

Summary of Consolidated Financial Results For the Fiscal Year Ended February 28, 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/>
 Representative Title: President & Representative Director / President & Executive Officer
 Name: Motoaki Narusawa
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 Regular general meeting of shareholders (tentative): May 29, 2019
 Date of securities report (tentative): May 29, 2019
 Date of commencement of dividend payment (tentative): May 30, 2019
 Supplementary explanatory documents: Yes
 Earnings presentation: Yes (for institutional investors and analysts)

(Yen in millions, rounded down)

1. Financial results for the fiscal year ended February 2019 (March 1, 2018 – February 28, 2019)**(1) Result of operations (Consolidated)**

(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	%
Fiscal year ended Feb. 2019	18,624	11.0	187	(66.0)	290	(52.3)	170	(58.7)
Fiscal year ended Feb. 2018	16,774	-	551	-	608	-	414	-

Note: Comprehensive income: FY 2/2019: 163 million yen [(60.7) %], FY 2/2018: 414million yen [-%]

	Earnings per share	Earnings per share fully diluted	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 2019	13.96	13.83	5.1	5.0	1.0
Fiscal year ended Feb. 2018	33.16	33.10	12.7	10.5	3.3

Reference: Equity method income FY2/19: - million yen FY2/18 - million yen

(Note) Careerlink has prepared consolidated financial statements since the fiscal year ended on February 2018. As a result, there are no comparisons with the previous fiscal year for the fiscal year ended on February 2018. Return on equity and ordinary profit to total assets ratio for the fiscal year ended on February 2018 are calculated by using non-consolidated shareholders' equity and total assets at the end of February 2017 and consolidated shareholders' equity and total assets at the end of February 2018.

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2019	5,917	3,404	56.5	272.93
As of February 28, 2018	5,764	3,384	58.1	271.99

Reference: Shareholders' equity

As of February 28, 2019: 3,343 million yen As of February 28, 2018: 3,349 million yen

(3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY 2/19	50	(135)	(315)	2,683
FY 2/18	238	(26)	93	3,084

2. Dividends

	Dividend per share					Total dividends (Annual)	Dividend ratio (Consolidated)	Dividend-to- equity ratio (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2/18	-	0.00	-	10.00	10.00	123	30.2	3.8
FY 2/19	-	0.00	-	10.00	10.00	123	71.6	3.7
FY 2/20 (Estimate)	-	0.00	-	10.00	10.00		43.5	

(Note) Total dividends for the fiscal years that ended in February 2018 and 2019 include the following payments for Careerlink stock held by Trust & Custody Services Bank, Ltd. (Trust E Account): 626 thousand yen for 62,600 shares in the fiscal year ended February 2018 and 551 thousand yen for 55,100 shares in the fiscal year ended February 2019.

3. Forecast for the fiscal year ending February 2020 (Consolidated, March 1, 2019 - February 29, 2020)

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	10,471	14.6	137	869.2	134	122.4	89	445.3	7.29
Full year	21,668	16.3	422	124.9	419	44.5	281	64.7	22.98

* Notes

(1) Changes in significant subsidiaries during the period (Change in specified subsidiary resulting from change in scope of consolidation): Yes

Newly included: Japan Business Service Co., Ltd.

Excluded: None

(Note) For more information, see “3. Consolidated Financial Statements and Important Notes (5) Notes to Consolidated Financial Statements (Significant changes in subsidiaries during the period)” on page 12.

(2) 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

(3) Number of shares outstanding (common shares)

(a) Shares outstanding (including treasury shares)

(b) Treasury shares

(c) Average number of shares during the period

End of FY 2/19	12,555,800	End of FY 2/18	12,555,800
End of FY 2/19	306,655	End of FY 2/18	240,954
FY 2/19	12,242,022	FY 2/18	12,494,858

(Note) The number of shares of treasury shares at the end of the fiscal year includes shares held in Trust & Custody Services Bank, Ltd. (Trust E Account) for the Careerlink Employee Stock Ownership Plan trust (J-ESOP). There were 55,100 shares in this trust account at the end of February 2019 and 62,600 shares at the end of February 2018. Stock in this trust account is included in treasury shares that are excluded from the average number of shares in a fiscal year. There were 60,640 shares in this trust account in the fiscal year ended February 2019 and 49,229 shares in the fiscal year ended February 2018.

