

Summary of Consolidated Financial Results For the First Half Ended August 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): October 13, 2021
 Date of commencement of dividend payment (tentative): -
 Quarterly earnings supplementary explanatory documents: Yes
 Quarterly earnings presentation: Yes (for institutional investors and analysts)

(Yen in millions, rounded down)

1. Financial results for the first half of the fiscal year ending March 2022 (March 1, 2021 – August 31, 2021)

(1) Results 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 half ended August 2021	16,239	16.3	1,406	8.1	1,421	6.1	956	2.4
First half ended August 2020	13,962	34.4	1,301	274.6	1,339	286.5	934	268.5

Note: Comprehensive income: 1H FY3/2022: 964 million yen (2.8%) 1H FY2/2021: 938 million yen (262.7%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended August 2021	81.03		80.67	
First half ended August 2020	77.31		76.94	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of August 31, 2021	11,981		6,231		51.2	
As of February 28, 2021	11,523		5,483		46.9	

Reference: Shareholders' equity

As of August 31, 2021: 6,140 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	-	0.00	-	-	-
Fiscal year ending March 2022 (est.)	-	-	-	20.00	20.00

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

3. Forecast for the fiscal year ending March 2022 (Consolidated, March 1, 2021 to 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
Full year	39,000	-	2,830	-	2,840	-	2,080	-	176.21

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

2. Year on year changes for full year are not presented because FY 3/22 will be a 13-month period due to the change of the fiscal year end (from end of February to end of March).

* Notes

(1) Changes in significant subsidiaries during the period: 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 August 31, 2021: 12,583,400 As of February 28, 2021: 12,569,400

(b) Treasury shares

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

(c) Average number of shares (first half)

Period ended August 31, 2021: 11,800,311 Period ended August 31, 2020: 12,084,344

Note: The number of treasury shares at the end of the period includes stock 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 half 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 stock that is excluded from the average number of shares during the period. There were 47,264 shares in this trust account in the first half of the current fiscal year and 48,090 shares in the first half 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

(Notes to the forward-looking statements, and others)

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.

(To receive supplementary explanatory documents about first half results of operations)

Supplementary explanatory documents about results of operations will be posted promptly on the company's website after the quarterly earnings presentation.

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1. Results of Operations

(1) Overview of business performance

Positive signs began to emerge during the first half of the current fiscal year about the economic outlook in Japan due partly to stronger performances of companies with substantial exports as overseas economies recovered, and progress with COVID-19 vaccinations. But there is still uncertainty about the Japanese economy because of continuing restrictions on economic and social activity due to repeated declarations of a state of emergency and measures to prevent infections mainly because of the spread of delta variant.

In the global economy, where some countries and regions are performing better than others, economic activity is recovering mainly in Europe and the United States as restrictions on activities are eased along with the decline in the rate of serious COVID-19 cases due to high vaccination rates. But the highly infectious variants are creating renewed worries about another wave of COVID-19. As a result, the economic outlook is uncertain because of expectations for a combination of upturns in economic activity along with measures to contain the pandemic.

In the Japanese human resources industry, although there has been a slow recovery in the business climate, the pandemic is still severely impacting economic activity. For example, states of emergency were declared again in July 2021 in the Tokyo area and Osaka. According to the Ministry of Health, Labour and Welfare, the jobs-to-applicants ratio improved in August 2021 but is still low at 1.14. As a result, market conditions remain 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 from the public sector, large BPO companies and other sources were higher than one year earlier and there were new orders for office services projects. In addition, the volume of orders for customer relationship management (CRM) projects is slowly recovering. In the manufacturing human resource services business, orders are recovering mainly at manufacturing and processing companies. In the sales human resource services business, repeated declarations of a state of emergency forced companies in the restaurant, retail and other sectors reduce operations, resulting in a decline in the level of business activities. The activities of this business were also restricted due to this situation as the difficult business climate continued.

Although the pandemic reduced sales in the sales human resource services business, new orders in the clerical human resource services business were higher than one year earlier and there was a recovery in orders in the manufacturing human resource services business. As a result, first half sales increased 2,276,374 thousand yen (+16.3%) to 16,239,148 thousand yen.

The gross profit increased along with sales growth but there were increases in expenses for recruiting temporary placement personnel due to the growth in sales and higher expenses for recruiting key personnel for upcoming business activities and for digital transformation (DX) initiatives. Operating profit increased 105,369 thousand yen (+8.1%) to 1,406,920 thousand yen, ordinary profit increased 82,055 thousand yen (+6.1%) to 1,421,778 thousand yen, and profit attributable to owners of parent increased 21,989 thousand yen (+2.4%) to 956,204 thousand yen.

