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Earnings Presentation for the First Half of FY2/16

CAREERLINK CO., LTD

October 8 (Thu.), 2015

Chairman & Representative Director
President & Representative Director /
President & Executive Officer

Yasuhiko Kondo
Motoaki Narusawa

(Stock Code: 6070 Tokyo Stock Exchange, First Section)




Precautions

Forecasts, plans and other forward-looking statements concerning Careerlink in this presentation are based on judgments using information that was available at the time of this presentation.

The outlook may differ significantly because of changes in the economy and the human resources industry, the emergence of new technologies, and other events.

Consequently, there is a risk that Careerlink's actual performance and other aspects of operations may differ from the information in this presentation. An announcement will be made whenever there is a significant change.

Agenda

-  **I . Company Overview**
-  **II . Financial Highlights for the First Half of FY2/16**
-  **III . Annual Plan for FY2/16 and Medium-Term Management Plan (FY2/16-FY2/18)**



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I . Company Overview

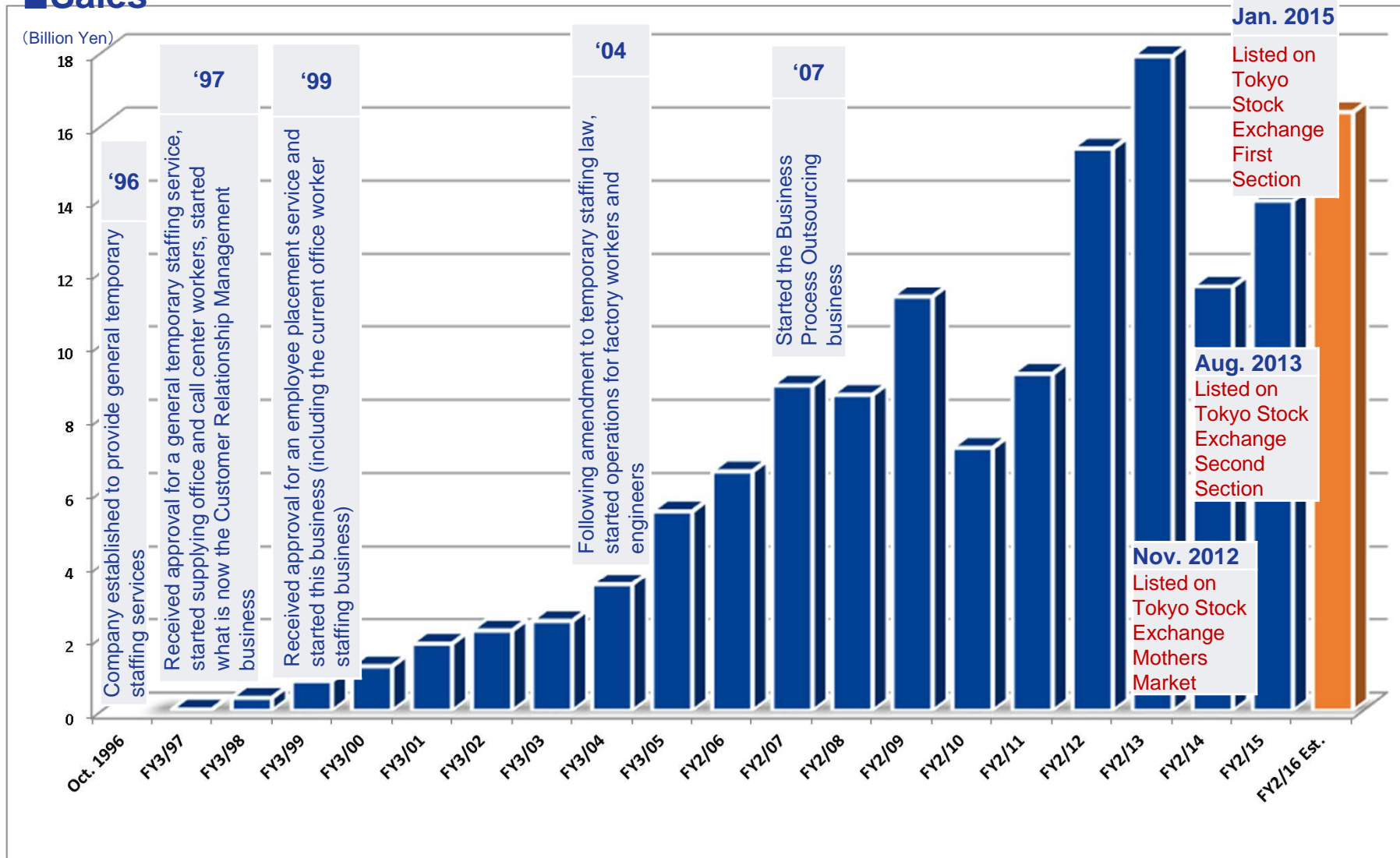


Company Overview

Head Office	33F Shinjuku-Mitsui Bulg., Nishi-Shinjuku 2-1-1, Shinjuku Ward, Tokyo
Representative	Chairman & Representative Director: Hirohiko Kondo President & Representative Director: Motoaki Narusawa
Established	October 1 st , 1996
Main Corporate Activities	Comprehensive Human Resource Service Business <ul style="list-style-type: none">■ Business Process Outsourcing■ Customer Relationship Management■ Manufacturing and Technology■ Office Services
Stated Capital	388,005,500 Yen (As of August 31, 2015)
No. of Employees	628 (As of August 31, 2015)
Accounting Period	February
Stock Exchange Listing	Tokyo Stock Exchange, First Section (Stock Code: 6070)

Significant Events and Sales Growth

Sales



Business Activities (1)

(1) Business Process Outsourcing

Business process outsourcing involves the planning, design and implementation of selected activities for government agencies, companies and other organizations.

Activities

- ◆ Business processes by Careerlink alone or by using a BPO vendor
- ◆ Provision of workers and performing contracted business processes in association with proposals for restructuring business processes
- ◆ Contracted business processes for government agencies, companies and other organizations

Benefits of Using Careerlink

- Higher efficiency and quality by using a Careerlink proposal for restructuring business processes
- Ability to quickly start a business process facility even for handling a large volume of work

Business Activities (2)

(2) Customer Relationship Management

The use of data systems at contact centers and other locations to establish long-term relationships with customers

Activities

- ◆ Temporary staffing and permanent placement services for telemarketing companies
- ◆ Temporary staffing and permanent placement services for contact centers of companies and other organizations
- ◆ Contracted CRM services using Careerlink contact centers

Benefits of Using Careerlink

- Access to Careerlink's extensive knowledge concerning recruiting, training and the operation of contact centers
- Ability to utilize Careerlink's advanced data equipment and a team of highly skilled professionals

(3) Manufacturing and technology

- ◆ Temporary staffing service and contracted work involving assembly line tasks as well as all activities associated with manufacturing and distribution

(4) Office work

- ◆ Speedy temporary staffing and permanent placement services for all types of office workers, from specialists to other employees

Three Key Strengths

1 Plans for both higher efficiency and quality

- Proposals that encompass everything from business process designs to production, delivery, quality assurance and operational know-how
- Significant cost savings due to higher efficiency

2 Able to start operations quickly and handle large volumes of work

- A unique matching system for immediately selecting the most suitable workers
- Able to start operations in about one month even for large projects requiring more than 1,000 workers

3 A framework for increasing workers' skills and job satisfaction

- Career path system gives people at the same workplace a roadmap for promotions. This system makes workers more motivated as they aim to improve their skills and become regular full-time employees.
- A workforce management system incorporating CRM expertise allows precisely reflecting the individual traits of each worker. This results in better job satisfaction along with higher rates of job placements and fewer missed days of work on assignments.
- For temporary workers, a supervisor solely for each workplace ensures that shifts are allocated evenly and training is provided.

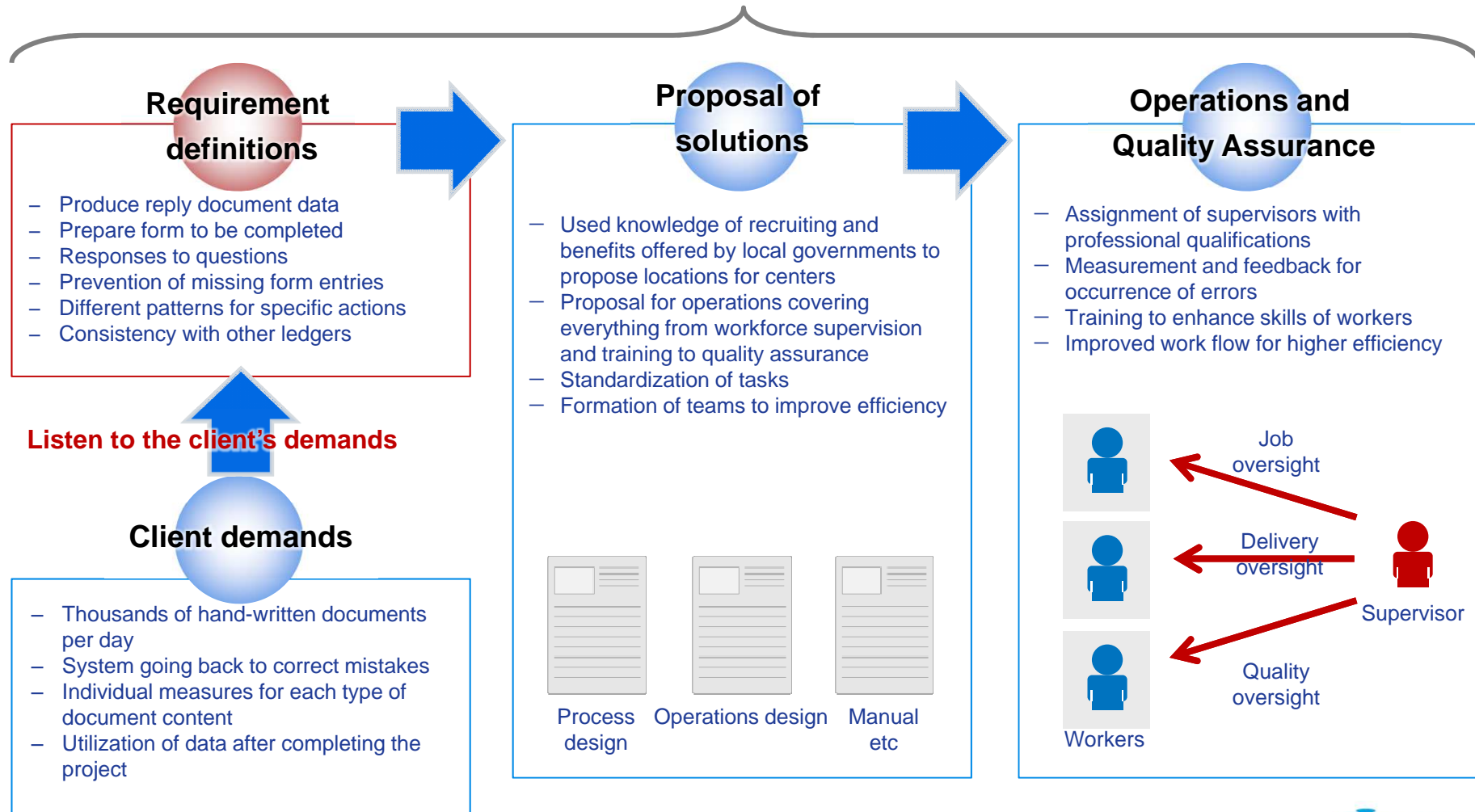
◆ Major examples of large projects

Business Process Outsourcing (More than 500 workers)		
● FY2007	Tokyo area	2,000
● FY2008	Tokyo area	1,500
● FY2009	Hokkaido, other	1,400
● FY2010	Tokyo area, other	6,000
● FY2012	Tokyo area	1,700
● FY2013	Tokyo area	700
● FY2014	Tokyo area, other	1,200
Customer Relationship Management (More than 300 workers)		
● FY2008	Tokyo area	500
● FY2008	Tokyo area	500
● FY2011	Kyushu, other	700
● FY2012	Tokyo area	2,000
● FY2012	Tokyo area	500
● FY2013	Tokyo area	600
● FY2014	Kansai	300

