash and deposits	2,683,762	2,940,272
Notes and accounts receivable - trade	2,198,763	2,234,873
Securities	-	100,000
Inventories	2,641	2,225
Income taxes receivable	13,148	13,612
Other	219,595	144,170
Allowance for doubtful accounts	(909)	(790)
Total current assets	5,117,001	5,434,363
Non-current assets		
Property, plant and equipment	79,345	73,598
Intangible assets	85,960	74,669
Investments and other assets		
Other	635,543	654,463
Allowance for doubtful accounts	(650)	(684)
Total investments and other assets	634,892	653,778
Total non-current assets	800,199	802,046
Total assets	5,917,200	6,236,410
LIABILITIES		
Current liabilities		
Short-term loans payable	84,000	30,000
Current portion of bonds	40,000	50,000
Current portion of long-term loans payable	257,736	249,409
Accounts payable - other	1,104,721	1,072,671
Income taxes payable	46,816	84,413
Provision for bonuses	103,112	36,773
Other	331,358	808,659
Total current liabilities	1,967,744	2,331,927
Non-current liabilities		
Bonds payable	60,000	80,000
Long-term loans payable	357,605	298,728
Provision for employee stock ownership plan	16,661	16,413
Net defined benefit liability	14,438	15,167
Asset retirement obligations	46,142	46,239
Other	50,321	49,497
Total non-current liabilities	545,167	506,046
Total liabilities	2,512,912	2,837,973
Net ASSETS		
Shareholders' equity		
Capital stock	388,005	388,005
Capital surplus	228,433	228,433
Retained earnings	2,927,144	2,926,700
Treasury shares	(184,877)	(183,669)
Total shareholders' equity	3,358,706	3,359,470
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(15,503)	(22,108)
Total accumulated other comprehensive income	(15,503)	(22,108)
Subscription rights to shares	16,285	16,285
Non-controlling interests	44,799	44,788
Total net assets	3,404,287	3,398,436
Total liabilities and net assets	5,917,200	6,236,410

(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 2018 (March 1, 2018 – May 31, 2018)	First quarter ended May 2019 (March 1, 2019 – May 31, 2019)
Net sales	4,445,131	5,045,622
Cost of sales	3,636,582	4,078,776
Gross profit	808,549	966,846
Selling, general and administrative expenses	784,803	789,459
Operating profit	23,745	177,387
Non-operating income		
Interest income	59	66
Dividend income	-	550
Gain on consumption taxes	22,627	-
Other	992	602
Total non-operating income	23,679	1,218
Non-operating expenses		
Interest expenses	1,582	1,156
Amortization of bond issuance cost	-	954
Other	486	125
Total non-operating expenses	2,068	2,237
Ordinary profit	45,356	176,368
Profit before income taxes	45,356	176,368
Income taxes-current	35,632	72,590
Income taxes-deferred	(12,855)	(18,810)
Total income taxes	22,776	53,779
Profit	22,579	122,588
Profit (loss) attributable to non-controlling interests	1,587	(10)
Profit attributable to owners of parent	20,992	122,598

Quarterly consolidated statements of comprehensive income
For the first quarter

(Thousand yen)

	First quarter ended May 2018 (March 1, 2018 – May 31, 2018)	First quarter ended May 2019 (March 1, 2019 – May 31, 2019)
Profit	22,579	122,588
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,221)	(6,605)
Total other comprehensive income	(3,221)	(6,605)
Comprehensive income	19,357	115,983
Comprehensive income attributable to owners of parent	17,770	115,993
Comprehensive income attributable to non-controlling interests	1,587	(10)

(3) Notes to quarterly 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 quarter ended May 2018 (March 1, 2018 – May 31, 2018)

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)	3,698,627 -	696,143 -	- -	4,394,771 -	50,360 -	4,445,131 -
Total	3,698,627	696,143	-	4,394,771	50,360	4,445,131
Segment income	9,072	13,863	-	22,936	808	23,745

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

Omitted because of lack of materiality

II 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. Change in reportable segments

In 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 quarter ended May 2018 is presented by revised categories.

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

None