(Reference) Outline of the Non-consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended February 2019 (March 1, 2018 – February 28, 2019)

(1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 2019	12,385	(16.1)	184	(66.6)	181	(66.7)	114	(69.1)
Fiscal year ended Feb. 2018	14,759	(20.0)	551	(44.9)	544	(45.2)	371	(42.2)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
Fiscal year ended Feb. 2019	9.37		9.35	
Fiscal year ended Feb. 2018	29.71		29.66	

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2019	5,072	3,169	62.2	257.46
As of February 28, 2018	5,298	3,229	60.6	260.92

Reference: Shareholders' equity

As of February 28, 2019: 3,153 million yen As of February 28, 2018: 3,213 million yen

* This report is exempt from the 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 (4) Outlook for the fiscal year ending in February 2020" on page 4.

(To receive supplementary information)

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

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1. Results of Operations

(1) Overview on business performance

The Japanese economy recovered slowly during the past fiscal year. Consumer spending rebounded and capital expenditures increased as corporate earnings and the labor market continued to improve with the support of government economic stimulus measures.

Overseas, there are concerns about political and economic uncertainty associated with the U.S.-China trade war, slowing economic growth in China and Europe, and other events. As a result, the outlook for the global economy remained unclear.

In the Japanese human resources industry, there is a labor shortage in the IT, construction, transportation, retail, services and many other sectors. The jobs-to-applicants ratio is consistently high. The environment for hiring people has been improving mainly because the total number of workers is increasing due to the decline in unemployed people, rise in labor force participation by women and older people and increase in foreign workers in Japan.

As in the previous fiscal year, the Careerlink Group took actions aimed at growth of clerical human resource services, primarily business process outsourcing (BPO) involving the creation of proposals for the outsourcing of business processes, and of manufacturing human resources, mainly in the food processing and manufacturing process categories.

Careerlink has been sharing resources with Daiko Securities Business Co., Ltd. (DSB) for BPO and call center services for securities companies, banks and other financial services companies and BPO services involving recruiting for private-sector companies and government agencies. The goals of this cooperation are the growth of these business activities at both companies and higher efficiency. To strengthen this relationship, Careerlink and DSB signed a business and capital alliance contract on February 23, 2018. The two companies also signed a contract for the sale to Careerlink of Japan Business Service Co., Ltd. (JBS), a wholly owned subsidiary of DSB engaged primarily in temporary staffing services. Careerlink acquired all JBS stock on March 31, 2018, making this company a wholly owned subsidiary.

Fiscal year sales were negatively affected by a substantial decrease in the volume of work at a large private-sector BPO project and by lower sales at projects involving government benefit payments and Japan's social security and tax number system (My Number System). However, manufacturing human resource services sales increased and there were substantial sales from a new order involving the processing of cashless payments. In addition, newly consolidated subsidiary JBS made its first contribution to sales. As a result, sales increased 11.0% to 18,624,675 thousand yen. Earnings were lower for a number of reasons. The gross profit decreased because of the two factors explained earlier that negatively affected sales. In addition, the operating margin of new orders was smaller than at the higher-margin large private-sector BPO project and the projects involving government benefit payments and the My Number System where sales declined. Also, higher recruiting expenses for the temporary staffing workforce and expenses for improving the profitability of newly consolidated subsidiary JBS, such as by combining and relocating offices, brought down earnings. Operating profit was down 66.0% to 187,664 thousand yen, ordinary profit fell 52.3% to 290,127 thousand yen and profit attributable to owners of parent decreased 58.7% to 170,920 thousand yen.

Careerlink acquired JBS on March 31, 2018 and this company and its subsidiary Tokyo Jidosha Kanri Co., Ltd. are included in the consolidated financial statements. As a result, starting with the first quarter of the fiscal year that ended in February 2019, the automobile management business of Tokyo Jidosha Kanri has been added to the Careerlink Group's business segments and is included in the "other" category, which is not a reportable segment.

Business segment performance was as follows.

(Clerical human resource services)

Sales in this segment were reduced by a substantial decrease in the volume of work at a large private-sector BPO project and by lower sales for projects involving government benefit payments and Japan's My Number System. These declines were offset by the growth of services in the BPO category, new orders from large BPO companies and revisions to fees charged for services. In addition, there were substantial sales from a new order involving the processing of cashless payments. The clerical human resources business of newly consolidated subsidiary JBS also contributed to sales in this segment. As a result, sales increased 7.5% to 15,246,072 thousand yen. Segment earnings were negatively impacted by several factors. The gross profit decreased because of the lower volume of work at the large BPO project and projects involving government benefit payments and the My Number System. In addition, the operating margin of new orders was smaller than at the higher-margin large private-sector BPO project and the projects involving government benefit payments and the My Number System where sales declined. Also, higher recruiting expenses for the temporary staffing workforce and expenses for improving the profitability of newly consolidated subsidiary JBS, such as by combining and relocating offices, brought down earnings. The result was a 73.3% decline in operating profit to 140,060 thousand yen.

