

# Earnings Presentation

## Fiscal Year Ended February 2016

### CAREERLINK CO., LTD

April 21 (Thu.), 2016

Chairman & Representative Director

Yasuhiko Kondo

President & Representative Director /  
President & Executive Officer

Motoaki Narusawa


# 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. Financial Highlights for the FY2/16**
  
-  **II. Annual Plan for FY2/17 and  
Medium-Term Management Plan  
(FY2/17-FY2/19)**
  
-  **III. Reference**

# I. Financial Highlights for the FY2/16

# Financial Highlights

## Sales

**¥16,607 million (+19.1% from previous year, +1.5% vs. plan)**

- A continuation of strong BPO orders was mainly responsible for sales of ¥16,607 million, 19.1% higher than the FY2/15

## Operating income

**¥958 million (+15.2% and +0.7% vs. plan)**

## Ordinary income

**¥944 million (+14.9% and +0.6% vs. plan)**

## Net income

**¥591 million (+21.3% and +5.1% vs. plan)**

- Although the rate of growth was less than for sales chiefly because of higher worker training expenses for new temporary staffing assignments. Operating income increased 15.2% to ¥958 million, ordinary income increased 14.9% to ¥944 million and net income increased 21.3% to ¥591 million.

## Record-high Net Income

# Sales by Business Division

## Business Process Outsourcing

**¥ 10,853 million (+29.1% and +12.3% vs. plan)**

- Orders for large BPO projects in the Tokyo area as in the previous fiscal year and the volume of new private-sector BPO orders increased. Public-sector BPO orders were higher than planned due mainly to activities involving Japan's new personal identification number system and special government benefit payments. Sales in this business increased 29.1%.

## Customer Relationship Management

**¥2,931 million (-3.6% and -23.9% vs. plan)**

- There were new orders for temporary staffing and other services at contact centers of communications carriers in the Tokyo area and other regions of Japan. However, the low level of temporary staffing services for telemarketing companies caused sales to decline 3.6%.

## Manufacturing and Technology

**¥1,632 million (+5.6% and -11.4% vs. plan)**

- Orders from food processing and pharmaceutical companies remained high, resulting in a 5.6% increase in sales.

