

Summary of Consolidated Financial Results For the First Half Ended August 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 & Representative Director / President & Executive Officer
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 Date of quarterly securities report (tentative): October 12, 2020
 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 February 2021 (March 1, 2020 – August 31, 2020)

(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 2020	13,962	34.4	1,301	274.6	1,339	286.5	934	268.5
First half ended August 2019	10,386	13.7	347	-	346	471.3	253	-

Note: Comprehensive income: 1H FY2/2021: 938 million yen (262.7%) 1H FY2/2020: 258 million yen (-%)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended August 2020	77.31		76.94	
First half ended August 2019	20.69		20.66	

Note: Prior-year comparisons are not shown (-) for operating profit, profit attributable to owners of parent and comprehensive income in the first half 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 August 31, 2020	9,240		4,406		46.9	
As of February 29, 2020	7,480		3,840		50.3	

Reference: Shareholders' equity

As of August 31, 2020: 4,333 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	Yen	Yen	Yen	Yen
Fiscal year ended February 2020	-	0.00	-	10.00	10.00
Fiscal year ending February 2021	-	0.00	-	10.00	10.00
Fiscal year ending February 2021 (est.)	-	-	-	10.00	10.00

Note: Change in the estimation of dividends 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
Full year	26,980	27.8	1,795	159.3	1,830	165.1	1,275	142.1	107.09

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

2. 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 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, 2020: 12,569,400 As of February 29, 2020: 12,555,800

(b) Treasury shares

As of August 31, 2020: 718,625 As of February 29, 2020: 299,855

(c) Average number of shares (first half)

Period ended August 31, 2020: 12,084,344 Period ended August 31, 2019: 12,251,188

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 48,000 shares in this trust account at the end of the first half 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 stock that is excluded from the average number of shares during the period. There were 48,090 shares in this trust account in the first half of the current fiscal year and 53,057 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

In the first half of the current fiscal year, economic activity in Japan slowly resumed following the end in late May of the nationwide state of emergency due to COVID-19. However, the outlook for the Japanese economy remains unclear. Economies of other countries have benefited from the gradual lifting of lockdowns of major cities. But the global outlook is also uncertain because of the slow recovery of consumer spending and other economic activity due to the resurgence of COVID-19 infections in some European cities and other reasons.

In the Japanese human resources industry, signs of a recovery slowly began to appear in the middle of May but the COVID-19 crisis is still having a severe impact on economic activity. The jobs-to-applicants ratio continues to decline. According to the Ministry of Health, Labour and Welfare, this ratio was 1.04 in August 2020. As a result, the business climate for the human resources industry remains difficult because of weak demand in the hospitality, restaurant, service, ICT and many other business sectors.

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.

During the first half of the current fiscal year, manufacturing human resource services business, mainly in the manufacturing and processing category, saw decreased orders and there were adjustments to working hours for the temporary placement workforce because of COVID-19. In the sales human resource services business, sales decreased mainly because companies mostly stopped salespeople from visiting their clients under the state of emergency. While the volume of existing projects declined, there were new orders for large BPO projects, one-time projects and other services with activities to capture new orders, primarily in the core BPO sector.

Consequently, despite the negative effects of the COVID-19 crisis, first half sales increased 3,575,993 thousand yen (+34.4%) to 13,962,774 thousand yen. This was mainly attributable to the recognition in March 2020 of sales of a large BPO project that started in April 2019 and finished in March 2020, the receipt of new one-time project orders in the first quarter from a current BPO customer, the receipt in the second quarter of large BPO orders from BPO companies and the public sector, and the receipt of a larger than expected volume of orders in the office services segment.

Earnings were much higher than one year earlier because of sales growth and the receipt of new orders with high profit margins. The growth in earnings was also the result of cost reduction measures, including the efficient recruiting of people required for these new projects and other assignments. In addition, earnings benefited from the postponement due to COVID-19 to the third quarter or afterward of expenditures for the recruitment of key personnel, which was initially planned for the second quarter, and for building a framework for higher efficiency, chiefly by upgrading knowledge management tools and making more progress with the digital transformation. Operating profit increased 954,104 thousand yen (+274.6%) to 1,301,551 thousand yen, ordinary profit increased 993,069 thousand yen (+286.5%) to 1,339,723 thousand yen, which includes a 30,140 thousand yen gain on sales of investment securities, and profit attributable to owners of parent increased 680,700 thousand yen (+268.5%) to 934,214 thousand yen.