(a) Business Process Outsourcing

There were new orders from large BPO companies and financial institutions and rates for BPO services were revised. The new order for cashless payment processing also contributed to this sector's performance. However, sales in this sector decreased 21.0% to 9,006,227 thousand yen mainly because of the large decline in the volume of outsourced work at a large private-sector BPO project and lower sales at projects involving government benefit payments and Japan's My Number System.

(b) Customer Relationship Management

Sales increased for services provided to telemarketing companies and financial institutions. In addition, sales benefited from the inclusion of CRM business sales of 546,437 thousand yen at newly consolidated subsidiary JBS. As a result, sales were up 50.7% to 2,870,638 thousand yen.

(c) Office Services

New public and private-sector temporary staffing orders increased and the office services business sales of 1,988,994 thousand yen of newly consolidated subsidiary JBS also contributed to sales growth. As a result, sales increased 282.0% to 3,369,206 thousand yen.

(Manufacturing human resource services)

Due to a large volume of orders in the food processing and manufacturer process categories, segment sales increased 20.3% to 3,112,110 thousand yen. Operating profit was up 69.8% to 44,806 thousand yen despite an increase in selling, general and administrative expenses resulting from hiring more people as more locations were added and operations were strengthened to aim for more growth, recruiting expenses increased in conjunction with sales growth, and other reasons. Sales growth and an increase in the gross profit margin were the main reasons for higher earnings.

(Others)

This segment is the automobile management business of Tokyo Jidosha Kanri, a subsidiary of JBS. Sales were 267,270 thousand yen and operating profit was 2,788 thousand yen.

(2) Overview of financial condition

(Assets)

Total assets were 5,917,200 thousand yen at the end of the fiscal year, 153,140 thousand yen more than one year earlier. Cash and deposits decreased 400,365 thousand yen and intangible assets decreased 23,715 thousand yen. There were increases of 409,227 thousand yen in notes and accounts receivable-trade, 102,531 thousand yen in other current assets, which includes prepaid expenses, advances paid and other items, and 93,516 thousand yen in investment securities.

(Liabilities)

Liabilities increased 133,748 thousand yen to 2,512,912 thousand yen at the end of the fiscal year. Major changes were decreases of 132,191 thousand yen in long-term loans payable (including the current portion) and 57,500 thousand yen in bonds (including the current portion) and increases of 247,246 thousand yen in accounts payable-other, 28,968 thousand yen in other current liabilities, which includes accrued expenses, accrued consumption taxes and other items, and 18,000 thousand yen in short-term loans payable.

(Net assets)

Net assets increased 19,391 thousand yen to 3,404,287 thousand yen at the end of the fiscal year. There were decreases of 34,141 thousand yen due to an increase in treasury shares and 15,503 thousand yen in valuation difference on available-for-sale securities and increases of 46,643 thousand yen in retained earnings and 25,677 thousand yen in non-controlling interests.

(3) Cash flows

Cash and cash equivalents totaled 2,683,762 thousand yen at the end of the fiscal year, 400,365 thousand yen less than one year earlier. Summary of cash flows are outlined below.

(Operating activities)

Net cash provided by operating activities was 50,339 thousand yen compared with 238,438 thousand yen in the previous fiscal year. The major source of cash was profit before income taxes of 290,127 thousand yen. Major deductions were 72,930 thousand yen due to an increase in notes and accounts receivable-trade, 60,233 thousand yen due to a decrease in accounts payable-other and income taxes paid of 113,756 thousand yen.

(Investing activities)

Net cash used in investing activities increased from 26,776 thousand yen to 135,612 thousand yen. There were payments of 73,445 thousand yen for the purchase of investment securities and 63,512 thousand yen for the purchase of shares of subsidiaries resulting in a change in the scope of consolidation.

(Financing activities)

Net cash used in financing activities was 315,092 thousand yen compared with a positive cash flow of 93,981 thousand yen in the previous fiscal year. There were payments of 282,191 thousand yen for repayments of long-term loans payable and 105,121 thousand yen for the purchase of treasury shares and proceeds of 71,089 thousand yen from the disposal of treasury shares.