Three Key Strengths (1)

1 Plans for both higher efficiency and quality

Example of higher efficiency by handling every step of an order beginning with defining the requirements



Three Key Strengths (2)

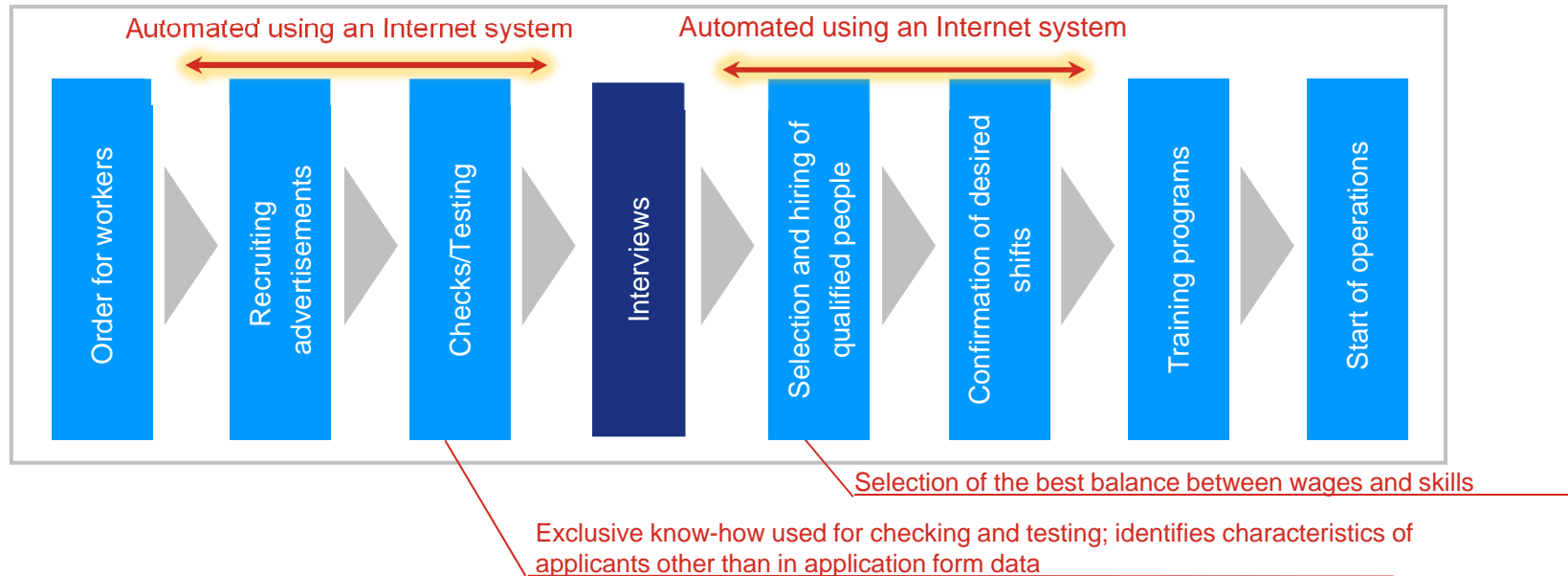
2 Able to start operations quickly and handle large volumes of work

- Capable of **quickly setting up** a business process center operating framework and starting operations
- Workforce proposals using **an exclusive matching system** to select people who meet the requirements of each customer

The Careerlink Matching System

Able to establish a framework and start operations in about one month even for large projects requiring more than 1,000 workers. **No other company can match this ability** to handle high-volume projects.

◆ Standardized Worker Matching Process



Three Key Strengths (3)-1

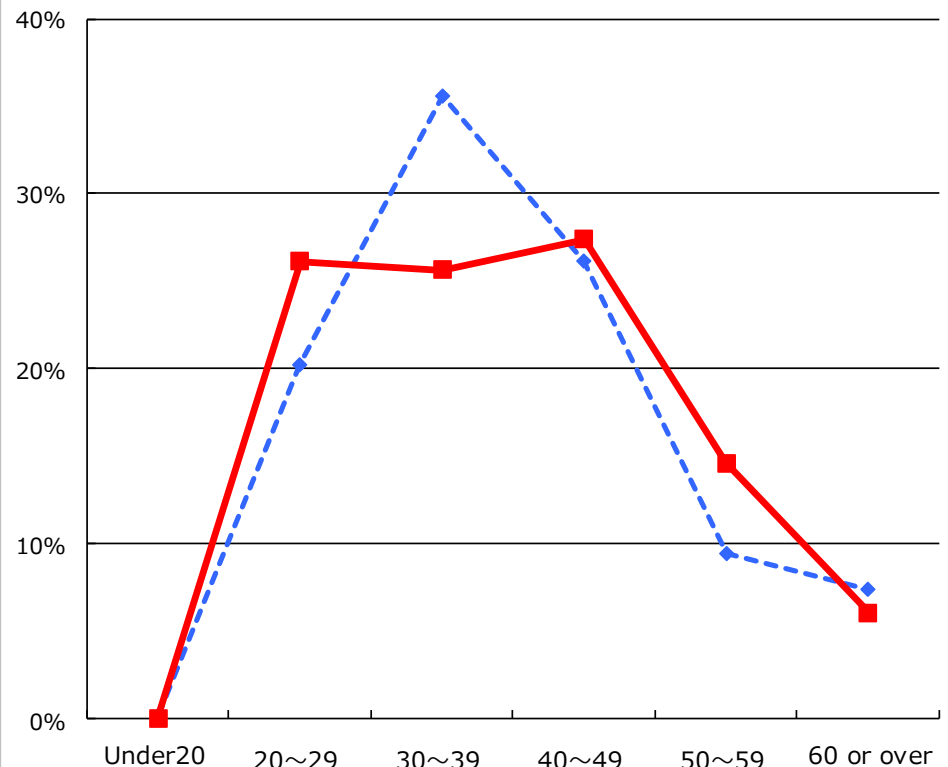
3 A framework for increasing workers' skills and job satisfaction

Workforce motivation management

A system where Careerlink and employees aim for growth and the same goals

- **Opportunities to advance** based on skills and motivation
 - Core Careerlink employees provide assistance for growth based on each assignment
 - Ranks for workers increase motivation for promotions and becoming full-time employees
- **Development of skills** by carefully monitoring each worker's progress
 - A full-time Careerlink supervisor monitors working time and the quality of work to help individuals realize their full potential
 - Use of BPO and CRM training for support for advancement to become a value-added worker
- **A variety of job opportunities for a diverse workforce** in terms of age and other characteristics (see graph on the right)
 - Optimal personnel expenses by sending teams consisting of higher and lower paid workers
 - Provision of job opportunities to many people (the role of a job creation company)

Age Composition of the Temporary Placement Workers

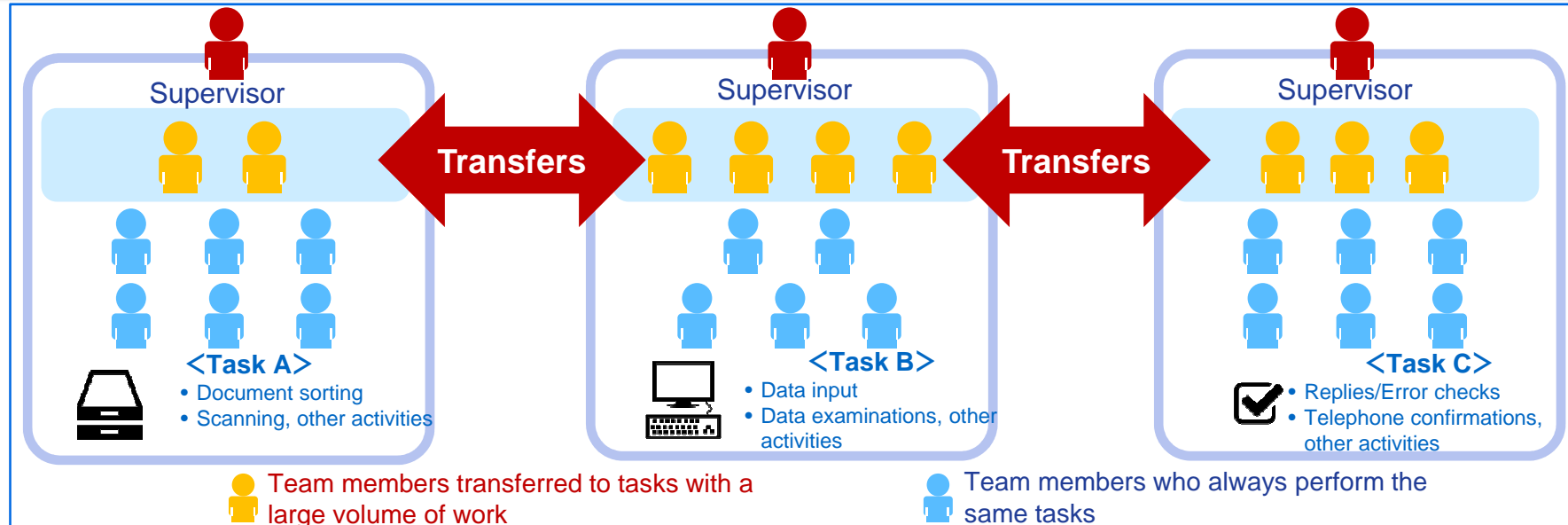


◆ Fiscal 2012 Temporary Worker Survey by the Ministry of Health, Labour and Welfare

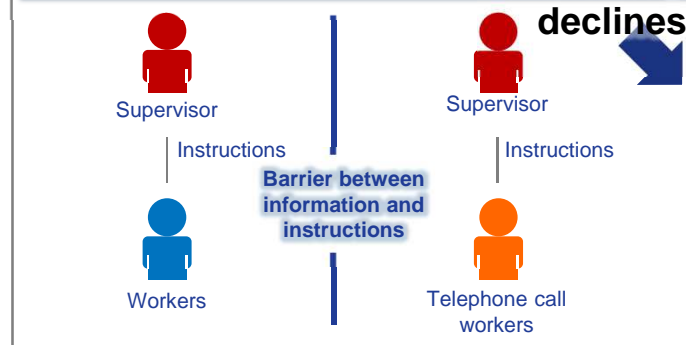
◆ The Careerlink temporary placement workforce (average for the past five years)

Three Key Strengths (3)-2

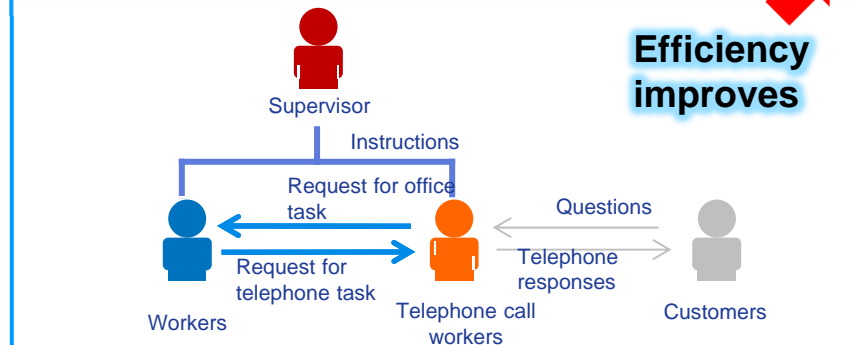
Sending workers in teams improves efficiency



When each job is outsourced to a different company...



When all tasks are outsourced to Careerlink...



