

## Summary of Consolidated Financial Results For the Third Quarter Ended November 30, 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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 Date of quarterly securities report (tentative): January 14, 2019  
 Date of commencement of dividend payment (tentative): -  
 Quarterly earnings supplementary explanatory documents: No  
 Quarterly earnings presentation: No

(Yen in millions, rounded down)

### 1. Financial results for the first three quarters of the fiscal year ending February 2020 (March 1, 2019 – November 30, 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 three quarters ended Nov. 2019	15,768	14.1	570	-	570	387.0	413	851.0
First three quarters ended Nov. 2018	13,822	8.1	41	(90.9)	117	(76.4)	43	(87.1)

Note: Comprehensive income: First three quarters of FY2/2020: 436 million yen (-%)  
 First three quarters of FY2/2019: 38 million yen (-88.5%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First three quarters ended Nov. 2019	33.71		33.64	
First three quarters ended Nov. 2018	3.55		3.48	

Note: Prior-year comparisons are not shown (-) for operating profit and comprehensive income for the first three quarters of FY2/2020 because the changes are more than 1,000%.

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of November 30, 2019	7,092		3,722		51.6	
As of February 28, 2019	5,917		3,404		56.5	

Reference: Shareholders' equity

As of November 30, 2019: 3,659 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	Yen	Yen	Yen	Yen
Fiscal year ended February 2019	-	0.00	-	10.00	10.00
Fiscal year ending February 2020	-	0.00	-		
Fiscal year ending February 2020 (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 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
Full year	21,020	12.9	595	217.1	595	105.1	425	148.7	34.69

Note: Change in the forecast from the latest announcement: No

#### \* 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 November 30, 2019:	12,555,800	As of February 28, 2019:	12,555,800
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  - (b) Treasury shares
 

	As of November 30, 2019:	300,755	As of February 28, 2019:	306,655
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  - (c) Average number of shares (first three quarters)
 

	Period ended November 30, 2019:	12,252,465	Period ended November 30, 2018:	12,239,777
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Note: The number of treasury shares 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 49,200 shares in this trust account in the figure of as of November 30, 2019 and 55,100 shares in the figure of as of February 28, 2019. 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 51,780 shares in this trust account in the figure of period ended November 30, 2019 and 62,368 shares in the figure of period ended November 30, 2018.

\* 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 4.

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## 1. Results of Operations

### (1) Overview on business performance

During the first three quarters of the current fiscal year, Japan's labor market and personal income continued to improve with the support of government measures to support the economy. However, there are concerns about the increasing reluctance of consumers to make expenditures and sluggish consumer spending following the October 2019 consumption tax hike. But corporate earnings in Japan are generally firm. The direction of the global economy continued to be unclear as China's economic growth slowed due to U.S. trade friction and Brexit and other events create uncertainty about the European economy.

In the Japanese human resources industry, there are continuing labor shortages in many industries. This is driving up demand for the human resource service sector. However, the human resource service companies must take appropriate actions to adapt to significant changes in the business climate. One significant change will occur in April 2020 with the start of a requirement for equal pay for equal work that aims to eliminate differences in the treatment between full-time employees and other workers. Other significant change will be the enactment of the Work Style Reform Act followed by measures to prevent excessively long working hours, including the reduction of overtime.

During the first three quarters of the current fiscal year, the Careerlink Group increased activities to improve profitability and advance reform of the clerical human resource services business chiefly in Business Process Outsourcing services. There were also activities to capture orders associated with the October 2019 consumption tax hike. Actions to capture more orders for outsourced tasks involving processing of cashless payments started in October 2018. Increasing the volume of manufacturing staffing services, chiefly in the food industry, was another priority.

Due to these activities, sales increased 1,946,047 thousand yen (+14.1%) to 15,768,199 thousand yen. One-time orders involving the outsourced tasks for the consumption tax hike were higher than expected. Sales growth was also attributable to a large volume of temporary staffing orders from major telemarketing companies and financial institutions, increased sales from outsourced tasks involving processing of cashless payments and to the continuing growth of temporary staffing orders from food processing companies.