(4) Outlook for the fiscal year ending in February 2020

We anticipate no significant change in sales in the clerical human resource services segment but expect sales growth to continue in the manufacturing human resource services segment. In the sales human resource services business, which was started in the previous fiscal year and consists primarily of cashless payment processing activities, we expect a big increase in orders.

Regarding earnings, due to the expected growth in sales, we anticipate an increase in gross profit as well as higher recruiting expenses for our temporary staffing workforce and our full-time employees and other increases in expenses that are included in selling, general and administrative expenses.

Based on this outlook, we forecast sales of 21,668,432 thousand yen, up 16.3%, operating profit of 422,136 thousand yen, up 124.9%, ordinary profit of 419,259 thousand yen, up 44.5%, and profit attributable to owners of parent of 281,506 thousand yen, up 64.7%.

2. Basic Position concerning Selection of Accounting Standards

The Careerlink Group uses Japanese accounting standards for its consolidated financial statements because most shareholders, customers and other stakeholders are in Japan and there is no need to procure funds outside Japan.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated balance sheet

(Thousand yen)

	Fiscal year ended February 2018 (As of February 28, 2018)	Fiscal year ended February 2019 (As of February 28, 2019)
ASSETS		
Current assets		
Cash and deposits	3,084,127	2,683,762
Notes and accounts receivable - trade	1,789,535	2,198,763
Inventories	2,569	2,641
Deferred tax assets	47,635	52,918
Income taxes receivable	15,049	13,148
Other	117,064	219,595
Allowance for doubtful accounts	(463)	(909)
Total current assets	5,055,519	5,169,919
Noncurrent assets		
Property, plant and equipment		
Buildings	117,072	101,571
Accumulated depreciation	(72,738)	(70,143)
Buildings, net	44,334	31,427
Vehicles	-	15,138
Accumulated depreciation	-	(12,501)
Vehicles, net	-	2,637
Tools, furniture and fixtures	209,465	239,623
Accumulated depreciation	(157,647)	(194,343)
Tools, furniture and fixtures, net	51,818	45,280
Total property, plant and equipment	96,152	79,345
Intangible assets	109,676	85,960
Investments and other assets		
Investment securities	-	93,516
Deferred tax assets	13,576	19,064
Other	489,135	470,044
Allowance for doubtful accounts	-	(650)
Total investments and other assets	502,711	581,974
Total noncurrent asset	708,540	747,280
Total assets	5,764,059	5,917,200
Liabilities		
Current liabilities		
Short-term loans payable	66,000	84,000
Current portion of bonds	57,500	40,000
Current portion of long-term loans payable	271,356	257,736
Accounts payable-other	857,474	1,104,721
Income taxes payable	31,722	46,816
Asset retirement obligations	13,788	-
Provision for bonuses	88,449	103,112
Other	302,390	331,358
Total current liabilities	1,688,681	1,967,744
Noncurrent liabilities		
Bonds payable	100,000	60,000
Long-term loans payable	476,176	357,605
Provision for employee stock ownership plan	23,782	16,661
Net defined benefit liability	-	14,438
Asset retirement obligations	44,027	46,142
Other	46,496	50,321
Total noncurrent liabilities	690,482	545,167
Total liabilities	2,379,163	2,512,912

(Thousand yen)

	Fiscal year ended February 2018 (As of February 28, 2018)	Fiscal year ended February 2019 (As of February 28, 2019)
Net assets		
Shareholders' equity		
Capital stock	388,005	388,005
Capital surplus	231,718	228,433
Retained earnings	2,880,500	2,927,144
Treasury shares	(150,736)	(184,877)
Total shareholders' equity	3,349,488	3,358,706
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	(15,503)
Total accumulated other comprehensive income	-	(15,503)
Subscription rights to shares	16,285	16,285
Non-controlling interests	19,122	44,799
Total net assets	3,384,896	3,404,287
Total liabilities and net assets	5,764,059	5,917,200

(2) Consolidated statements of income and consolidated statements of comprehensive income
 Consolidated statements of income

(Thousand yen)