Ⅱ . Financial Highlights for the First Half of FY2/16

Financial Highlights of the First Half of FY2/16

Sales

¥7,914 million (+22.0% from one year earlier, +2.4% vs. plan)

- A continuation of strong BPO orders was mainly responsible for first half sales of ¥7,914 million, 22.0% higher than in the first half of FY2/15

Operating income

¥392 million (-4.0% and -13.9% vs. plan)

Ordinary income

¥384 million (-5.3% and -14.3% vs. plan)

Net income

¥238 million (-0.7% and -11.3% vs. plan)

- Employee training for new orders in the BPO business and up-front expenditures for projects starting in the second half held down earnings. Compared with one year earlier, operating income was down 4.0% to ¥392 million, ordinary income was down 5.3% to ¥384 million and net income was down 0.7% to ¥238 million.

Sales by Business Division for the First Half of FY2/16

Business Process Outsourcing

¥4,997 million (+30.7% and +12.4% vs. plan)

- We continued to receive new orders involving current large BPO projects in the Tokyo area. Segment performance also benefited from new orders for private-sector and public-sector BPO projects. As a result, segment sales increased 30.7%.

Customer Relationship Management

¥1,587 million (+5.4% and -16.6% vs. plan)

- Orders from telemarketing firms were sluggish but focused sales activities to capture new orders resulted in a number of new projects. Orders were received in the Tokyo area and elsewhere for contact center and other projects in the public-service and other sectors. As a result, segment sales increased 5.4%.

Manufacturing and Technology

¥762 million (+13.1% and -13.6% vs. plan)

- Orders from pharmaceutical companies remained high and there was an increase in orders from manufacturers of mechanical components and from other companies. As a result, segment sales increased 13.1%.

Office Services

¥566 million (+17.2% and +12.7% vs. plan)

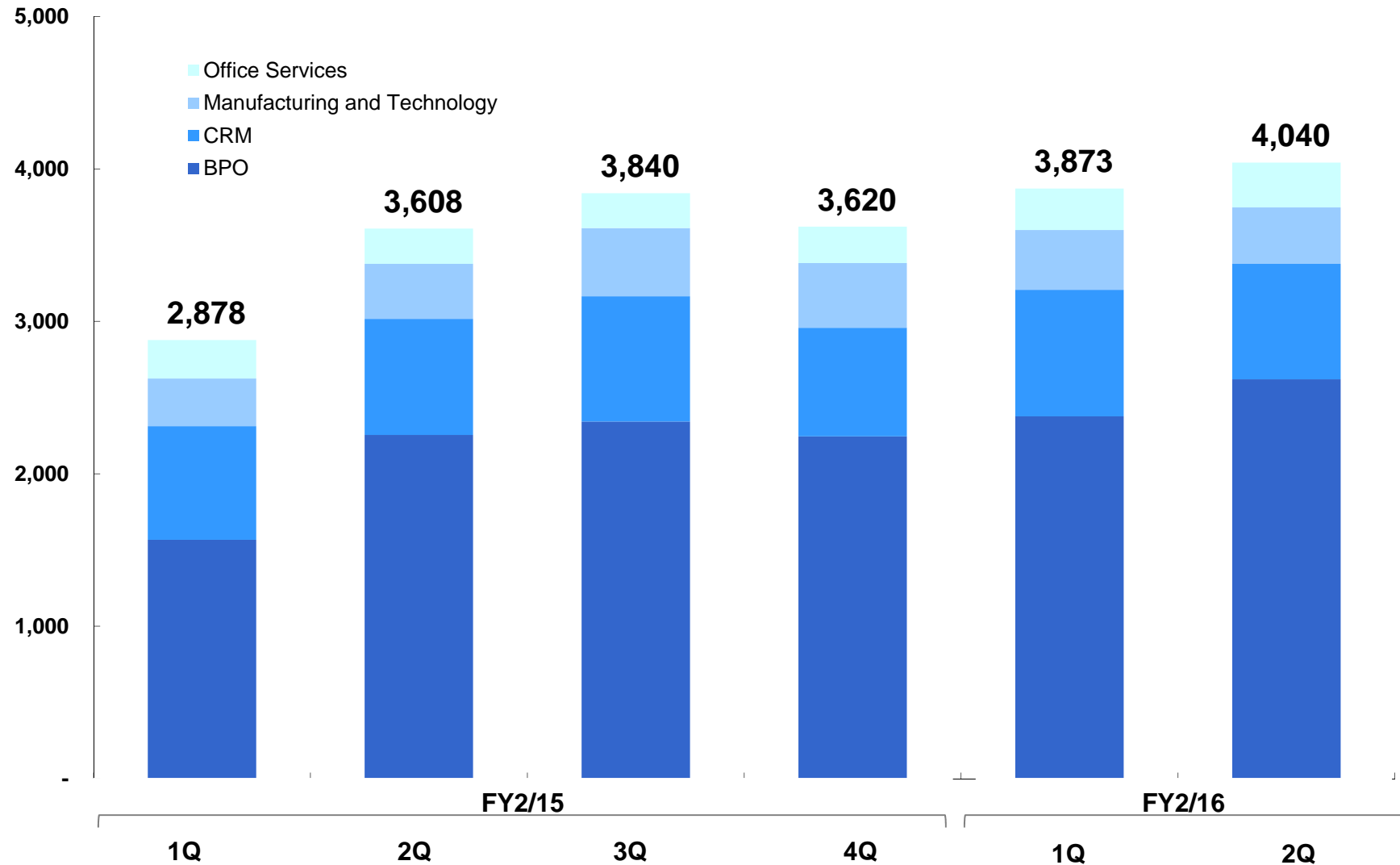
- The performance of this segment was supported by the receipt of new orders such as IT system projects in the Tokyo area and catalog and e-commerce retailer projects in the Fukuoka area. As a result, segment sales increased 17.2%

Statements of Income for the First Half of FY2/16

	Actual for 1H of FY2/15	Plan for 1H of FY2/16 (Announced on April 14, 2015)	Actual for 1H of FY2/16		
	Amount (Million yen)	Amount (Million yen)	Amount (Million yen)	YoY <Upper> Changes (Million yen) <Lower> Changes (%)	Vs. Plan <Upper> Changes (Million yen) <Lower> Changes (%)
Sales	6,486	7,731	7,914	+1,427 (+22.0)	+182 (+2.4)
BPO (Sales Composition)	3,822 (58.9%)	4,444 (57.5%)	4,997 (63.2%)	+1,175 (+30.7)	+553 (+12.4)
CRM (Sales Composition)	1,506 (23.2%)	1,902 (24.6%)	1,587 (20.1%)	+81 (+5.4)	-314 (-16.6)
Manufacturing and Technology (Sales Composition)	674 (10.4%)	882 (11.4%)	762 (9.6%)	+88 (+13.1)	-119 (-13.6)
Office Services (Sales Composition)	483 (7.5%)	502 (6.5%)	566 (7.2%)	+83 (+17.2)	+63 (+12.7)
Operating Income [Operating Income to Sales]	409 [6.3%]	455 [5.9%]	392 [5.0%]	-16 (-4.0)	-63 (-13.9)
Ordinary Income [Ordinary Income to Sales]	406 [6.3%]	448 [5.8%]	384 [4.9%]	-21 (-5.3)	-64 (-14.3)
Net Income [Net Income to Sales]	240 [3.7%]	268 [3.5%]	238 [3.0%]	-1 (-0.7)	-30 (-11.3)

Quarterly Sales

(Million yen)



Financial Condition for the First Half of FY2/16

		End of FY2/15	End of 1H of FY2/16		
		Amount (Million yen)	Amount (Million yen)	Change (Million yen)	Main reasons for changes (Amount in Million yen)
	Current assets	4,902 (92.2%)	4,447 (88.3%)	-455	<ul style="list-style-type: none"> • Investments and other assets +165 • Notes and accounts receivable - trade +54 • Cash and deposits -473
	Noncurrent assets	412 (7.8%)	587 (11.7%)	+175	
	Total assets	5,314 (100.0%)	5,034 (100.0%)	-280	
	Current liabilities	2,635 (49.6%)	2,103 (41.8%)	-532	<ul style="list-style-type: none"> • Long-term loans payable +173 • Bonds payable +87 • Other -315 • Income taxes payable -229 • Accounts payable - other -107
	Noncurrent liabilities	484 (9.1%)	625 (12.4%)	+141	
	Total liabilities	3,119 (58.7%)	2,729 (54.2%)	-390	
	Total net assets	2,194 (41.3%)	2,305 (45.8%)	+ 110	
Total liabilities and net assets		5,314 (100.0%)	5,034 (100.0%)	-280	

Cash Flows for the First Half of FY2/16

	1H of FY2/15	1H of FY2/16		
	Amount (Million yen)	Amount (Million yen)	Main reasons for changes (Amount in Million yen)	
Net cash provided by (used in) operating activities	1,006	-391	<ul style="list-style-type: none"> Income before income taxes Income taxes paid Decrease in accrued consumption taxes Decrease in accounts payable - other Increase in notes and accounts receivable - trade 	+384 -346 -292 -66 -54
Net cash provided by (used in) investing activities	-51	-211	<ul style="list-style-type: none"> Purchase of investment securities Purchase of property, plant and equipment and intangible assets Payments for lease and guarantee deposits 	-99 -66 -42
Free cash flow	955	-603		
Net cash provided by (used in) financing activities	-143	124	<ul style="list-style-type: none"> Proceeds and repayments of long-term loans payable Proceeds from issuance of and redemption of bonds Dividends paid Purchase of treasury shares 	+173 +85 -100 -26
Net increase (decrease) in cash and cash equivalents	811	-478		
Cash and cash equivalents, beginning of period	1,579	3,118		
Cash and cash equivalents, end of period	2,391	2,639		



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Ⅲ. Annual Plan for FY2/16 and Medium-Term Management Plan (FY2/16-FY2/18)

Annual Plan for FY2/16

	Actual for FY2/15		Plan for FY2/16	
	Amount (Million yen)	Change	Amount (Million yen)	Change
Sales	13,948	+20.3%	16,368	+17.4%
Operating Income 【Operating Income to Sales】	831 【6.0%】	+179.9%	951 【5.8%】	+14.4%
Ordinary Income 【Ordinary Income to Sales】	822 【5.9%】	+190.6%	938 【5.7%】	+14.2%
Net Income 【Net Income to Sales】	487 【3.5%】	+201.2%	562 【3.4%】	+15.4%

FY2/16 Strategic Goal 1

BPO growth by using a new operating framework and targeting opportunities associated with Japan's new national identification number system

A New Framework for BPO Growth

1. Upgrade business planning and development function and quality management function, make the Business Promotion Department autonomous, and strengthen relationships with BPO vendors and other companies
2. Establish a Training Center to strengthen education and training capabilities for upgrading the skills of employees
3. Reinforce human resources development capabilities by integrating coordination and recruiting operations



FY2/16 Strategic Goal 1 Progress Report

Established a new framework for BPO growth

Business Promotion Dept.

- Business planning
- Quality management
- Business departments

Improved ability to offer proposals to BPO vendors, financial service companies and local governments

Recruiting people from large BPO vendors, temporary staffing companies and other companies

Training Center

Established a Training Center at the head office to strengthen employee training programs

Human Resources Development Dept.