(Clerical human resource services business)

In the BPO category, the volume of new orders from the public sector, large BPO companies and other sources remained strong. In the CRM category, the volume of orders is recovering and was higher than one year earlier but is still below the level of orders before the pandemic. In the office services category, although orders from some customers have not recovered to the pre-pandemic level, there was a large volume of new orders from the public sector and demand at financial institutions for temporary staffing remained strong. As a result, segment sales increased 2,035,794 thousand yen (+17.5%) to 13,695,147 thousand yen. Operating profit increased 109,076 thousand yen (+8.8%) to 1,352,976 thousand yen. The gross profit increased along with sales growth but there were increases in expenses for recruiting temporary placement personnel due to the growth in sales and higher expenses for recruiting key personnel for upcoming business activities and for digital transformation (DX) initiatives.

(a) Business Process Outsourcing

Activities to capture orders from new customers resulted in a large volume of new BPO orders from the public sector, large BPO companies and other sources. Sales increased 1,700,486 thousand yen (+23.0%) to 9,105,935 thousand yen.

(b) Customer Relationship Management

Activities to add new customers and increase the share of business at current customers produced an upturn in sales, although the recovery did not return sales to the level prior to the pandemic. Sales increased 90,171 thousand yen (+5.0%) to 1,876,191 thousand yen.

(c) Office Services

Although orders from some customers have not recovered to the pre-pandemic level, there was a large volume of new orders from the public sector and demand at financial institutions for temporary staffing remained firm. Sales increased 245,137 thousand yen (+9.9%) to 2,713,021 thousand yen.

(Manufacturing human resource services business)

In the manufacturing and processing sector, the volume of orders was higher than one year earlier at almost all customers and sales were higher than before the pandemic started. In the food processing sector, the volume of orders has recovered to the pre-pandemic level, although orders from some customers are still lower. Segment sales increased 368,480 thousand yen (+24.7%) to 1,858,616 thousand yen and, mainly due to sales growth, operating profit increased 42,865 thousand yen (+513.2%) to 51,217 thousand yen.

(Sales human resource services business)

Restaurants, retails and other businesses that are the main source of orders in this category were forced to reduce operations again because of another state of emergency starting in July 2021 in the Tokyo area and Osaka. The activities of this business sector were also restricted as the difficult market conditions continued. Segment sales decreased 139,856 thousand yen (-20.6%) to 538,019 thousand yen. Operating profit decreased 46,400 thousand yen from 38,131 thousand yen in one year earlier to a loss of 8,269 thousand yen despite cost-cutting and other measures in response to the downturn in sales.

(Other services business)

This business is the automobile management business of Tokyo Jidosha Kanri, a subsidiary of Japan Business Service. Sales increased 11,955 thousand yen (+8.8%) to 147,365 thousand yen. Operating profit decreased 171 thousand yen (-1.5%) to 10,995 thousand yen mainly because of higher personnel expenses caused by an increase in the number of drivers.

(2) Overview of financial condition

(a) Assets, liabilities and net assets

(Assets)

Total assets were 11,981,648 thousand yen at the end of the first half, 457,797 thousand yen more than at the end of the previous fiscal year. Major changes were a 1,621,715 thousand yen decrease in cash and deposits and increases of 1,151,660 thousand yen in notes and accounts receivable - trade and 1,022,386 thousand yen in inventories.

(Liabilities)

Total liabilities were 5,750,170 thousand yen at the end of the first half, 290,597 thousand yen less than at the end of the previous fiscal year. Major changes were an increase of 71,612 thousand yen in long-term borrowings (including the current portion) and decreases of 203,486 thousand yen in income taxes payable, 108,495 thousand yen in other current liabilities, which includes advances received and accrued consumption taxes, and 50,678 thousand yen in accounts payable - other.

(Net assets)

Net assets were 6,231,478 thousand yen at the end of the first half, 748,395 thousand yen more than at the end of the previous fiscal year. Major changes were increases of 719,392 thousand yen in retained earnings (the difference between profit attributable to owners of parent of 956,204 thousand yen and dividend paid of 236,811 thousand yen) and 9,520 thousand yen in share acquisition rights.

(b) Cash flows

Cash and cash equivalents totaled 4,813,678 thousand yen at the end of the first half, 1,621,715 thousand yen less than at the end of the previous fiscal year. The following is a summary of cash flows and contributing factors.