	Fiscal year ended February 2018 (March 1, 2017 - February 28, 2018)	Fiscal year ended February 2019 (March 1, 2018 - February 28, 2019)
Net sales	16,774,776	18,624,675
Cost of sales	13,634,378	15,273,192
Gross profit	3,140,398	3,351,482
Selling, general and administrative expenses	2,588,908	3,163,817
Operating profit	551,490	187,664
Non-operating income		
Interest income	511	903
Dividend income	-	1,443
Gain on consumption taxes etc.	63,940	102,381
Other	204	4,058
Total non-operating income	64,657	108,787
Non-operating expenses		
Interest expenses	5,895	5,511
Other	2,011	813
Total non-operating expenses	7,906	6,324
Ordinary profit	608,240	290,127
Profit before income taxes	608,240	290,127
Income taxes-current	172,142	112,890
Income taxes-deferred	21,341	(1,335)
Total income taxes	193,483	111,554
Profit	414,756	178,573
Profit attributable to non-controlling interests	475	7,652
Profit attributable to owners of parent	414,281	170,920

Consolidated statements of comprehensive income

(Thousand yen)

	Fiscal year ended February 2018 (March 1, 2017 - February 28, 2018)	Fiscal year ended February 2019 (March 1, 2018 - February 28, 2019)
Profit	414,756	178,573
Other comprehensive income		
Valuation difference on available-for-sale securities	(37)	(15,503)
Total other comprehensive income	(37)	(15,503)
Comprehensive income	414,719	163,069
Comprehensive income attributable to owners of parent	414,244	155,417
Comprehensive income attributable to non-controlling interests	475	7,652

(3) Consolidated statement of changes in equity
 Previous fiscal year (March 1, 2017 - February 28, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	388,005	234,364	2,591,775	(26,991)	3,187,154
Changes of items during the period					
Dividends of surplus			(125,556)		(125,556)
Profit attributable to owners of parent			414,281		414,281
Purchase of treasury shares				(124,877)	(124,877)
Disposal of treasury shares				1,132	1,132
Capital increase of consolidated subsidiaries		(2,646)			(2,646)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(2,646)	288,724	(123,744)	162,333
Balance at end of current period	388,005	231,718	2,880,500	(150,736)	3,349,488

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of current period	37	37	16,285	-	3,203,477
Changes of items during the period					
Dividends of surplus					(125,556)
Profit attributable to owners of parent					414,281
Purchase of treasury shares					(124,877)
Disposal of treasury shares					1,132
Capital increase of consolidated subsidiaries					(2,646)
Net changes of items other than shareholders' equity	(37)	(37)		19,122	19,084
Total changes of items during the period	(37)	(37)	-	19,122	181,418
Balance at end of current period	-	-	16,285	19,122	3,384,896

Current fiscal year (March 1, 2018 - February 28, 2019)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	388,005	231,718	2,880,500	(150,736)	3,349,488
Changes of items during the period					
Dividends of surplus			(123,774)		(123,774)
Profit attributable to owners of parent			170,920		170,920
Purchase of treasury shares				(111,395)	(111,395)
Disposal of treasury shares		(502)		77,254	76,752
Transfer of loss on disposal of treasury shares		502	(502)		-
Capital increase of consolidated subsidiaries		(3,284)			(3,284)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(3,284)	46,643	(34,141)	9,217
Balance at end of current period	388,005	228,433	2,927,144	(184,877)	3,358,706

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of current period	-	-	16,285	19,122	3,384,896
Changes of items during the period					
Dividends of surplus					(123,774)
Profit attributable to owners of parent					170,920
Purchase of treasury shares					(111,395)
Disposal of treasury shares					76,752
Transfer of loss on disposal of treasury shares					-
Capital increase of consolidated subsidiaries					(3,284)
Net changes of items other than shareholders' equity	(15,503)	(15,503)		25,677	10,173
Total changes of items during the period	(15,503)	(15,503)	-	25,677	19,391
Balance at end of current period	(15,503)	(15,503)	16,285	44,799	3,404,287

(4) Consolidated statement of cash flows

(Thousand yen)