- Coordination
- Recruiting

Conducted activities for strengthening capabilities

Selected 73 new college graduates to join Careerlink starting in April 2016

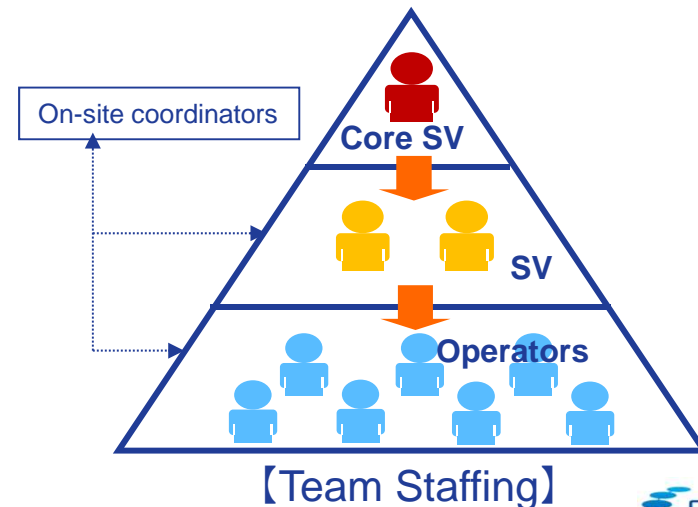
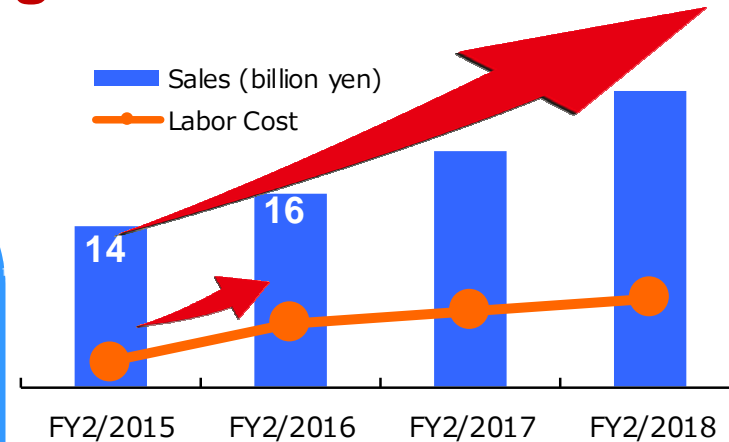
FY2/16 Strategic Goal 2

Private-sector BPO Growth for Financial Institutions and System Integrators

Further strengthen “team staffing” centered on people with an unlimited employment period and outstanding skills and professional certifications

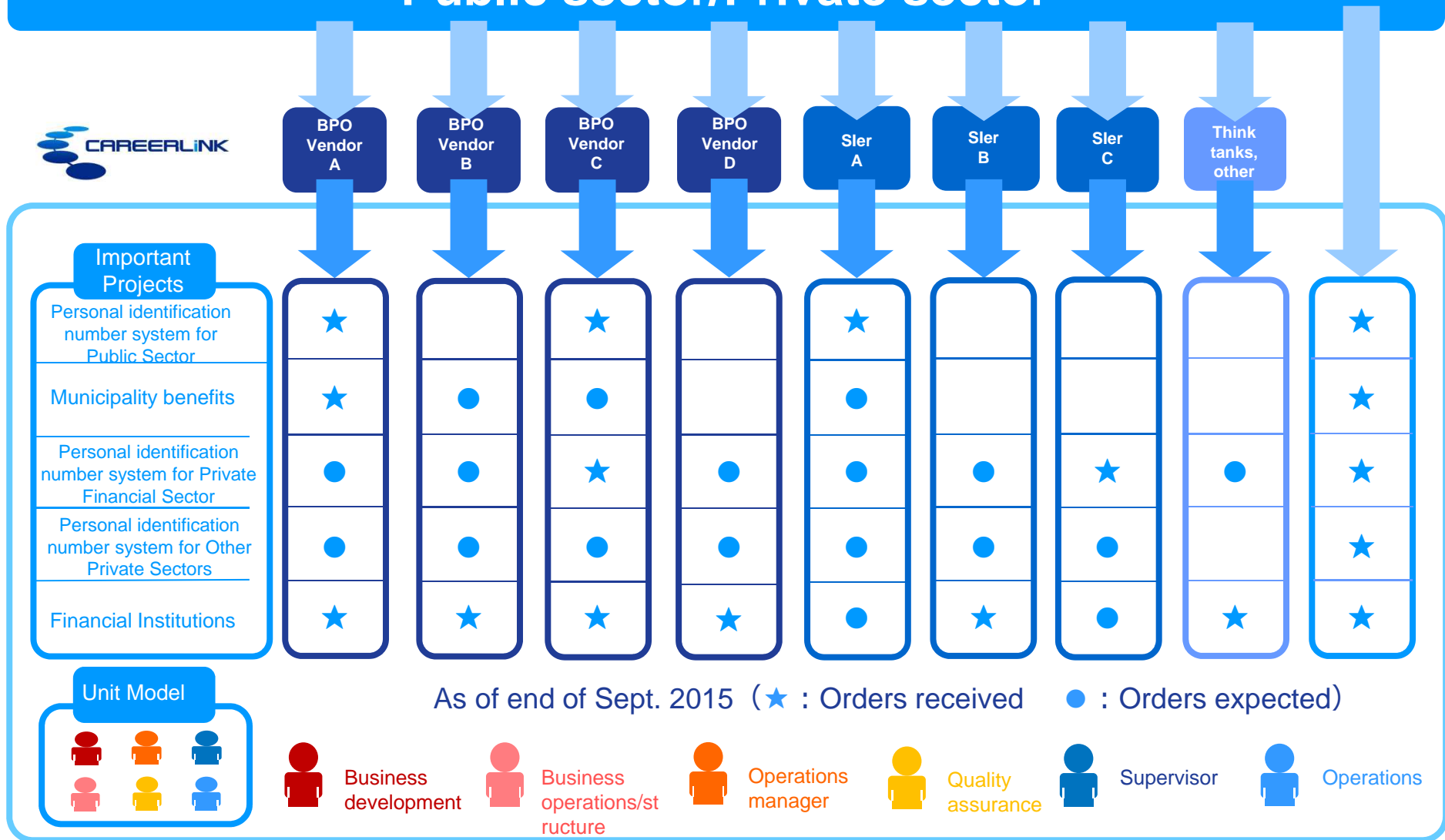


1. Use career path system to increase number of employees on assignments
2. Hire more employees with an unlimited length of employment
3. Recruit people with outstanding skills and qualifications



FY2/16 Strategic Goal 2 Progress Report (1/2)

Public sector/Private sector



FY2/16 Strategic Goal 2 Progress Report (2/2)

Identification number projects

- Taito Ward
- Ota Ward
- Musashino City
- Fuchu City
- Matsudo City
- Tokorozawa City
- Kyoto City
- Nishinomiya City
- Suita City
- Himeji City
- Others

Low-income supplementary payment projects

- Sendai City
- Adachi Ward
- Koto Ward
- Kokubunji City
- Matsubara City
- Higashi Osaka City
- Himeji City
- Others

- Identification number projects
- Low-income supplementary payment projects

As of October 7:

23 orders received from 22 local governments

Captured about **40%** of personal identification number proposal projects



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The Operating Environment (1) Public-sector Projects

National and Local Government Agencies

- Increasing need for outsourcing as governments cut costs to improve financial soundness
- Shift from public to private sector in order to improve services and efficiency
- General view is that tasks the private sector can perform should be shifted to the private sector

Main sources of upcoming growth in demand for BPO

**Personal
identification number
system**

**Tax increase
procedures**

**Deregulation
(market tests)**

The Operating Environment (2) Private-sector Projects

Private-sector Companies

- Business domain shifts and expansion associated with structural change in various industries
- Need to transform fixed expenses into variable expenses in order to focus on core businesses
- Full-scale start of vertical reforms by outsourcing parts of the value chain

Main sources of upcoming growth in demand for BPO

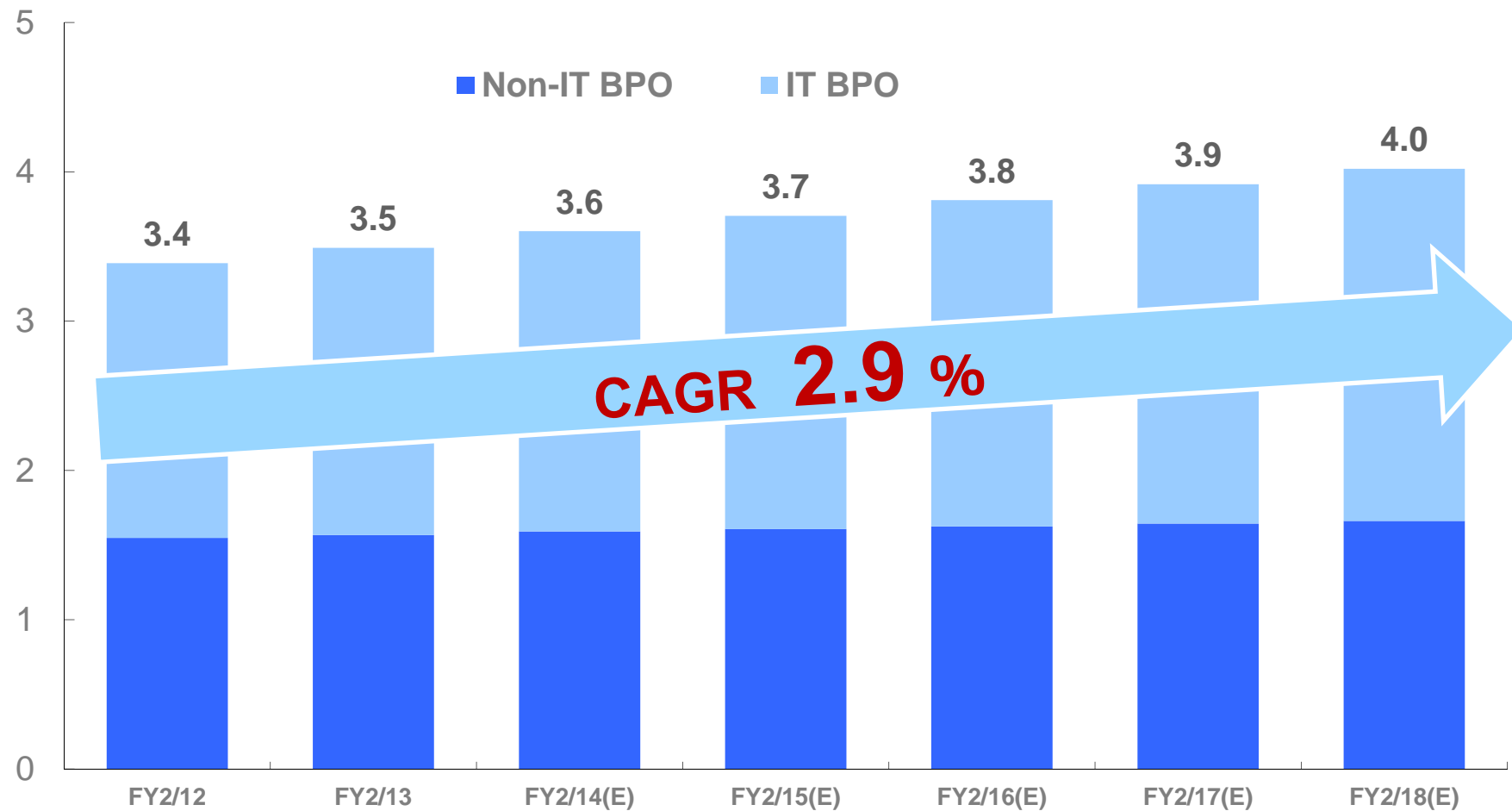
**Great East Japan
Earthquake reconstruction
activity**

**Financial institutions (tax-
exempt saving accounts,
education funding, data
operations)**

**Updates of IT systems at
large companies**

BPO Market Growth

(Trillion yen)



Source: Yano Research Institute BPO market 2014

Speed up the growth strategy with the BPO Business as the driving force

Strategy 1

Sales growth

- Growth by targeting demand created by Japan's personal identification number system
- Target high-volume BPO projects in the private and public sectors

Strategy 2

Reinforce proposal and operational skills

- Increase skills and quality concerning the creation of project proposals
- Increase the use of teams for temporary staffing

