

Summary of Consolidated Financial Results For the First Quarter Ended May 31, 2021 [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): July 14, 2021
 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 March 2022 (March 1, 2021 – May 31, 2021)

(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 2021 | 7,709 | 19.8 | 739 | 40.5 | 754 | 43.7 | 503 | 38.1 |
| First quarter ended May 2020 | 6,436 | 27.6 | 526 | 196.5 | 525 | 197.8 | 364 | 197.6 |

Note: Comprehensive income: 1Q FY3/2022: 510 million yen (29.6%), 1Q FY2/2021: 394 million yen (239.8%)

| | Earnings per share | | Earnings per share fully diluted | |
|------------------------------|--------------------|--|----------------------------------|--|
| | Yen | | Yen | |
| First quarter ended May 2021 | 42.73 | | 42.54 | |
| First quarter ended May 2020 | 29.88 | | 29.74 | |

(2) Financial Position (Consolidated)

| | Total assets | | Net assets | | Equity ratio | |
|-------------------------|--------------|--|-------------|--|--------------|--|
| | Million yen | | Million yen | | % | |
| As of May 31, 2021 | 10,440 | | 5,777 | | 54.4 | |
| As of February 28, 2021 | 11,523 | | 5,483 | | 46.9 | |

Reference: Shareholders' equity

As of May 31, 2021: 5,677 million yen As of February 28, 2021: 5,405 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 2021 | - | 0.00 | - | 20.00 | 20.00 |
| Fiscal year ending March 2022 | - | | | | |
| Fiscal year ending March 2022 (est.) | | 0.00 | - | 20.00 | 20.00 |

Note: Change in the estimation of dividend from the latest announcement: None

3. Forecast for the fiscal year ending March 2022 (Consolidated, March 1, 2021 - March 31, 2022)

(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 | 15,150 | 8.5 | 1,100 | (15.5) | 1,115 | (16.8) | 785 | (16.0) | 66.56 |
| Full year | 39,000 | - | 2,830 | - | 2,840 | - | 2,080 | - | 176.37 |

Note 1. Change in the forecast from the latest announcement: None

2. No year-on-year comparisons for full year are shown because the fiscal year ending in March 2022 is a transitional 13-month fiscal period from March 1, 2021 to March 31, 2022.

* 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, 2021: 12,569,400 As of February 28, 2021: 12,569,400

(b) Treasury shares

As of May 31, 2021: 776,025 As of February 28, 2021: 776,225

(c) Average number of shares during the period

Period ended May 31, 2021: 11,793,248 Period ended May 31, 2020: 12,211,206

Note: The number of treasury shares at the end of the period includes shares held in a trust account of Custody Bank of Japan, Ltd. (trust account E) for the Careerlink Employee Stock Ownership Plan trust (J-ESOP). There were 47,200 shares in this trust account at the end of the first quarter of the current fiscal year and 47,400 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 during the period. There were 47,327 shares in this trust account in the first quarter of the current fiscal year and 48,285 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.

Index for Supplementary Information

| | |
|---|---|
| 1. Results of Operations | 4 |
| (1) Overview on business performance | 4 |
| (2) Overview of financial condition | 5 |
| (3) Forecast and other information about the outlook..... | 5 |
| 2. Quarterly Consolidated Financial Statements and Important Notes..... | 6 |
| (1) Quarterly consolidated balance sheet..... | 6 |
| (2) Quarterly consolidated statements of income and consolidated statements of comprehensive income | 7 |
| Quarterly consolidated statements of income | 7 |
| Quarterly consolidated statements of comprehensive income | 8 |
| (3) Notes to quarterly financial statement | 9 |
| (Notes to going concern assumptions)..... | 9 |
| (Significant change in shareholders' equity)..... | 9 |
| (Supplementary information)..... | 9 |
| (Segment information, etc.) | 9 |

1. Results of Operations

(1) Overview on business performance

The pace of the recovery of the Japanese economy was slow and the outlook for the economy remained uncertain in the first quarter of the current fiscal year. There was an improvement in the performance of some companies, including export related companies. However, repeated declarations of the state of emergency and other government measures to stop the spread of COVID-19 infections continue to hold down consumer spending as stores and restaurants reduce operating hours, attendance at various events is limited and other restrictions are imposed.

In other countries, economic activity is resuming in some regions, primarily Europe and the United States, due to progress with vaccinations. Despite these recoveries, the outlook for the global economy is still uncertain mainly because of concerns about another wave of infections in some countries and regions.

In the Japanese human resources industry, although there are signs of a slow recovery, the COVID-19 crisis is still having a big impact on economic activity due to states of emergency in January and April 2021 and other reasons. According to the Ministry of Health, Labour and Welfare, the jobs-to-applicants ratio remained low in May 2021 at 1.09, which was unchanged from April as the business climate remained challenging.

The Careerlink Group continued to use numerous initiatives in all categories with emphasis on business process outsourcing (BPO), mainly for outsourced projects that incorporate proposals for making improvements.