(Clerical human resource services business)

BPO segment sales increased significantly mainly because of the recognition in March 2020 of sales of a large BPO project that started in April 2019 and finished in March 2020 and the receipt of large orders and new one-time project orders from BPO companies and the public sector. In the customer relationship management segment, orders were down because of COVID-19 but new orders have been recovering slowly after the end of the state of emergency. In the office services segment, although COVID-19 negatively affected orders from public-sector and companies other than financial institutions, there was a larger than expected volume of new orders after the state of emergency ended. As a result, sales increased 4,187,294 thousand yen (+56.0%) to 11,659,353 thousand yen. Earnings increased significantly for a number of reasons. The gross profit margin increased because of cost cutting measures, including the efficient recruiting of the temporary placement personnel, and steps to lower selling, general and administrative expenses. Expenses were also held down by the postponement due to COVID-19 to the third quarter and afterward of expenditures for hiring people for key positions and for building an operating framework for higher efficiency, mainly by making more progress with the digital transformation. The result was a 944,951 thousand yen (+316.1%) increase in operating profit to 1,243,900 thousand yen.

(a) Business Process Outsourcing segment

Sales increased 3,549,709 thousand yen (+92.1%) to 7,405,449 thousand yen. The main reasons are the recognition in March 2020 of sales of a large BPO project that started in April 2019 and finished in March 2020 and the receipt of large orders and new one-time project orders from BPO companies and the public sector.

(b) Customer Relationship Management segment

Sales decreased 46,427 thousand yen (-2.5%) to 1,786,019 thousand yen primarily because of adjustments to working hours in order to prevent the spread of COVID-19. The volume of orders started to recover following the end of Japan's state of emergency, although the pace of the recovery is stronger at some customers than at others.

(c) Office Services segment

Sales increased 684,012 thousand yen (+38.3%) to 2,467,883 thousand yen. Decrease in new orders from the public sector and companies other than financial institutions because of COVID-19 and working days adjustment of temporary placement personnel at ongoing projects to prevent the spread of infections were offset by a larger than expected volume of new orders after the end of the state of emergency which contributed to sales growth.

(Manufacturing human resource services business)

Sales decreased 129,244 thousand yen (-8.0%) to 1,490,135 thousand yen as the COVID-19 crisis continued to hold down orders, mainly in the manufacturing and processing category, even after the end of the state of emergency. Adjustments to working hours of the temporary placement workforce also impacted sales. However, operating profit was up 3,312 thousand yen (+65.7%) to 8,351 thousand yen mainly because of measures to lower selling, general and administrative expenses in response to the challenging business climate.

(Sales human resource services business)

Sales decreased 477,505 thousand yen (-41.3%) to 677,876 thousand yen because of the suspension during the state of emergency of sales activities that involve visiting retail stores, restaurants and other businesses. Furthermore, the recovery in sales activities has been slow even after the state of emergency ended due to the continuation of the COVID-19 crisis. Although there were activities to reduce selling, general and administrative expenses, a decline in the gross profit resulting from lower sales caused operating profit to decrease 5,985 thousand yen (-13.6%) to 38,131 thousand yen.

(Other services business)

This segment is the automobile management business of Tokyo Jidosha Kanri, a subsidiary of Japan Business Service. Sales decreased 4,551 thousand yen (-3.3%) to 135,409 thousand yen and the operating profit was 11,167 thousand yen, an improvement of 11,825 thousand yen from the 658 thousand yen loss in the first half of the previous fiscal year.

(2) Overview of financial condition

(a) Assets, liabilities and net assets

(Assets)

Total assets were 9,240,873 thousand yen at the end of the first half of the current fiscal year, 1,760,328 thousand yen more than at the end of the previous fiscal year. Major changes were increases of 853,536 thousand yen in notes and accounts receivable-trade, 541,639 thousand yen in inventories, 311,543 thousand yen in other current assets, which includes prepaid expenses and advances paid, and 49,902 thousand yen in cash and deposits.

(Liabilities)

Liabilities increased 1,194,470 thousand yen to 4,834,849 thousand yen at the end of the first half. Major changes were decreases of 35,000 thousand yen in bonds payable (including the current portion) and 22,603 thousand yen in other noncurrent liabilities, which includes long-term accounts payable, and increases of 448,338 thousand yen in long-term borrowings (including the current portion), 284,067 thousand yen in accounts payable-other, 262,901 thousand yen in other current liabilities, which includes accrued expenses and accrued consumption taxes, 222,639 thousand yen in income taxes payable, and 20,181 thousand yen in provision for bonuses.