Strategy 3

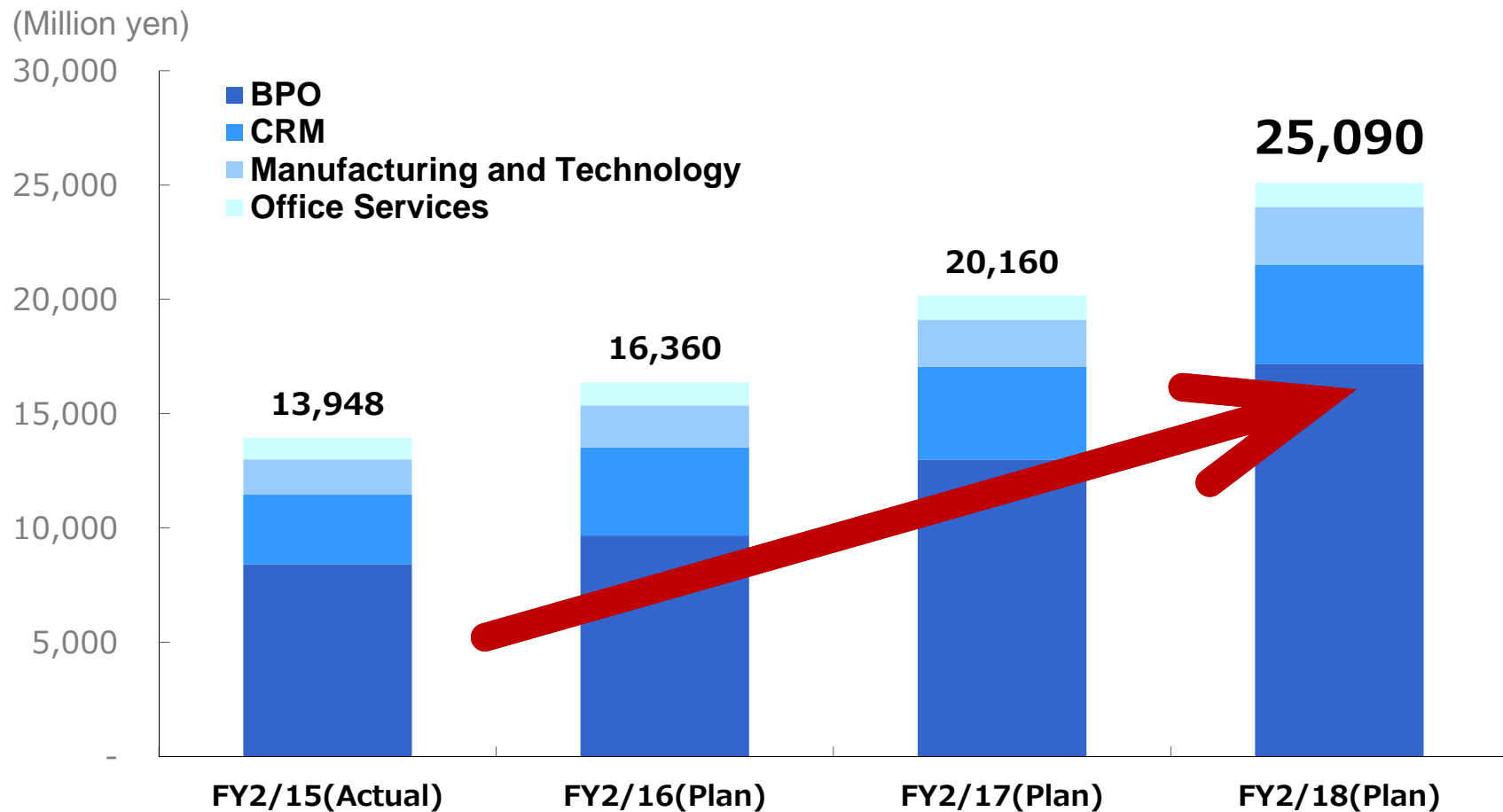
Mergers and acquisitions

- Use mergers and acquisitions to extend BPO operations into new business domains

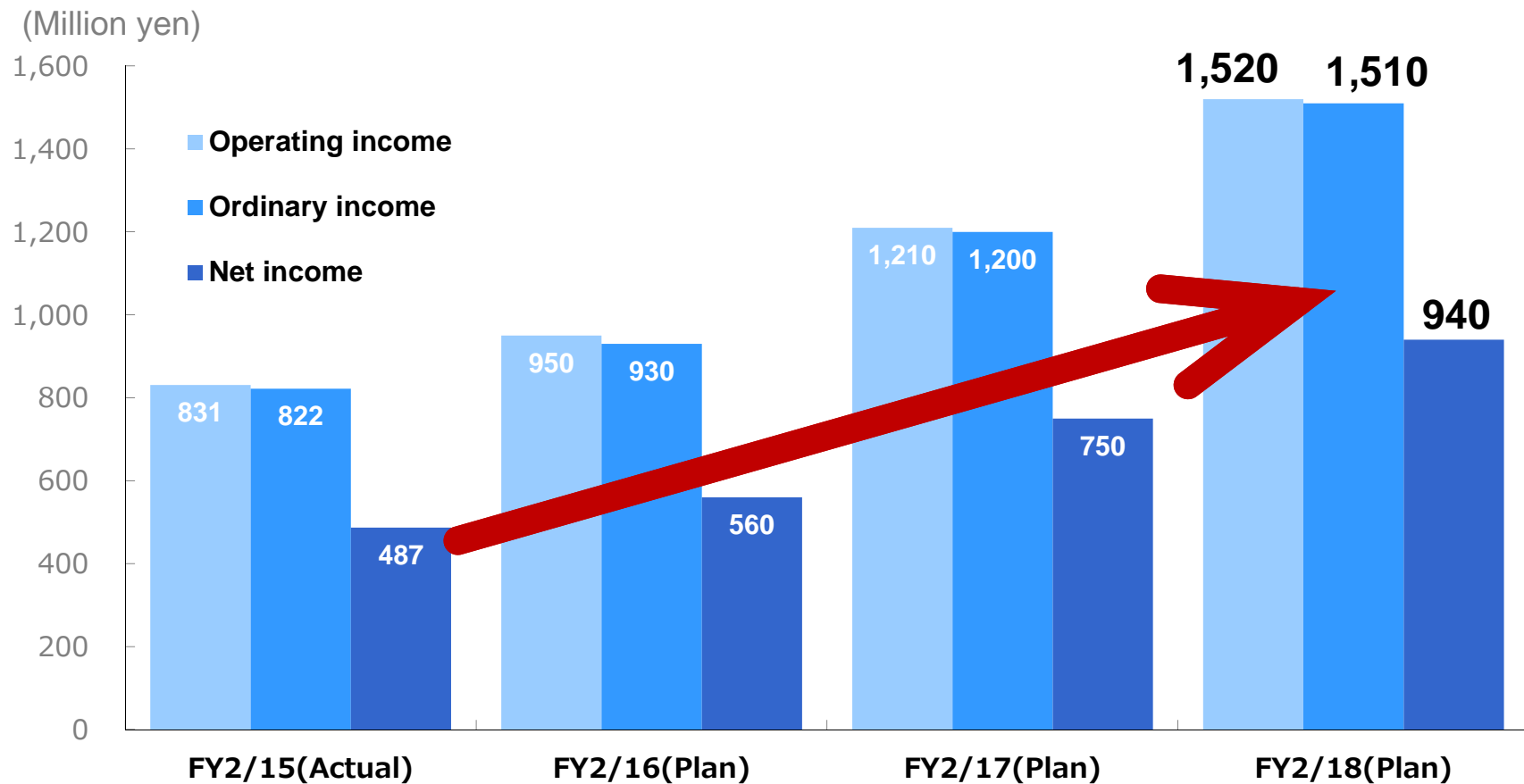
FY2/18 Goals: Sales of ¥25 billion and net income of ¥940 million

(Million yen)	Actual for FY2/15		Plan for FY2/18
Sales	13,948		25,090
Operating Income	831		1,520
[Operating Income to Sales]	[6.0%]		[6.1%]
Ordinary Income	822		1,510
[Ordinary Income to Sales]	[5.9%]		[6.0%]
Net Income	487		940
[Net Income to Sales]	[3.5%]		[3.8%]

Goal: Sales of **¥25 billion** in FY2/18, **80%** higher than in FY2/15



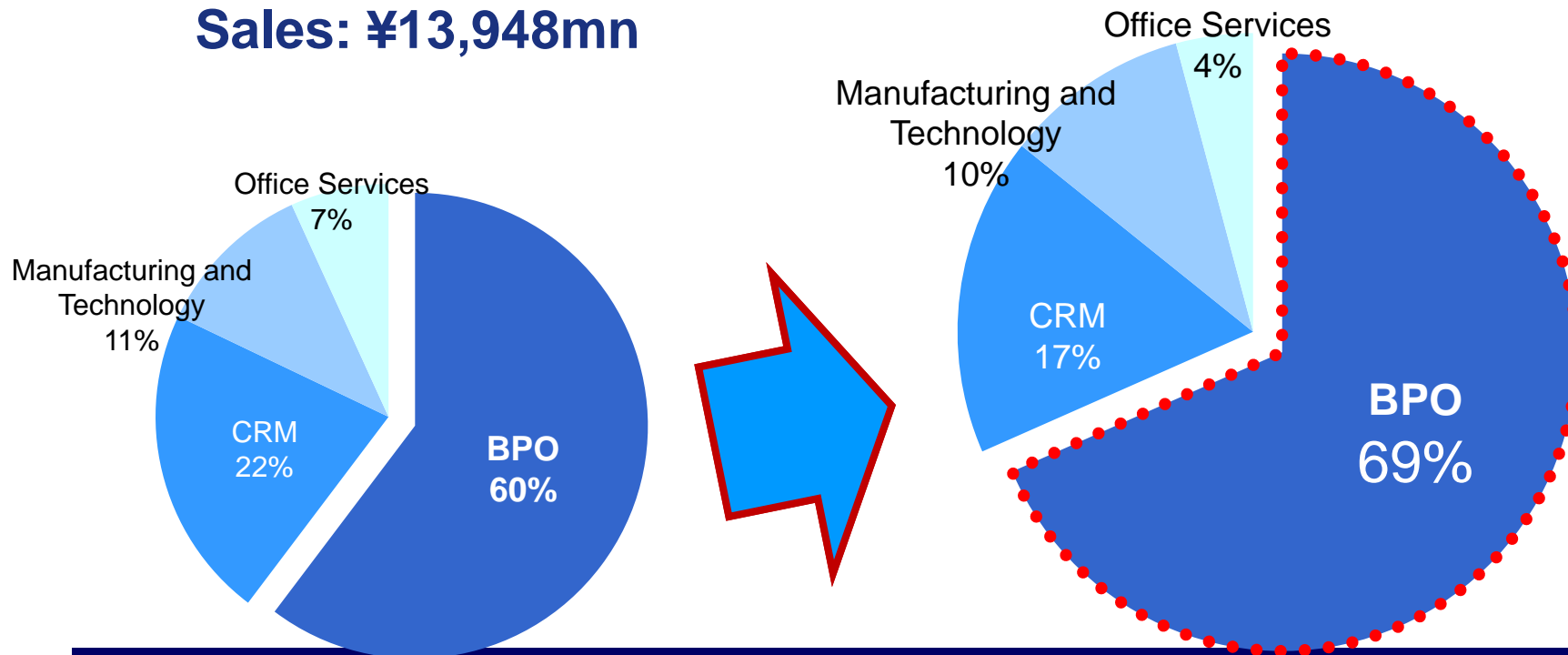
**FY2/18 Goals: Ordinary Income of ¥1520 million, Net Income of ¥940 million
Operating Income 84%, Ordinary Income 85%, Net Income 94% higher than
FY2/15**



The goal is a **70%** share of sales for BPO, which will be the main source of growth

**FY2/18 (Plan)
Sales: ¥25,090mn**

**FY2/15 (Actual)
Sales: ¥13,948mn**



Goal: Use high-quality BPO services to rank first in BPO customer satisfaction

1

Build on capabilities as a BPO solution provider and aim for Tier 1, which includes IT and other upstream processes.