	Fiscal year ended February 2018 (March 1, 2017 - February 28, 2018)	Fiscal year ended February 2019 (March 1, 2018 - February 28, 2019)
Cash flows from operating activities		
Profit before income taxes	608,240	290,127
Depreciation	77,739	114,154
Amortization of goodwill	-	5,999
Increase (decrease) in allowance for doubtful accounts	(169)	1,096
Increase (decrease) in provision for bonuses	(18,808)	(15,612)
Increase (decrease) in net defined benefit liability	-	2,026
Increase (decrease) in provision for employee stock ownership plan	(2,951)	(7,121)
Interest and dividend income	(511)	(2,346)
Interest expenses	5,895	5,511
Decrease (increase) in notes and accounts receivable-trade	292,361	(72,930)
Decrease (increase) in inventories	60,326	(71)
Increase (decrease) in accounts payable-other	(108,776)	(60,233)
Decrease/increase in consumption taxes receivable/payable	(277,759)	(26,834)
Other, net	(10,276)	(108,890)
Subtotal	625,309	124,876
Interest and dividend income received	511	2,346
Interest expenses paid	(6,231)	(5,417)
Income taxes paid	(381,151)	(113,756)
Income taxes refund	-	42,291
Net cash provided by (used in) operating activities	(238,438)	50,339
Cash flows from investing activities		
Proceeds from redemption of securities	100,000	-
Purchase of investment securities	-	(73,445)
Purchase of property, plant and equipment	(9,561)	(21,773)
Purchase of intangible assets	(13,436)	(17,075)
Payments for asset retirement obligations	-	(13,283)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(63,512)
Payments into time deposits	(100,000)	-
Payments for lease and guarantee deposits	(4,500)	(37,806)
Proceeds from collection of lease and guarantee deposits	2,614	92,440
Other, net	(1,892)	(1,158)
Net cash provided by (used in) investing activities	(26,776)	(135,612)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-	18,000
Proceeds from long-term loans payable	700,000	150,000
Repayment of long-term loans payable	(292,708)	(282,191)
Proceeds from issuance of bonds	49,395	-
Redemption of bonds	(122,000)	(57,500)
Purchase of treasury shares	(130,018)	(105,121)
Proceeds from disposal of treasury shares	-	71,089
Cash dividends paid	(125,669)	(123,673)
Proceeds from share issuance to non-controlling shareholders	16,000	14,740
Other, net	(1,017)	(435)
Net cash provided by (used in) financing activities	93,981	(315,092)
Net increase (decrease) in cash and cash equivalents	305,643	(400,365)
Cash and cash equivalents at beginning of period	2,778,484	3,084,127
Cash and cash equivalents at end of period	3,084,127	2,683,762

(5) Notes to consolidated financial statement

(Notes to going concern assumptions)

None

(Significant change in subsidiary during the period)

Careerlink acquired Japan Business Service Co., Ltd. on March 31, 2018, and this company and its subsidiary Tokyo Jidosha Kanri Co., Ltd. are included in the consolidated financial statements starting with the current fiscal year. Japan Business Service is a specified subsidiary of Careerlink.

(Change in presentation method)

(Consolidated Statements of Income)

Guarantee commission, which was a separate item in non-operating expenses in the fiscal year that ended in February 2018, is instead included in other non-operating expenses because the amount of these commissions is no longer significant. The consolidated statement of income for the fiscal year that ended in February 2018 has been revised to reflect this change.

Guarantee commission of 851 thousand yen in the consolidated statement of income for the fiscal year that ended in February 2018 has been moved to “other,” resulting in an increase in this item from 1,159 thousand yen to 2,011 thousand yen.

(Supplementary information)

(Use of trust to supply Careerlink stock to employees and others)

1. Summary

Careerlink established an employee stock ownership plan (J-ESOP) as a new incentive plan for employees including executive officers (the employees). The J-ESOP is structured to distribute Careerlink stock, based on stock distribution rules determined by Careerlink in advance, to the employees who fulfill certain requirements.

The employees receive points that are based on their contributions to the company’s performance. Once an employee obtains the right to receive stock by meeting the requirements, Careerlink stock is distributed in proportion to the number of points the employee has received. The stock to be distributed is purchased in advance by a trust established for this purpose and the stock is managed separately as trust assets until distribution.

Careerlink believes that this J-ESOP will make the employees more motivated to play a role in increasing the company’s stock price and earnings, thereby giving them even more reason to do their jobs well.

2. Accounting treatment for the distribution of stock using the J-ESOP trust

The accounting treatment for the distribution of stock using the trust is based on Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts (PITF No. 30, March 26, 2015).

3. Item concerning Careerlink stock held by the J-ESOP trust

Careerlink stock held by the trust is shown as treasury shares in net assets and valued by using the trust’s book value (excluding associated expenses). At the end of the current fiscal year, the trust held 55,100 shares of treasury shares with a book value of 41,592 thousand yen.

(Business combinations, etc.)