Earnings were much higher than one year earlier. Gross profit was higher due to an increase in sales of one-time contracts associated with the consumption tax hike. in the Business Process Outsourcing and an increase in the number of high-margin projects out of those associated with tasks involving outsourced payment processing. Earnings also benefited from lower recruiting expenses for supplementary administrative personnel for new orders, a higher retention rate in the temporary placement workforce, elimination of the need for supplementary administrative personnel due to higher operating efficiency, an improvement in the earnings of Japan Business Service Co., Ltd., resulting from the consolidation of branch offices, and the relocation of Careerlink business sites. Operating profit increased 528,809 thousand yen from 41,489 thousand yen one year earlier to 570,229 thousand yen, ordinary profit increased 453,139 thousand yen (+387.0%) to 570,229 thousand yen and profit attributable to owners of parent increased 369,614 thousand yen (+851.0%) to 413,046 thousand yen.

Business segment performance was as follows. In the first quarter of the current fiscal year, business operations were reorganized in order to operate individual businesses with greater autonomy. Due to this reorganization, Careerlink has three reportable segments beginning with the first quarter of the current fiscal year: clerical human resource services, manufacturing human resource services and sales human resource services. Reportable segments for the first three quarters of the previous fiscal year have been restated for year-on-year comparison with the reorganized reportable segments.

#### (Clerical human resource services)

A large private-sector BPO project ended in the previous fiscal year. However, the acquisition of one-time orders involving the consumption tax hike were higher than expected and there was a large volume of projects for telemarketing companies and financial institutions. As a result, sales increased 262,310 thousand yen (+2.3%) to 11,495,023 thousand yen. Earnings improved because of an increase in the gross profit caused by growth in sales from higher-margin projects, mainly one-time orders involving the consumption tax hike, tasks involving BPO services and payroll accounting, lower recruiting expenses for supplementary administrative personnel for new orders, a higher retention rate in the workforce, elimination of the need for supplementary administrative personnel due to higher operating efficiency, and the relocation of Careerlink business sites. Consequently, Operating profit increased 477,753 thousand yen from 15,049 thousand yen a year earlier to 492,802 thousand yen.

#### (a) Business Process Outsourcing

Capturing new orders for BPO services, including one-time contracts involving the consumption tax hike, was one goal in this business sector. There was also an increase in the volume of business at some current BPO projects and outsourced payroll processing service. However, sales decreased 524,599 thousand yen (-8.0%) to 6,063,643 thousand yen mainly because of the completion in the previous fiscal year of a large private-sector BPO project.

#### (b) Customer Relationship Management

There was a large volume of orders from telemarketing companies mainly in the Tokyo, Sendai, Osaka and Fukuoka areas and orders from securities companies and other financial services companies remained strong. As a result, sales increased 591,520 thousand yen (+27.7%) to 2,729,505 thousand yen.

#### (c) Office Services

Orders from securities companies and other financial services companies remained strong. In addition, orders from private-sector companies and the public sector were favorable. The result was a 195,390 thousand yen increase (+7.8%) in sales to 2,701,874 thousand yen.

(Manufacturing human resource services)

Orders from manufacturing and processing companies were down because of slowing economic growth in China but orders in the food processing category remained strong. The result was an increase of 123,116 thousand yen (+5.3%) in sales to 2,431,960 thousand yen. Gross profit benefited from higher the food processing category sales but was reduced by decline in manufacturing and processing category sales and lower gross profit margin. In addition, personnel expenses increased because of higher expenses for recruiting and training temporary placement personnel and for measures to reinforce internal management systems, including for safety, and governance. As a result, operating profit was down 20,440 thousand yen (-50.1%) from the same period a year earlier to 20,355 thousand yen.