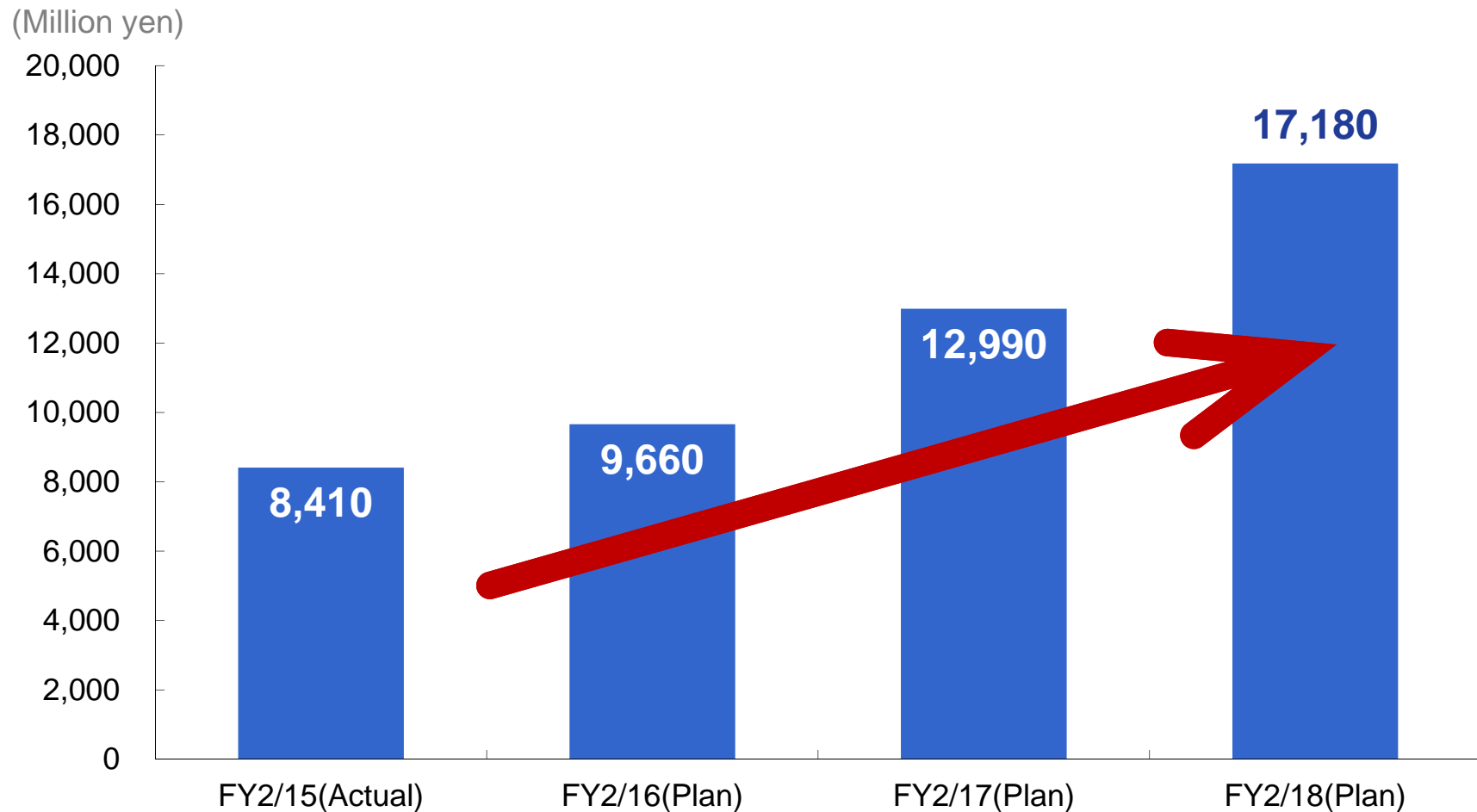
2

Use quality operations at personal identification number and other projects to earn a reputation for excellence among customers; leverage this reputation to achieve steady growth in the volume of BPO services provided.

3

Make Careerlink synonymous with outstanding quality; further improve quality to make the Careerlink brand even more powerful and continue growing.

Goal: Sales of **¥17,180 million** in the core BPO Business,
104% higher than in FY2/15



Increase earnings by making highly profitable projects the primary target

1

Make highly profitable CRM projects the main target while also capturing orders for peripheral operations in order to contribute to growth in BPO orders.

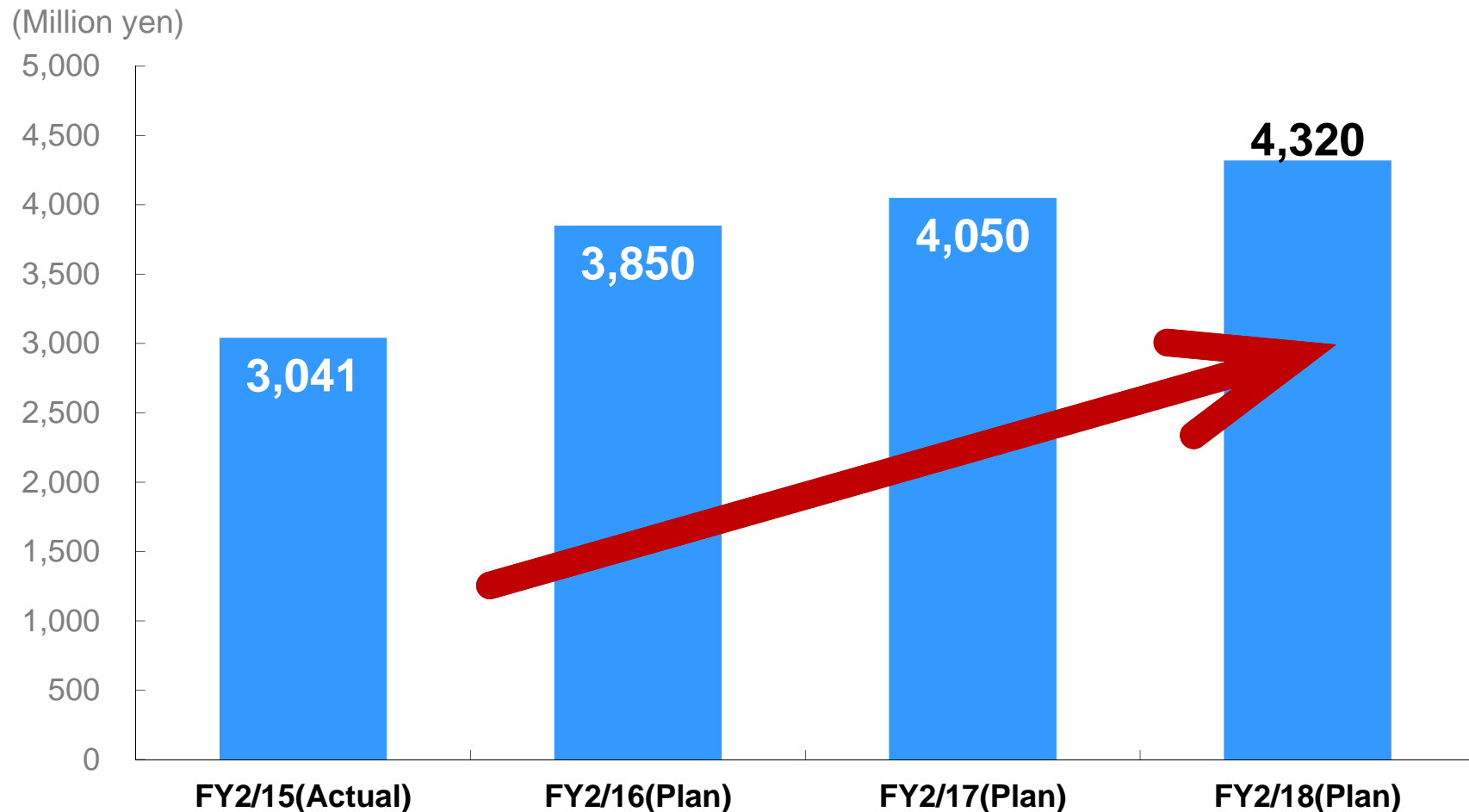
2

Improve the quality of the temporary placement workforce and increase unit prices every year.

3

Increase earnings by using KPI for regular and team temporary placement services, raising efficiency and achieving higher customer satisfaction.

Goal: Sales of **¥4,320 million** in the CRM Business,
42% higher than in FY2/15



Use growth and the provision of quality workers to generate strong earnings

1

Implement strategies for opportunities created by the production recovery in Japan's manufacturing sector and the labor shortage in the distribution industry.

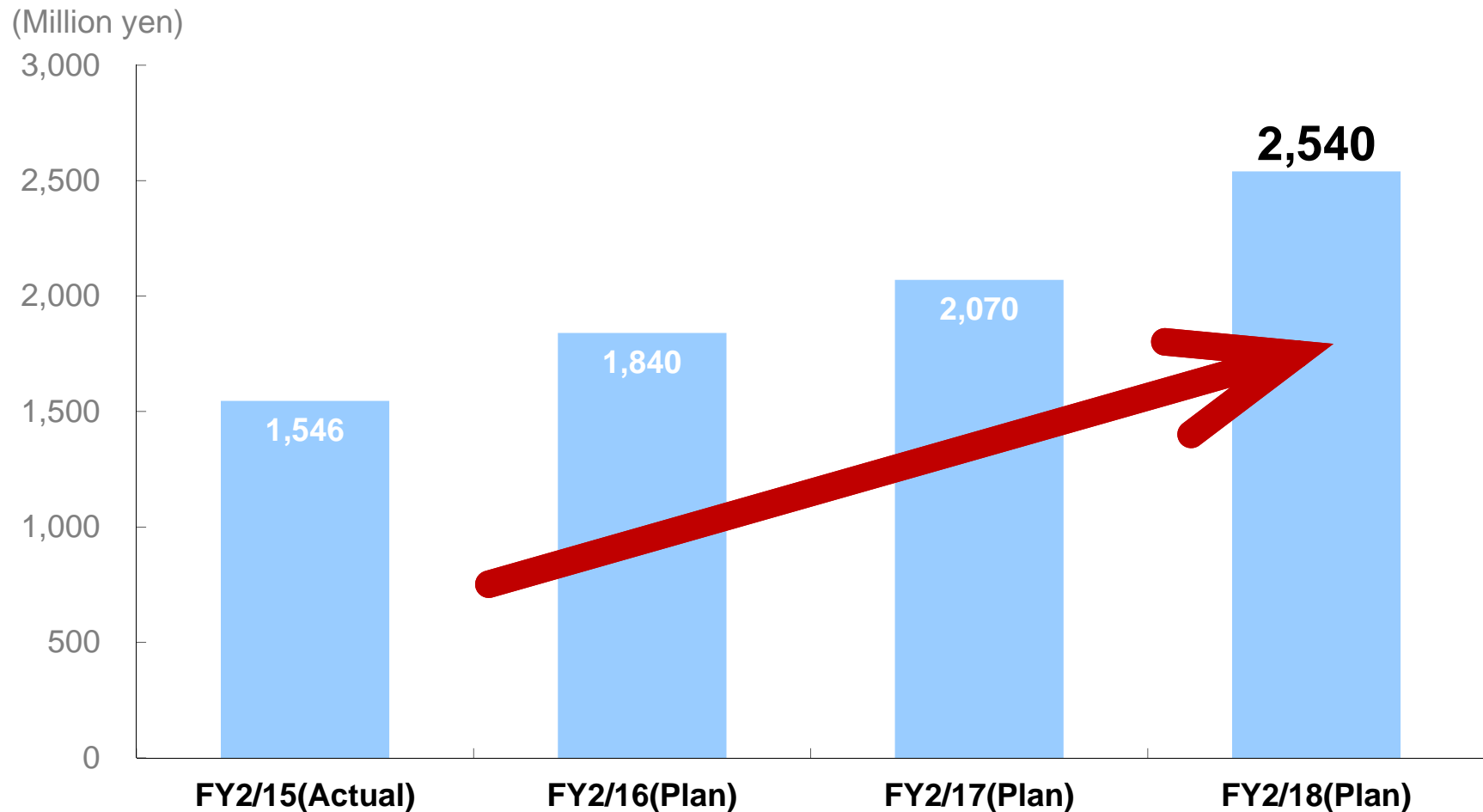
2

Make highly profitable manufacturing/technology projects the main target while also capturing orders for peripheral operations in order to contribute to growth in BPO orders.