Business combination through acquisition

The Careerlink Board of Directors approved a resolution on February 23, 2018 to purchase all shares of Japan Business Service Co., Ltd., a wholly owned subsidiary of Daiko Securities Business (DSB), and to establish a capital and business alliance with DSB. On the same day, Careerlink and DSB signed a contract for Careerlink to purchase all shares of Japan Business Service and a contract for the capital and business alliance. On March 31, 2018, Careerlink purchased all shares of Japan Business Service.

1. Summary of business combination

(1) Profile of company acquired

Name: Japan Business Service Co., Ltd.

Activities: Temporary staffing, payroll service

(2) Main reason for the business combination

The Careerlink Group has two business sectors. Clerical human resource services are primarily business process outsourcing, which involves creating proposals for the outsourcing of business processes in order to improve the efficiency and quality of the operations of private and public-sector clients. Manufacturing human resource services serves mainly the food processing industry.

The DSB Group pursues the vision of “jointly creating value by supplying innovative comprehensive outsourcing services that utilize highly advanced specialized skills”. The goal is to establish a position as a joint infrastructure company for the securities industry. The DSB Group is a source of total solutions for securities operations in order to provide broad-based support for the activities of securities companies, banks and other clients.

Careerlink and DSB have agreed to cooperate by sharing their resources for the provision of BPO services and call centers services to securities companies, banks and other financial instrument dealers and of BPO services related to recruiting activities at private-sector companies and the public sector. The goals are to expand both of their business operations and to make them more efficient. To establish and strengthen a framework for this cooperation, Careerlink purchased all of the shares of Japan Business Service, a wholly owned subsidiary of DSB that is engaged primarily in temporary staffing. In addition, Careerlink and DSB signed a contract for the establishment of a capital and business alliance.

(3) Business combination date

March 31, 2018

- (4) Business combination legal structure
Purchase of stock by using a cash payment
- (5) Name of company after the combination
No change
- (6) Pct. of voting rights acquired
100%
- (7) Primary basis for selecting the company to be acquired
Careerlink used cash to purchase stock that resulted in the acquisition of 100% of the voting rights of Japan Business Service.
2. Period of inclusion of the acquired company's performance to the consolidated financial statements
From April 1, 2018 to February 28, 2019
3. Acquisition cost of Japan Business Service and type of payment
- | Payment | Cash | 918,165 thousand yen |
|------------------|------|----------------------|
| Acquisition cost | | 918,165 thousand yen |
4. Major transaction expenses
Advisory fees, etc. 2,750 thousand yen
5. Amount of goodwill, cause of goodwill, and amortization method and period
- (1) Amount of goodwill
5,999 thousand yen
- (2) Cause of goodwill
The difference at the time of the business combination between the acquisition cost and net assets, which were less than the acquisition cost, was recognized as goodwill.
- (3) Amortization method and period
All goodwill amortized at once because the amount of goodwill is not significant.
6. Assets and liabilities received on the business combination date
- | (Thousand yen) | |
|--------------------------|------------------|
| Current assets | 1,078,268 |
| Non-current assets | 230,371 |
| Total assets | 1,308,640 |
| Current liabilities | 396,274 |
| Non-current liabilities | 199 |
| Total liabilities | 396,474 |
7. Estimated monetary effect, and estimation method, for the effect of the business combination on the consolidated statement of income for the fiscal year ended February 2019 assuming the business combination was completed on the first day of this fiscal year
Omitted because the estimated amount of this effect is not significant.

(Segment information, etc.)

[Segment information]

1. Reportable segments

Reportable segments of the Careerlink Group are the constituent business units of the group for which separate financial information can be obtained and for which periodic examinations are performed to allow the Board of Directors to allocate resources and evaluate performance.

There are two reportable segments. The clerical human resource services segment is engaged primarily in activities involving business process outsourcing. The manufacturing human resource services segment provides people to companies mainly in the food processing industry.

2. Method of calculating reportable segment sales, income/loss, assets, liabilities and other items

The accounting method used for reportable business segments is generally the same as the basis for the preparation of these financial statements. The net sales of which intersegment internal sales and transfers are based on the market prices.