In the clerical human resource services business, the volume of new BPO orders and new general clerical services orders were higher than one year earlier. Orders from the public sector and large BPO companies were mainly responsible for these increases. In the manufacturing human resource services business, orders have been recovering, mainly in the manufacturing and processing category. In the sales human resource services business, market conditions remained difficult primarily due to restrictions on sales activities as stores and restaurants reduced operations in response to states of emergency and other actions involving the pandemic.

Although sales decreased in some business categories due to the pandemic, first quarter sales increased 1,272,831 thousand yen (+19.8%) from one year earlier to 7,709,398 thousand yen. This growth was the result of a larger volume of new orders in the clerical human resource services business and the steady recovery of orders in the manufacturing human resource services business.

Earnings were higher than one year earlier because of the increase in sales and an increase in gross profit resulting from new orders with high profit margins. Operating profit increased 213,147 thousand yen (+40.5%) to 739,155 thousand yen, ordinary profit increased 229,741 thousand yen (+43.7%) to 754,929 thousand yen, and profit attributable to owners of parent increased 139,109 thousand yen (+38.1%) to 503,971 thousand yen.

(Clerical human resource services)

BPO performance benefited from a large volume of new orders from the public sector and large BPO companies. CRM orders are recovering but are still below the pre-pandemic level. The performance of office services was supported by a large volume of public-sector orders and consistently strong temporary staffing orders from financial institutions. However, there has not been a recovery in orders from some customers. As a result, segment sales increased 1,103,976 thousand yen (+20.8%) to 6,406,621 thousand yen. Operating profit increased 190,104 thousand yen (+37.1%) to 701,891 thousand yen because of sales growth and an increase in the gross profit resulting primarily from new orders with high profit margin.

(a) Business Process Outsourcing

Sales increased 865,147 thousand yen (+26.0%) to 4,187,741 thousand yen because of a large volume of new BPO orders, mainly from the public sector and large BPO companies.

(b) Customer Relationship Management

This category has not recovered to the pre-pandemic level because of repeated declarations of a state of emergency and other events involving COVID-19. However, activities to capture new orders resulted in a 38,063 thousand yen (+4.3%) increase in sales to 924,512 thousand yen.

(c) Office Services

Sales increased along with the large volume of orders from the public sector and consistently strong temporary staffing orders from financial institutions. However, the volume of orders from some customers has not recovered. The result was a 200,765 thousand yen increase (+18.4%) in sales to 1,294,367 thousand yen.

(Manufacturing human resource services)

Orders in the food processing category have not recovered to the pre-pandemic level because of repeated declarations of a state of emergency and other effects of the pandemic. Manufacturing and processing orders have been recovering steadily. As a result, sales increased 180,446 thousand yen (+24.5%) to 916,730 thousand yen. Operating profit increased 20,829 thousand yen from 1,561 thousand yen to 22,391 thousand yen because of the growth in sales.

(Sales human resource services)

The business climate was challenging because the states of emergency and other effects of the pandemic reduced the operations of restaurants and stores, which are the primary source of business for these services. As a result, sales activities in this business were restricted too, resulting in a 21,100 thousand yen decrease (-6.4%) in sales to 310,858 thousand yen. Operating profit, however, increased 1,656 thousand yen (+30.2%) to 7,134 thousand yen mainly because of measures to lower selling, general and administrative expenses.

(Other services)

This business is the automobile management business of Tokyo Jidosha Kanri, a subsidiary of Japan Business Service. Sales increased 9,508 thousand yen (+14.5%) to 75,188 thousand yen and operating profit increased 556 thousand yen (+7.7%) to 7,737 thousand yen because of higher sales.

(2) Overview of financial condition

(Assets)

Total assets were 10,440,171 thousand yen at the end of the first quarter, 1,083,679 thousand yen less than at the end of the previous fiscal year. Major changes were a 56,406 thousand yen increase in inventories and decreases of 634,358 thousand yen in cash and deposits, 273,957 thousand yen in notes and accounts receivable-trade and 177,482 thousand yen in investments and other assets.

(Liabilities)

Liabilities decreased 1,378,091 thousand yen to 4,662,676 thousand yen at the end of the first quarter. Major changes were an increase of 140,806 thousand yen in long-term borrowings (including the current portion) and decreases of 626,944 thousand yen in accounts payable-other, 445,847 thousand yen in income taxes payable, 290,378 thousand yen in other current liabilities, which includes accrued expenses and accrued consumption taxes, and 103,677 thousand yen in the provision for bonuses.

(Net assets)

Net assets increased 294,412 thousand yen to 5,777,495 thousand yen at the end of the first quarter. Retained earnings increased 267,160 thousand yen (the difference between profit attributable to owners of parent of 503,971 thousand yen and dividend payments of 236,811 thousand yen) and share acquisition rights increased 20,300 thousand yen.