3

Increase the effectiveness of career paths and use a hybrid business model that combines unlimited employment, long-term employment and regular staffing.

Goal: Sales of ¥2,540 million in the Manufacturing and Technology Business, 64% higher than in FY2/15



Shift to a highly profitable temporary staffing business model centered on unlimited and long-term employment

1

Increase the effectiveness of career paths and use a hybrid business model that combines unlimited employment, long-term employment and regular staffing.

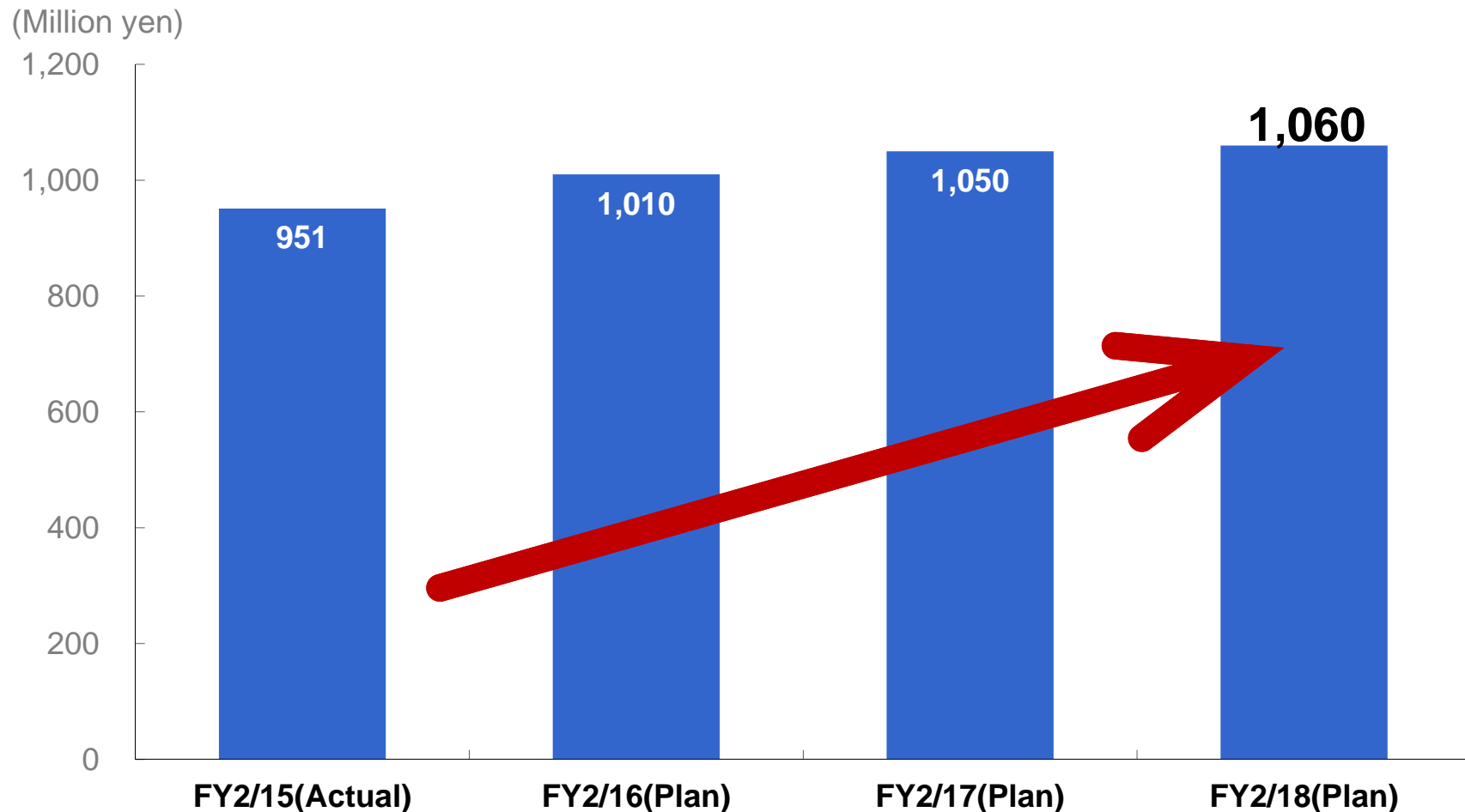
2

Increase the number of workers with unlimited employment periods by improving compensation and benefits for outstanding employees, increasing temporary staffing rates and use the career path program.

3

Increase BPO orders by strategically deploying unlimited employment period personnel and targeting tasks associated with highly profitable ordinary office work projects.

**Goal: Sales of ¥1,060 million in the Office Services Business,
11% higher than in FY2/15**

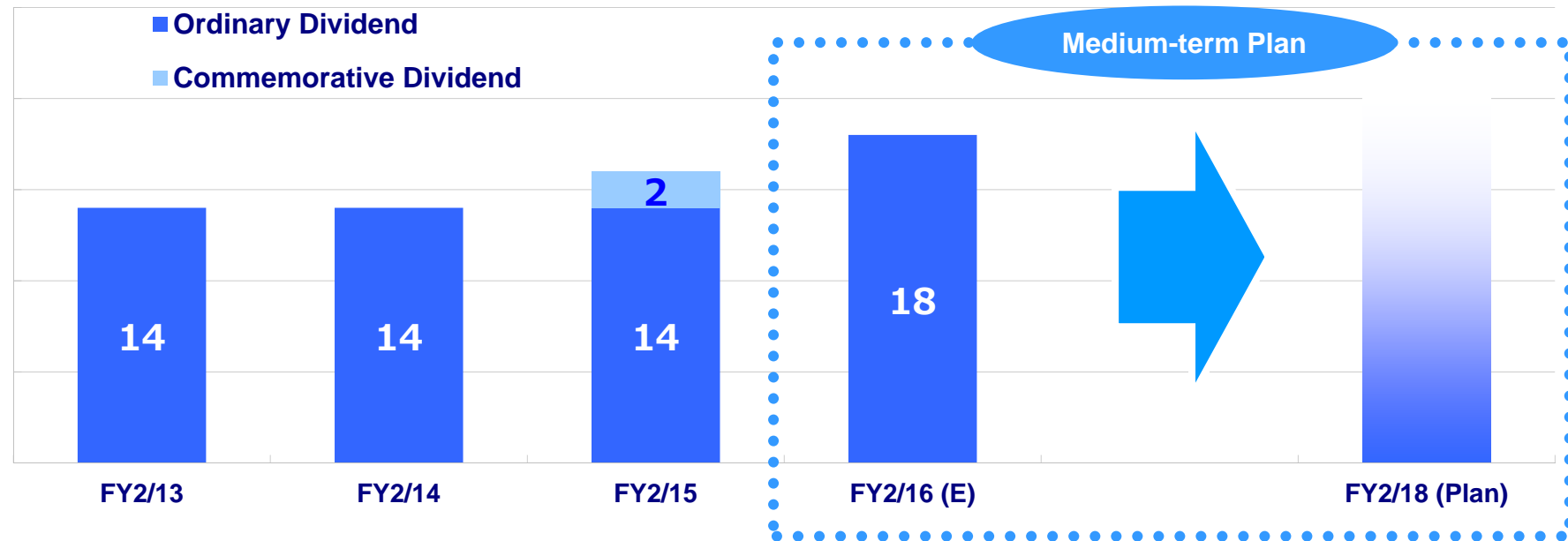


Shareholder Distributions (1)

Distribution policy during the medium-term plan

In accordance with the basic policy for shareholder distributions, shareholders will receive an annual dividend of ¥18 per share and QUO cards (¥1,000 for 100 to 299 shares and ¥2,000 for 300 shares or more). Careerlink may consider additional distributions based on results of operations and other factors.

Dividend per Share



Shareholder Distributions (2)

Shareholder Gift

- ◆ Record date: End of August
- ◆ Gift: Original QUO card
 - 100 to less than 300 shares ⇒ ¥1,000
 - 300 shares and above ⇒ ¥2,000

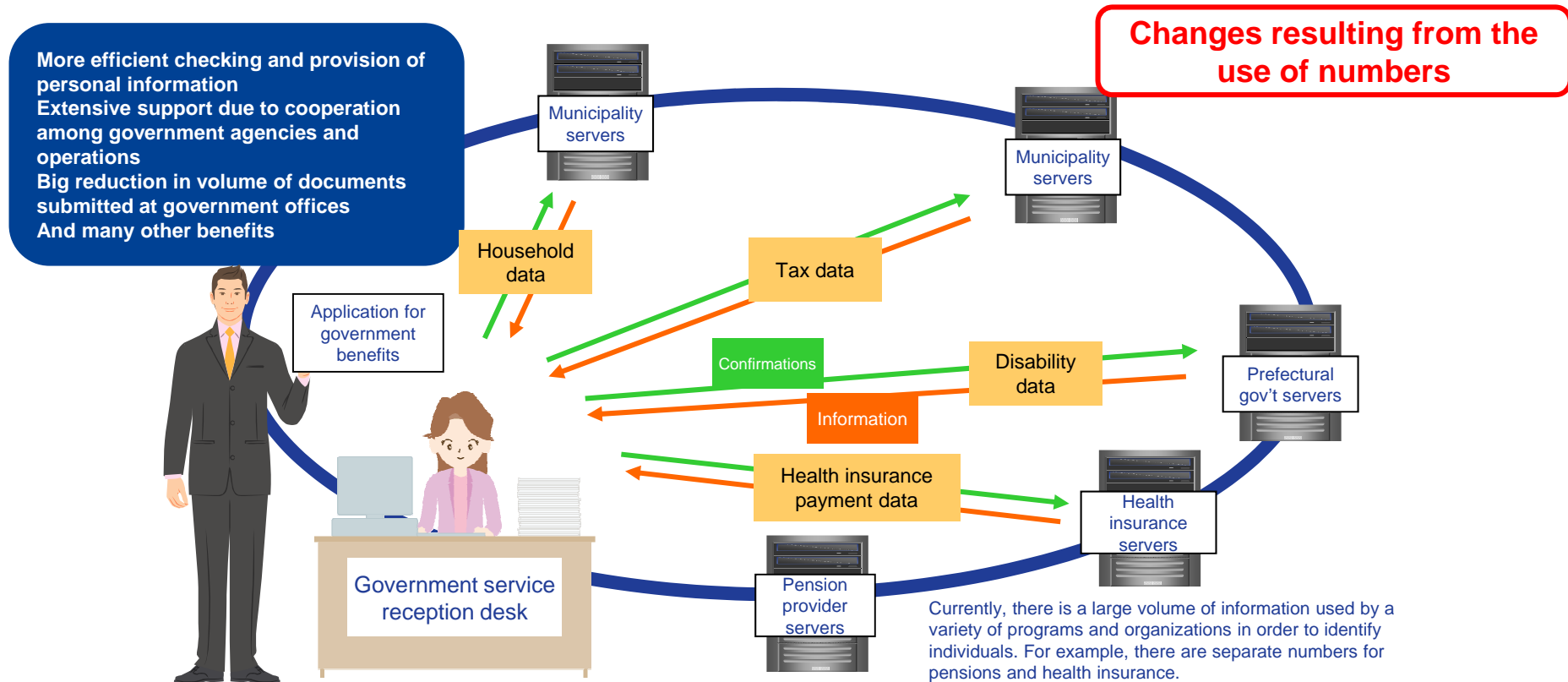


(Reference) Japan's Personal Identification Number System (1)

Summary of the social security and tax number system

- Starting in October 2015, every registered resident of Japan received a 12-digit personal identification number.
- Number notification cards were sent by cities and other municipalities.
- After receiving a notification card, people submit an application at their respective municipalities to receive a personal identification number card.
- As a rule, these numbers will remain the same for an individual's entire life.