3. Information about sales, income (loss), assets, liabilities and other items by reporting segments

For the previous fiscal year ended February 2018 (March 1, 2017 – February 28, 2018)

(Thousand yen)

	Reporting segments			Other	Total	Adjustment (Note 1)	Amount on the consolidated statements of income (Note 2)
	Clerical human resources services	Manufacturing human resource services	Total				
Net sales							
of which to outside customers	14,186,778	2,587,998	16,774,776	-	16,774,776	-	16,774,776
of which intersegment internal sales and transfers	-	-	-	-	-	-	-
Total	14,186,778	2,587,998	16,774,776	-	16,774,776	-	16,774,776
Segment income	525,096	26,394	551,490	-	551,490	-	551,490
Segment assets	5,195,677	573,363	5,769,041	-	5,769,041	(4,981)	5,764,059
Other items							
Depreciation	75,550	2,189	77,739	-	77,739	-	77,739
Increase in property, plant and equipment and intangible assets	29,969	7,734	37,703	-	37,703	-	37,703

(Notes) 1. The adjustment in segment assets is intersegment eliminations of negative 4,981 thousand yen in receivables and payables.

2. The segment income matches operating profit in the consolidated statement of income.

For the current fiscal year ended February 2019 (March 1, 2018 – February 28, 2019)

(Thousand yen)

	Reporting segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount on the consolidated statements of income (Note 3)
	Clerical human resources services	Manufacturing human resource services	Total				
Net sales							
of which to outside customers	15,245,295	3,112,110	18,357,405	267,270	18,624,675	-	18,624,675
of which intersegment internal sales and transfers	777	-	777	-	777	(777)	-
Total	15,246,072	3,112,110	18,358,183	267,270	18,625,453	(777)	18,624,675
Segment income	140,060	44,806	184,866	2,788	187,655	9	187,664
Segment assets	5,044,684	691,580	5,736,265	184,243	5,920,508	(3,308)	5,917,200
Other items							
Depreciation	108,700	3,360	112,060	2,094	114,154	-	114,154
Increase in property, plant and equipment and intangible assets	22,554	2,139	24,693	1,981	26,675	-	26,675

(Notes) 1. The "other" category is the automobile management business of Tokyo Jidosha Kanri Co., Ltd. which is not included in reportable segment.

2. The adjustment in segment income is intersegment transactions eliminations of 9 thousand yen, and the adjustment in segment assets is intersegment eliminations of negative 3,308 thousand yen in receivables and payables.

3. The segment income matches operating profit in the consolidated statement of income.

(Per share information)

	Fiscal year ended February 2018 (March 1, 2017 - February 28, 2018)	Fiscal year ended February 2019 (March 1, 2018 - February 28, 2019)
	Yen	Yen
Net assets per share	271.99	272.93
Earnings per share	33.16	13.96
Earnings per share (fully diluted)	33.10	13.83

(Notes) 1. Treasury shares held in a trust account of Trust & Custody Services Bank, Ltd. (Trust E Account) are excluded from the average number of shares used to calculate earnings per share and diluted earnings per share and are excluded from the shares outstanding at the end of the fiscal year used to calculate net assets per share. The number of these trust account treasury shares excluded from the average number of shares used to calculate earnings per share and diluted earnings per share is 49,229 shares for the previous fiscal year and 60,640 shares for the current fiscal year. The number of these trust account treasury shares excluded from shares outstanding at the end of the fiscal year used to calculate net assets per share is 62,600 shares for the previous fiscal year and 55,100 shares for the current fiscal year.

2. The basis for calculating earnings per share and diluted earnings per share is as follows.

	Fiscal year ended February 2018 (March 1, 2017 - February 28, 2018)	Fiscal year ended February 2019 (March 1, 2018 - February 28, 2019)
Earnings per share		
Profit attributable to owners of parent (thousand yen)	414,281	170,920
Amount not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent available to common shareholders (thousand yen)	414,281	170,920
Average number of shares during the period (shares)	12,494,858	12,242,022
Fully diluted earnings per share		
Adjustment to profit attributable to owners of parent (thousand yen)	(46)	(1,283)
of which adjustment of dilutive shares held by subsidiary (thousand yen)	(46)	(1,283)
Increase in common shares (shares)	20,965	20,956
of which subscription rights to shares (thousand yen)	20,965	20,956
Non-dilutive common shares equivalents not included in calculation of diluted earnings per share (shares)	-	

3. The basis for calculating net assets per share.

	Fiscal year ended February 2018 (As of February 28, 2018)	Fiscal year ended February 2019 (As of February 28, 2019)
Total net assets (thousand yen)	3,384,896	3,404,287
Deducted amount from total net assets (thousand yen)	35,407	61,084
of which subscription rights to shares (thousand yen)	16,285	16,285
of which noncontrolling interest (thousand yen)	19,122	44,799
Net assets related to common shares (thousand yen)	3,349,488	3,343,202
Number of common shares used for calculation of net asset per share (shares)	12,314,846	12,249,145