(Net assets)

Net assets increased 565,857 thousand yen to 4,406,024 thousand yen at the end of the first half. The treasury shares deduction increased 250,011 thousand yen and there was an 811,172 thousand yen increase in retained earnings (the difference between the profit attributable to owners of parent of 934,214 thousand yen and dividend payments of 123,042 thousand yen).

(b) Cash flows

Cash and cash equivalents totaled 4,066,632 thousand yen at the end of the first half, 149,902 thousand yen more than at the end of the previous fiscal year. The following is a summary of cash flows.

(Operating activities)

Net cash provided by operating activities was 50,119 thousand yen compared with 713,616 thousand yen one year earlier. The major sources of cash were profit before income taxes of 1,339,723 thousand yen, 270,496 thousand yen increase in accounts payable-other and depreciation of 34,170 thousand yen. Major uses of cash were 853,536 thousand yen increase in trade receivables, 541,639 thousand yen increase in inventories and income taxes paid of 197,268 thousand yen.

(Investing activities)

Net cash provided by investing activities was 88,598 thousand yen compared with a negative cash flow of 12,116 thousand yen one year earlier. There were payments of 17,986 thousand yen for the purchase of property, plant and equipment and intangible assets and 16,595 thousand yen for payments of leasehold and guarantee deposits and proceeds of 101,428 thousand yen from sales of investment securities and 22,710 thousand yen from other investment activities.

(Financing activities)

Net cash provided by financing activities was 11,184 thousand yen compared with a negative cash flow of 208,191 thousand yen one year earlier. There were payments of 298,994 thousand yen for the purchase of treasury shares, 151,662 thousand yen for the repayment of long-term borrowings, 122,876 thousand yen for dividends paid and 35,000 thousand yen for the redemption of bonds and proceeds of 600,000 thousand yen from long-term borrowings and 20,000 thousand yen from a net increase in short-term borrowings.

(3) Forecast for the current fiscal year

The forecast for the fiscal year ending in February 2021 is on the first page of this summary of consolidated financial results and in the September 25, 2020 press release titled "Notice of Forecast Revision."

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 half ended August 2020 (As of August 31, 2020)
ASSETS		
Current assets		
Cash and deposits	3,916,730	3,966,632
Notes and accounts receivable - trade	2,358,451	3,211,987
Securities	-	100,000
Inventories	248,052	789,691
Income taxes receivable	11,487	159
Other	134,627	446,170
Allowance for doubtful accounts	(841)	(1,112)
Total current assets	6,668,507	8,513,529
Non-current assets		
Property, plant and equipment	58,210	62,526
Intangible assets	55,136	48,087
Investments and other assets	698,690	616,730
Total non-current assets	812,037	727,344
Total Assets	7,480,545	9,240,873
LIABILITIES		
Current liabilities		
Short-term borrowings	54,000	74,000
Current portion of bonds payable	65,000	60,000
Current portion of long-term borrowings	200,224	275,897
Accounts payable - other	1,467,883	1,751,951
Income taxes payable	183,756	406,396
Provision for bonuses	105,217	125,399
Other	1,139,847	1,402,749
Total current liabilities	3,215,930	4,096,393
Non-current liabilities		
Bonds payable	140,000	110,000
Long-term borrowings	157,381	530,046
Provision for share-based remuneration	13,668	14,953
Retirement benefit liability	14,259	6,795
Asset retirement obligations	46,946	47,071
Other	52,192	29,588
Total non-current liabilities	424,448	738,455
Total liabilities	3,640,378	4,834,849
NET ASSETS		
Shareholders' equity		
Share capital	388,005	392,204
Capital surplus	228,433	232,633
Retained earnings	3,330,756	4,141,929
Treasury shares	(179,743)	(429,754)
Total shareholders' equity	3,767,452	4,337,013
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7,192)	(3,167)
Total accumulated other comprehensive income	(7,192)	(3,167)
Share acquisition rights	33,130	24,745
Non-controlling interests	46,776	47,433
Total net assets	3,840,167	4,406,024
Total liabilities and net assets	7,480,545	9,240,873

(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 2019 (March 1, 2019 – August 31, 2019)	First half ended August 2020 (March 1, 2020 – August 31, 2020)
Net sales	10,386,781	13,962,774
Cost of sales	8,416,524	10,938,511
Gross profit	1,970,256	3,024,263
Selling, general and administrative expenses	1,622,809	1,722,711
Operating profit	347,446	1,301,551
Non-operating income		
Interest income	513	408
Dividend income	1,018	1,528
Gain on sales of investment securities	-	30,140
Other	1,167	9,587
Total non-operating income	2,699	41,665
Non-operating expenses		
Interest expenses	2,284	2,377
Amortization of bond issuance cost	954	-
Commission expenses	-	750
Other	252	364
Total non-operating expenses	3,492	3,492
Ordinary profit	346,653	1,339,723
Profit before income taxes	346,653	1,339,723
Income taxes-current	91,420	406,775
Income taxes-deferred	1,508	(1,924)
Total income taxes	92,929	404,851
Profit	253,724	934,871
Profit attributable to non-controlling interests	209	656
Profit attributable to owners of parent	253,514	934,214