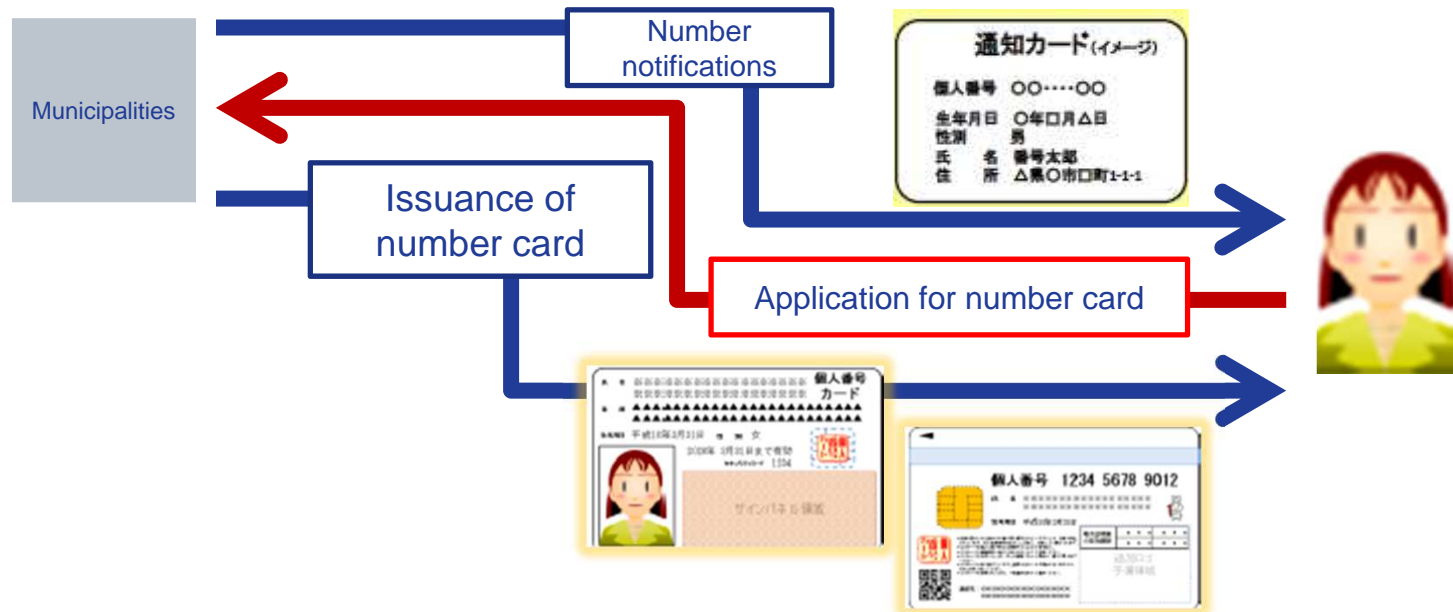
Why has Japan started using this system?



(Reference) Japan's Personal Identification Number System (2)

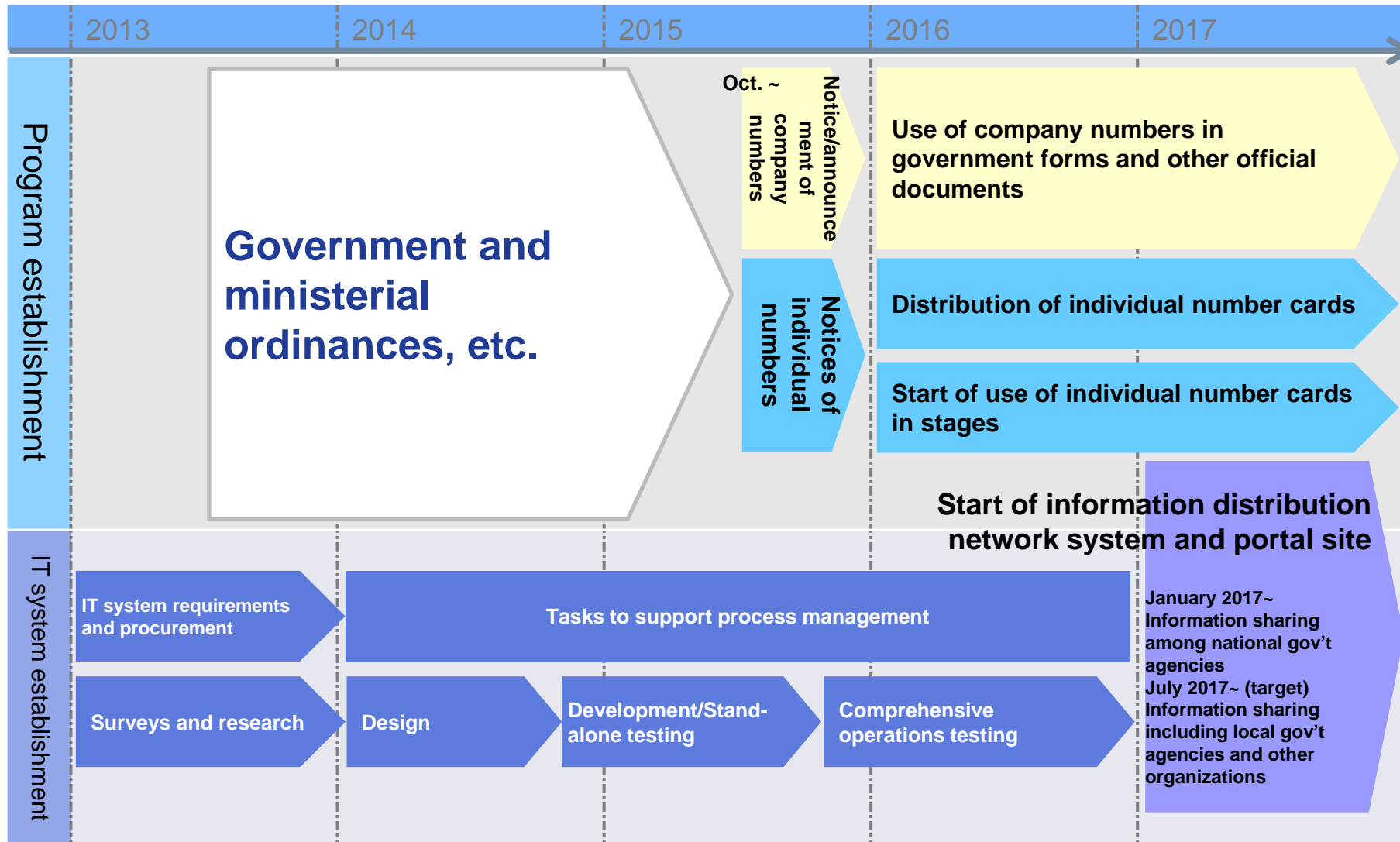
Personal Identification Number Timetable

October 2015	Start of distribution of notification cards
January 2016	Start of distribution and use of number cards
January 2017	National government agencies can begin using numbers
July 2017	National and local governments can share numbers
Fall of 2018	May expand number use to the private sector



Source: Personal Identification Number System Overview, July 2014, Cabinet Secretariat and Cabinet Office

(Reference) Personal Identification Number Road Map



Source: Personal Identification Number System Overview, July 2014, Cabinet Secretariat and Cabinet Office

(Reference) Summary of Amendments to the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers

1. Activities of the specified worker dispatching business

- For the sound advancement of the worker dispatching business, the separation of the specified worker dispatching business (notice required)*1 and general worker dispatching business (license required)*1 has been terminated. Now all worker dispatching businesses must receive a license.

*1 Specified worker dispatching: Dispatched workers are solely regularly employed workers
General worker dispatching: Dispatched workers are not solely regularly employed workers

2. Limit on length of dispatched workers' assignments

- Under the current system, there is no limit on the length of an assignment for the so-called 26 tasks, which include specialized tasks and other activities. For other tasks, the limit is, in principle, one year with a three-year limit for some exceptions. These limits have been eliminated mainly because they are difficult to understand. Now for all tasks there is a limit of three years for the assignments of each dispatched individual*2 and for each place of business where workers are sent (workplace limit can be extended in some cases).
- When a dispatched worker reaches the new time limit and wishes to remain a dispatched worker, the operator of a worker dispatching business is required to take steps to keep that individual employed, such as by locating a new assignment.

*2 Time limit for individual workers: Three years of continuous assignment of a dispatched worker to the same organizational unit of a client
Time limit for workplaces: Three years of continuous assignment of a dispatched worker to the same place of business. However, if workers' opinions are received via a labor union or other organization or person representing the majority of workers at the client's place of business, a three-year extension is possible (and similarly again after three years).

3. Equal treatment of dispatched workers and career advancement opportunities

- There are stricter measures for ensuring the equal treatment of dispatched workers by the operator of a worker dispatching business and the client.
- To give dispatched workers opportunities for career advancement, operators of worker dispatching businesses are required to conduct education and training programs based on a plan and perform other activities.

Source: Summary of Amendments to the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers, Ministry of Health, Labour and Welfare

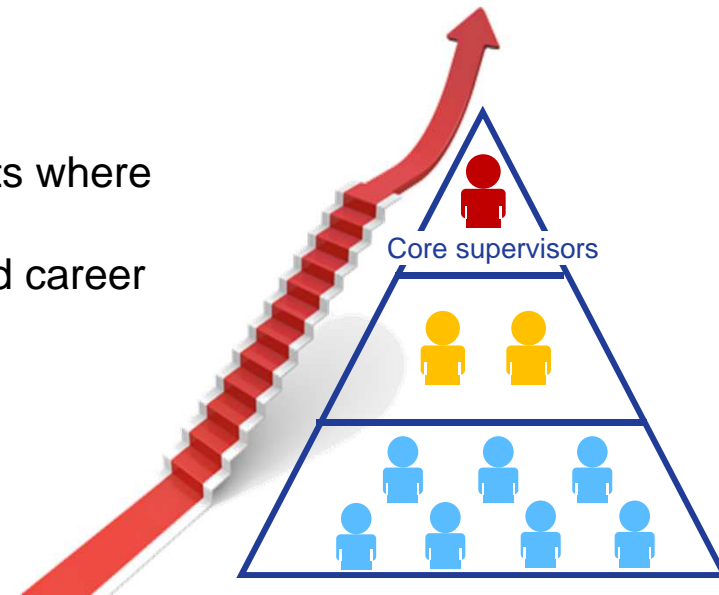
(Reference) Major Careerlink Actions Associated with the Worker Dispatching Act Amendments

Termination of specified worker dispatching

- This action will undoubtedly force very small specified worker dispatching companies out of business due to competition.
 - Careerlink will aggressively seek opportunities for acquisitions.

New time limits

- Increase unlimited-time temporary staffing assignments where there is no time limit for each worker
- Start using the restricted regular employee system and career path system
 - General operators (limited period)
 - Supervisors (limited, long-term, unlimited)
 - On-site managers, core supervisors (unlimited)



Career advancement

- More career consulting support, establish career consulting program
- Establish programs to help workers obtain professional qualifications

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