(Sales human resource services)

Sales increased 1,548,649 thousand yen from the same period a year earlier to 1,632,020 thousand yen (83,371 thousand yen in the same period one year earlier). The result reflects the geographic expansion of the receipt of orders for outsourced cashless payment processing activities that Careerlink started in October 2018. Operating profit increased 71,140 thousand yen (operating loss of 15,456 thousand yen in the same period one year earlier) despite higher expenses for recruiting to cover the number of temporary staffing.

(Others)

This business is the automobile management business of Tokyo Jidosha Kanri, a subsidiary of Japan Business Service. Sales increased 11,192 thousand yen (+5.7%) to 209,195 thousand yen. Despite higher personnel expenses caused by the conversion of some employees to permanent status, operating profit increased 355 thousand yen (+32.3%) to 1,456 thousand yen due to higher gross profit in associated with higher sales.

(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. Figures for the previous fiscal year have been retrospectively revised for conformity with these amendments in order to facilitate comparisons and analysis.

(Assets)

Total assets were 7,092,121 thousand yen at the end of the third quarter of the current fiscal year, 1,174,921 thousand yen more than at the end of the previous fiscal year. Major changes were a decrease of 87,026 thousand yen in other in current assets, which include prepaid expenses and advances paid, and increases of 706,703 thousand yen in cash and deposits, 233,654 thousand yen in notes and accounts receivable-trade, 193,580 thousand yen in inventories and 100,000 thousand yen in investment securities.

(Liabilities)

Liabilities increased 857,135 thousand yen to 3,370,048 thousand yen at the end of the third quarter of the current fiscal year. Major changes were decreases of 198,863 thousand yen in long-term loans payable (including the current portion) and 74,196 thousand yen in provision for bonuses, and increases of 741,542 thousand yen in other in current liabilities, which include accrued expenses and accrued consumption taxes, 274,810 thousand yen in accounts payable - other and 110,968 thousand yen in income taxes payable.

(Net assets)

Net assets increased 317,785 thousand yen to 3,722,073 thousand yen at the end of the third quarter of the current fiscal year. Major changes were increases of 290,003 thousand yen in retained earnings (the difference between profit attributable to owners of parent of 413,046 thousand yen and dividend payments of 123,042 thousand yen), and the valuation difference on available-for-sale securities increased 21,965 thousand yen and the treasury stock deduction decreased 4,454 thousand yen.

(3) Forecast for the current fiscal year

There are no revisions to the consolidated forecast announced on January 9, 2020 for the fiscal year ending in 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)	Third quarter ended November 2019 (As of November 30, 2019)
<b>ASSETS</b>		
Current assets		
Cash and deposits	2,683,762	3,390,465
Notes and accounts receivable - trade	2,198,763	2,432,417
Securities	-	100,000
Inventories	2,641	196,222
Income taxes receivable	13,148	20,626
Other	219,595	132,568
Allowance for doubtful accounts	(909)	(879)
Total current assets	5,117,001	6,271,420
Non-current assets		
Property, plant and equipment	79,345	65,870
Intangible assets	85,960	60,887
Investments and other assets		
Other	635,543	694,627
Allowance for doubtful accounts	(650)	(684)
Total investments and other assets	634,892	693,942
Total non-current asset	800,199	820,700
Total assets	5,917,200	7,092,121
<b>LIABILITIES</b>		
Current liabilities		
Short-term loans payable	84,000	80,000
Current portion of bonds	40,000	45,000
Current portion of long-term loans payable	257,736	218,834
Accounts payable - other	1,104,721	1,379,532
Income taxes payable	46,816	157,784
Provision for bonuses	103,112	28,915
Other	331,358	1,072,900
Total current liabilities	1,967,744	2,982,966
Non-current liabilities		
Bonds payable	60,000	60,000
Long-term loans payable	357,605	197,644
Provision for employee stock ownership plan	16,661	14,266
Retirement benefit liability	14,438	15,147
Asset retirement obligations	46,142	46,849
Other	50,321	53,174
Total non-current liabilities	545,167	387,081
Total liabilities	2,512,912	3,370,048
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	388,005	388,005
Capital surplus	228,433	228,433
Retained earnings	2,927,144	3,217,148
Treasury shares	(184,877)	(180,422)
Total shareholders' equity	3,358,706	3,653,164
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(15,503)	6,462
Total accumulated other comprehensive income	(15,503)	6,462
Subscription rights to shares	16,285	16,285
Non-controlling interests	44,799	46,160
Total net assets	3,404,287	3,722,073
Total liabilities and net assets	5,917,200	7,092,121