(3) Forecast and other information about the outlook

There are no revisions to the forecast announced on April 14, 2021 for the fiscal year ending in March 2022.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Thousand yen)

| | Fiscal year ended February 2021 (As of February 28, 2021) | First quarter ended May 2021 (As of May 31, 2021) |
|---|--|--|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 6,435,394 | 5,801,035 |
| Notes and accounts receivable - trade | 3,354,766 | 3,080,808 |
| Inventories | 392,139 | 448,545 |
| Income taxes receivable | 221 | 240 |
| Other | 351,828 | 272,221 |
| Allowance for doubtful accounts | (1,199) | (745) |
| Total current assets | 10,533,149 | 9,602,106 |
| Non-current assets | | |
| Property, plant and equipment | 110,025 | 139,044 |
| Intangible assets | 78,143 | 73,971 |
| Investments and other assets | 802,532 | 625,050 |
| Total non-current assets | 990,701 | 838,065 |
| Total Assets | 11,523,851 | 10,440,171 |
| LIABILITIES | | |
| Current liabilities | | |
| Short-term borrowings | 74,000 | 20,000 |
| Current portion of bonds payable | 50,000 | 40,000 |
| Current portion of long-term borrowings | 228,447 | 260,114 |
| Accounts payable - other | 2,332,414 | 1,705,470 |
| Income taxes payable | 679,642 | 233,795 |
| Provision for bonuses | 141,044 | 37,367 |
| Other | 1,924,115 | 1,633,737 |
| Total current liabilities | 5,429,665 | 3,930,484 |
| Non-current liabilities | | |
| Bonds payable | 90,000 | 80,000 |
| Long-term borrowings | 419,987 | 529,126 |
| Provision for share-based remuneration | 16,326 | 16,064 |
| Retirement benefit liability | 4,552 | 4,010 |
| Asset retirement obligations | 52,183 | 74,023 |
| Other | 28,052 | 28,966 |
| Total non-current liabilities | 611,102 | 732,192 |
| Total liabilities | 6,040,768 | 4,662,676 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Share capital | 392,204 | 392,204 |
| Capital surplus | 232,633 | 232,633 |
| Retained earnings | 5,261,044 | 5,528,204 |
| Treasury shares | (479,035) | (478,884) |
| Total shareholders' equity | 5,406,846 | 5,674,158 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,296) | 3,713 |
| Total accumulated other comprehensive income | (1,296) | 3,713 |
| Share acquisition rights | 24,745 | 45,045 |
| Non-controlling interests | 52,787 | 54,579 |
| Total net assets | 5,483,082 | 5,777,495 |
| Total liabilities and net assets | 11,523,851 | 10,440,171 |

(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 2020 (March 1, 2020 – May 31, 2020) | First quarter ended May 2021 (March 1, 2021 – May 31, 2021) |
|--|--|--|
| Net sales | 6,436,567 | 7,709,398 |
| Cost of sales | 5,025,380 | 5,854,783 |
| Gross profit | 1,411,186 | 1,854,615 |
| Selling, general and administrative expenses | 885,178 | 1,115,459 |
| Operating profit | 526,008 | 739,155 |
| Non-operating income | | |
| Interest income | 61 | 4 |
| Insurance claim income | 170 | - |
| Subsidy income | - | 16,836 |
| Gain on sales of non-current assets | 318 | - |
| Other | 171 | 120 |
| Total non-operating income | 721 | 16,962 |
| Non-operating expenses | | |
| Interest expenses | 1,044 | 1,061 |
| Other | 497 | 127 |
| Total non-operating expenses | 1,542 | 1,188 |
| Ordinary profit | 525,188 | 754,929 |
| Profit before income taxes | 525,188 | 754,929 |
| Income taxes-current | 171,909 | 229,990 |
| Income taxes-deferred | (11,647) | 19,176 |
| Total income taxes | 160,261 | 249,166 |
| Profit | 364,926 | 505,763 |
| Profit attributable to non-controlling interests | 63 | 1,791 |
| Profit attributable to owners of parent | 364,862 | 503,971 |

Quarterly consolidated statements of comprehensive income
For the first quarter

(Thousand yen)

| | First quarter ended May 2020 (March 1, 2020 – May 31, 2020) | First quarter ended May 2021 (March 1, 2021 – May 31, 2021) |
|--|--|--|
| Profit | 364,926 | 505,763 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 29,232 | 5,010 |
| Total other comprehensive income | 29,232 | 5,010 |
| Comprehensive income | 394,158 | 510,773 |
| Comprehensive income attributable to owners of parent | 394,094 | 508,981 |
| Comprehensive income attributable to non-controlling interests | 63 | 1,791 |

(3) Notes to quarterly financial statement

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Supplementary information)

(Accounting estimates for the impact of the COVID-19 pandemic)

There are no material changes in the assumptions to factor in the impact of the COVID-19 pandemic noted in the Supplementary Information section (Accounting estimates for the impact of the COVID-19 pandemic) of Securities Report for the previous consolidated fiscal year.

(Segment information, etc.)

[Segment information]

I. 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

II For the first quarter ended May 2021 (March 1, 2021 – May 31, 2021)

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) | 6,406,621 - | 916,730 - | 310,858 - | 7,634,210 - | 75,188 - | 7,709,398 - |
| Total | 6,406,621 | 916,730 | 310,858 | 7,634,210 | 75,188 | 7,709,398 |
| Segment income | 701,891 | 22,391 | 7,134 | 731,417 | 7,737 | 739,155 |

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