(Operating activities)

Net cash used in operating activities was 1,396,442 thousand yen compared to a positive cash flow of 50,119 thousand yen in the same period one year earlier. The major sources of cash were profit before income taxes of 1,421,778 thousand yen, increase in advances received of 920,898 thousand yen, and depreciation of 55,442 thousand yen. Major uses of cash were 1,135,155 thousand yen increase in trade receivables, 1,022,386 thousand yen increase in inventories, 816,120 thousand yen decrease in accrued consumption taxes, and income taxes paid of 647,507 thousand yen.

(Investing activities)

Net cash used in investing activities was 50,466 thousand yen compared to a positive cash flow of 88,598 thousand yen in the same period one year earlier. There were proceeds of 166,350 thousand yen from refund of leasehold and guarantee deposits and payments of 175,090 thousand yen for the purchase of property, plant and equipment and intangible assets, and 40,551 thousand yen for leasehold and guarantee deposits.

(Financing activities)

Net cash used in financing activities was 174,806 thousand yen compared to a positive cash flow of 11,184 thousand yen in the same period one year earlier. There were proceeds of 200,000 thousand yen from long-term borrowings and 20,300 thousand yen from issuance of share acquisition rights, and payments of 236,675 thousand yen for dividends paid, 128,388 thousand yen for repayment of long-term borrowings, and 30,000 thousand yen for redemption of bonds.

(3) Forecast for the current fiscal year

There are no revisions to the forecast announced in the Consolidated Forecast for the Fiscal year ending in March 2022 announced on October 8, 2021.

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 half ended August 2021 (As of August 31, 2021)
ASSETS		
Current assets		
Cash and deposits	6,435,394	4,813,678
Notes and accounts receivable - trade	3,354,766	4,506,426
Inventories	392,139	1,414,525
Income taxes receivable	221	-
Other	351,828	304,361
Allowance for doubtful accounts	(1,199)	(1,161)
Total current assets	10,533,149	11,037,831
Non-current assets		
Property, plant and equipment	110,025	205,699
Intangible assets	78,143	79,054
Investments and other assets	802,532	659,063
Total non-current assets	990,701	943,817
Total Assets	11,523,851	11,981,648
LIABILITIES		
Current liabilities		
Short-term borrowings	74,000	74,000
Current portion of bonds payable	50,000	40,000
Current portion of long-term borrowings	228,447	251,781
Accounts payable - other	2,332,414	2,281,736
Income taxes payable	679,642	476,156
Provision for bonuses	141,044	141,145
Other	1,924,115	1,815,620
Total current liabilities	5,429,665	5,080,439
Non-current liabilities		
Bonds payable	90,000	70,000
Long-term borrowings	419,987	468,265
Provision for share awards	16,326	17,887
Retirement benefit liability	4,552	4,295
Asset retirement obligations	52,183	79,810
Other	28,052	29,472
Total non-current liabilities	611,102	669,730
Total liabilities	6,040,768	5,750,170
NET ASSETS		
Shareholders' equity		
Share capital	392,204	397,601
Capital surplus	232,633	238,029
Retained earnings	5,261,044	5,980,437
Treasury shares	(479,035)	(478,884)
Total shareholders' equity	5,406,846	6,137,183
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,296)	3,189
Total accumulated other comprehensive income	(1,296)	3,189
Share acquisition rights	24,745	34,265
Non-controlling interests	52,787	56,839
Total net assets	5,483,082	6,231,478
Total liabilities and net assets	11,523,851	11,981,648

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

(Thousand yen)

	First half ended August 2020 (March 1, 2020 – August 31, 2020)	First half ended August 2021 (March 1, 2021 – August 31, 2021)
Net sales	13,962,774	16,239,148
Cost of sales	10,938,511	12,663,731
Gross profit	3,024,263	3,575,417
Selling, general and administrative expenses	1,722,711	2,168,496
Operating profit	1,301,551	1,406,920
Non-operating income		
Interest income	408	205
Dividend income	1,528	532
Subsidy income	1,161	18,345
Gain on sales of investment securities	30,140	-
Other	8,426	341
Total non-operating income	41,665	19,425
Non-operating expenses		
Interest expenses	2,377	2,141
Commission expenses	750	-
Miscellaneous losses	-	2,179
Other	364	245
Total non-operating expenses	3,492	4,566
Ordinary profit	1,339,723	1,421,778
Profit before income taxes	1,339,723	1,421,778
Income taxes-current	406,775	442,120
Income taxes-deferred	(1,924)	19,402
Total income taxes	404,851	461,522
Profit	934,871	960,256
Profit attributable to non-controlling interests	656	4,051
Profit attributable to owners of parent	934,214	956,204