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

(Thousand yen)

	First three quarters ended Nov. 2018 (March 1, 2018 – November 30, 2018)	First three quarters ended Nov. 2019 (March 1, 2019 – November 30, 2019)
Net sales	13,822,152	15,768,199
Cost of sales	11,377,157	12,758,259
Gross profit	2,444,994	3,009,939
Selling, general and administrative expenses	2,403,505	2,439,640
Operating profit	41,489	570,299
Non-operating income		
Interest income	542	582
Dividend income	439	1,018
Gain on consumption taxes etc.	75,763	-
Other	3,752	2,925
Total non-operating income	80,496	4,526
Non-operating expenses		
Interest expenses	4,180	3,273
Amortization of bond issuance cost	-	954
Other	716	368
Total non-operating expenses	4,897	4,596
Ordinary profit	117,089	570,229
Profit before income taxes	117,089	570,229
Income taxes-current	73,112	172,596
Income taxes-deferred	(5,220)	(16,774)
Total income taxes	67,892	155,821
Profit	49,197	414,407
Profit attributable to non-controlling interests	5,765	1,361
Profit attributable to owners of parent	43,431	413,046



(Quarterly consolidated statements of comprehensive income)  
(For the first three quarters)

(Thousand yen)

	First three quarters ended Nov. 2018 (March 1, 2018 – November 30, 2018)	First three quarters ended Nov. 2019 (March 1, 2019 – November 30, 2019)
Profit	49,197	414,407
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,523)	21,965
Total other comprehensive income	(10,523)	21,965
Comprehensive income	38,673	436,373
Comprehensive income attributable to owners of parent	32,908	435,012
Comprehensive income attributable to non-controlling interests	5,765	1,361

(3) Notes to quarterly consolidated 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 three quarters ended November 2018 (March 1, 2018 – November 30, 2018)

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

	Reporting segments				Other (Note 1)	Total	Adjustment	(Thousand yen)
	Clerical human resource services	Manufactur- ing human resource services	Sales human resource services	Total				Amount on the quarterly consolidated statements of income (Note 2)
Net sales (of which to outside customers)	11,231,934	2,308,843	83,371	13,624,149	198,002	13,822,152	-	13,822,152
(of which inter- segment)	777	-	-	777	-	777	(777)	-
Total	11,232,712	2,308,843	83,371	13,624,927	198,002	13,822,930	(777)	13,822,152
Segment income (loss)	15,049	40,796	(15,456)	40,389	1,100	41,489	-	41,489

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

2: The segment income (loss) matches operating profit in the consolidated income statement.

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 three quarters ended November 2019 (March 1, 2019 – November 30, 2019)

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

(Thousand yen)

	Reporting segments				Other (Note 1)	Total	Adjustment	Amount on the quarterly consolidated statements of income (Note 2)
	Clerical human resource services	Manufactur- ing human resource services	Sales human resource services	Total				
Net sales (of which to outside customers)	11,495,023	2,431,960	1,632,020	15,559,004	209,195	15,768,199		15,768,199
(of which inter- segment)	-	-	-	-	-	-	-	-
Total	11,495,023	2,431,960	1,632,020	15,559,004	209,195	15,768,199	-	15,768,199
Segment income (loss)	492,802	20,355	55,684	568,842	1,456	570,299	-	570,299

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

2: The segment income (loss) matches operating profit in the consolidated income statement.

2. Change in reportable segments

From 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 three quarters ended November 2018 is presented by revised categories.

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

Omitted because of lack of materiality