Quarterly consolidated statements of comprehensive income
For the first half

(Thousand yen)

	First half ended August 2019 (March 1, 2019 – August 31, 2019)	First half ended August 2020 (March 1, 2020 – August 31, 2020)
Profit	253,724	934,871
Other comprehensive income		
Valuation difference on available-for-sale securities	5,116	4,025
Total other comprehensive income	5,116	4,025
Comprehensive income	258,840	938,897
Comprehensive income attributable to owners of parent	258,630	938,240
Comprehensive income attributable to non-controlling interests	209	656

(3) Quarterly consolidated statements of cash flows

(Thousand yen)

	First half ended August 2019 (March 1, 2019 – August 31, 2019)	First half ended August 2020 (March 1, 2020 – August 31, 2020)
Cash flows from operating activities		
Profit before income taxes	346,653	1,339,723
Depreciation	36,210	34,170
Increase (decrease) in allowance for doubtful accounts	51	270
Increase (decrease) in provision for bonuses	2,305	20,181
Increase (decrease) in retirement benefit liability	1,228	(7,463)
Increase (decrease) in provision for share-based remuneration	(4,098)	1,284
Interest and dividend income	(1,531)	(1,937)
Interest expenses	2,284	2,377
Loss (gain) on sales of investment securities	-	(30,140)
Amortization of bond issuance cost	954	-
Decrease (increase) in trade receivables	(369,805)	(853,536)
Decrease (increase) in inventories	(110,661)	(541,639)
Increase (decrease) in advances received	36,126	48,296
Increase (decrease) in accounts payable - other	380,790	270,496
Increase (decrease) in accrued consumption taxes	248,615	77,687
Other, net	172,773	(125,728)
Subtotal	741,896	234,044
Interest and dividends received	1,531	1,937
Interest paid	(2,189)	(2,692)
Income taxes paid	(37,467)	(197,268)
Income taxes refund	9,844	14,099
Net cash provided by (used in) operating activities	713,616	50,119
Cash flows from investing activities		
Purchase of investment securities	(1,286)	(1,718)
Proceeds from sales of investment securities	228	101,428
Purchase of property, plant and equipment	(108)	(15,772)
Purchase of intangible assets	(1,228)	(2,213)
Payments of leasehold and guarantee deposits	(12,475)	(16,595)
Proceeds from refund of leasehold and guarantee deposits	2,752	758
Other, net	-	22,710
Net cash provided by (used in) investing activities	(12,116)	88,598
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	20,000	20,000
Proceeds from long-term borrowings	-	600,000
Repayments of long-term borrowings	(134,408)	(151,662)
Proceeds from issuance of bonds	49,045	-
Redemption of bonds	(20,000)	(35,000)
Purchase of treasury shares	-	(298,994)
Dividends paid	(122,440)	(122,876)
Other, net	(388)	(282)
Net cash provided by (used in) financing activities	(208,191)	11,184
Net increase (decrease) in cash and cash equivalents	493,308	149,902
Cash and cash equivalents at beginning of period	2,683,762	3,916,730
Cash and cash equivalents at end of period	3,177,070	4,066,632

(4) Notes to quarterly consolidated financial statement

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Segment information, etc.)

[Segment information]

I For the first half ended August 2019 (March 1, 2019 – August 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 resources services	Manufacuri ng human resource services	Sales human resource services	Total		
Net sales						
(of which to outside customers)	7,472,058	1,619,380	1,155,381	10,246,819	139,961	10,386,781
(of which inter-segment)	-	-	-	-	-	-
Total	7,472,058	1,619,380	1,155,381	10,246,819	139,961	10,386,781
Segment income (loss)	298,948	5,038	44,117	348,104	(658)	347,446

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 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

(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 from September 1, 2020 to September 24, 2020 as follows. The purchase completed on September 24, 2020.

1. Type of shares purchased	Careerlink common shares
2. Number of shares purchased	58,200 shares
3. Cost of shares purchased	49,734,200 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 September 24, 2020 according to the resolution
 - (1) Total number of shares purchased
477,200 shares
 - (2) Total cost of shares purchased
299,925,500 yen