Quarterly consolidated statements of comprehensive income
For the first half

(Thousand yen)

	First half ended August 2020 (March 1, 2020 – August 31, 2020)	First half ended August 2021 (March 1, 2021 – August 31, 2021)
Profit	934,871	960,256
Other comprehensive income		
Valuation difference on available-for-sale securities	4,025	4,485
Total other comprehensive income	4,025	4,485
Comprehensive income	938,897	964,741
Comprehensive income attributable to owners of parent	938,240	960,690
Comprehensive income attributable to non-controlling interests	656	4,051

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

	First half ended August 2020 (March 1, 2020 – August 31, 2020)	First half ended August 2021 (March 1, 2021 – August 31, 2021)
Cash flows from operating activities		
Profit before income taxes	1,339,723	1,421,778
Depreciation	34,170	55,442
Increase (decrease) in allowance for doubtful accounts	270	(38)
Increase (decrease) in provision for bonuses	20,181	100
Increase (decrease) in retirement benefit liability	(7,463)	(257)
Increase (decrease) in provision for share awards	1,284	1,560
Interest and dividend income	(1,937)	(738)
Interest expenses	2,377	2,141
Loss (gain) on sales of investment securities	(30,140)	-
Decrease (increase) in trade receivables	(853,536)	(1,135,155)
Decrease (increase) in inventories	(541,639)	(1,022,386)
Increase (decrease) in advances received	48,296	920,898
Increase (decrease) in accounts payable - other	270,496	(276)
Increase (decrease) in accrued expenses	77,180	(219,671)
Increase (decrease) in accrued consumption taxes	77,687	(816,120)
Other, net	(202,909)	44,956
Subtotal	234,044	(747,764)
Interest and dividends received	1,937	738
Interest paid	(2,692)	(2,130)
Income taxes paid	(197,268)	(647,507)
Income taxes refund	14,099	221
Net cash provided by (used in) operating activities	50,119	(1,396,442)
Cash flows from investing activities		
Purchase of investment securities	(1,718)	(1,340)
Proceeds from sales of investment securities	101,428	-
Purchase of property, plant and equipment	(15,772)	(117,876)
Purchase of intangible assets	(2,213)	(57,214)
Proceeds from collection of loans receivable from employees	-	165
Payments of leasehold and guarantee deposits	(16,595)	(40,551)
Proceeds from refund of leasehold and guarantee deposits	758	166,350
Other, net	22,710	-
Net cash provided by (used in) investing activities	88,598	(50,466)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	20,000	-
Proceeds from long-term borrowings	600,000	200,000
Repayments of long-term borrowings	(151,662)	(128,388)
Redemption of bonds	(35,000)	(30,000)
Purchase of treasury shares	(298,994)	-
Proceeds from disposal of treasury shares	-	151
Dividends paid	(122,876)	(236,675)
Proceeds from issuance of share acquisition rights	-	20,300
Other, net	(282)	(193)
Net cash provided by (used in) financing activities	11,184	(174,806)
Net increase (decrease) in cash and cash equivalents	149,902	(1,621,715)
Cash and cash equivalents at beginning of period	3,916,730	6,435,394
Cash and cash equivalents at end of period	4,066,632	4,813,678

(4) Notes to quarterly consolidated 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 half ended August 2020 (March 1, 2020 – August 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 resources services	Manufacuri ng human resource services	Sales human resource services	Total		
Net sales						
(of which to outside customers)	11,659,353	1,490,135	677,876	13,827,365	135,409	13,962,774
(of which inter-segment)	-	-	-	-	-	-
Total	11,659,353	1,490,135	677,876	13,827,365	135,409	13,962,774
Segment income	1,243,900	8,351	38,131	1,290,383	11,167	1,301,551

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 statement of income.

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

None

II For the first half ended August 2021 (March 1, 2021 – August 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 resources services	Manufacuri ng human resource services	Sales human resource services	Total		
Net sales						
(of which to outside customers)	13,695,147	1,858,616	538,019	16,091,783	147,365	16,239,148
(of which inter-segment)	-	-	-	-	-	-
Total	13,695,147	1,858,616	538,019	16,091,783	147,365	16,239,148
Segment income	1,352,976	51,217	(8,269)	1,395,924	10,995	1,406,920

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 statement of income.

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

None