## Office Services

**¥1,189 million (+25.1% and +17.9% vs. plan)**

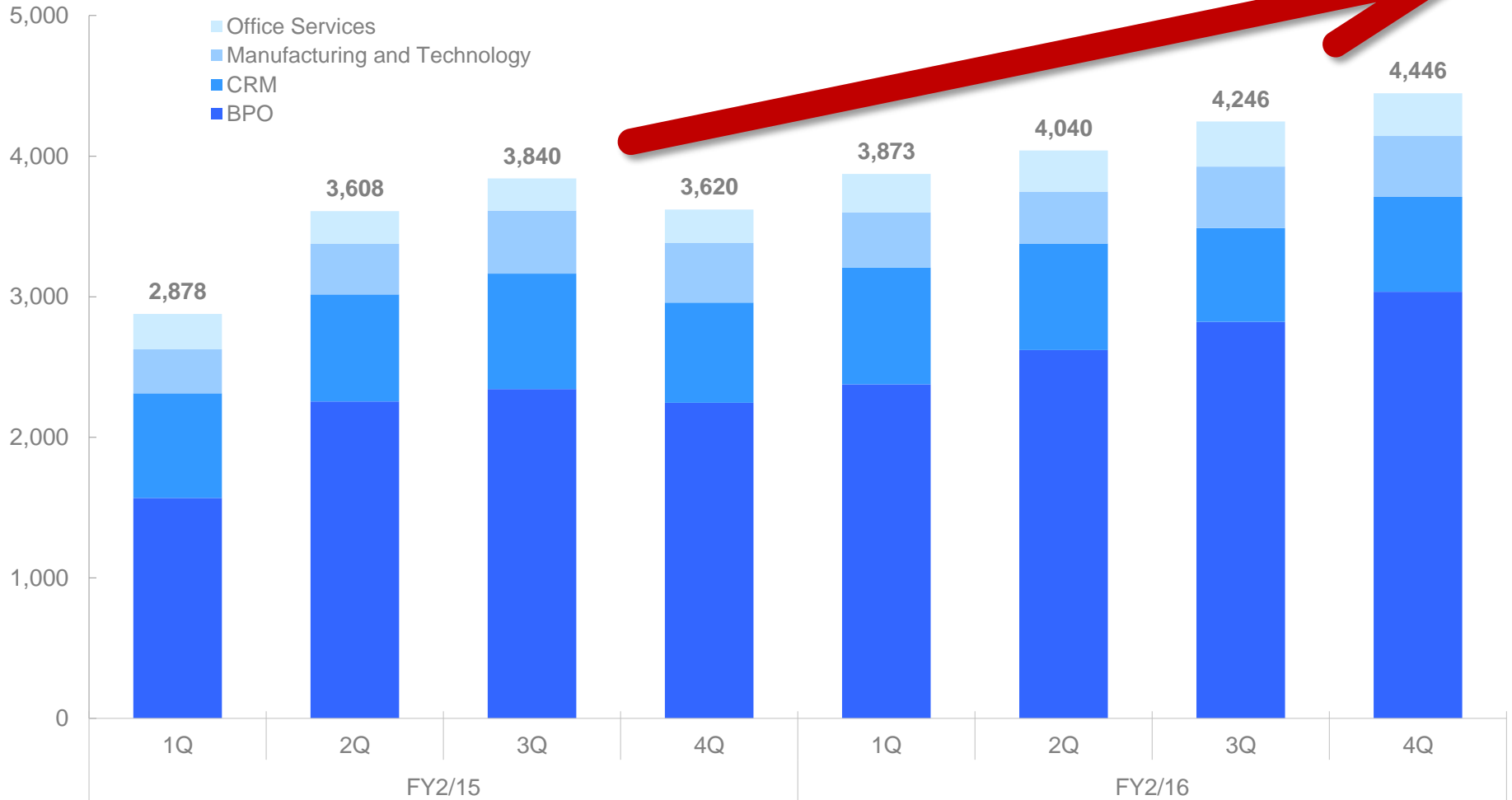
- Mainly to the higher volume of existing orders including business operations center tasks and new orders from financial institutions, sales increased 25.1%.

# Statements of Income

	Actual for FY2/15	Plan for FY2/16 (Announced on April 14, 2015)	Actual for FY2/16		
	Amount (Million yen)	Amount (Million yen)	Amount (Million yen)	Vs. FY2/15 Variance (Million yen / %)	Vs. Plan
<b>Sales</b>	13,948	16,368	16,607	+ 2,658 (+19.1)	+ 238 (+1.5)
<b>BPO</b> (Sales Composition)	8,410 (60.3%)	9,664 (59.0%)	10,853 (65.4%)	+ 2,443 (+29.1)	+ 1,189 (+12.3)
<b>CRM</b> (Sales Composition)	3,040 (21.8%)	3,853 (23.5%)	2,931 (17.7%)	-109 (-3.6)	-922 (-23.9)
<b>Manufacturing and Technology</b> (Sales Composition)	1,546 (11.1%)	1,842 (11.3%)	1,632 (9.8%)	+86 (+5.6)	-209 (-11.4)
<b>Office Services</b> (Sales Composition)	950 (6.8%)	1,009 (6.2%)	1,189 (7.2%)	+ 239 (+25.1)	+180 (+17.9)
<b>Operating Income</b> 【Operating Income to Sales】	831 【6.0%】	951 【5.8%】	958 【5.8%】	+ 126 (+15.2)	+ 6 (+0.7)
<b>Ordinary Income</b> 【Ordinary Income to Sales】	822 【5.9%】	938 【5.7%】	944 【5.7%】	+ 122 (+14.9)	+ 5 (+0.6)
<b>Net Income</b> 【Net Income to Sales】	487 【3.5%】	562 【3.4%】	591 【3.6%】	+ 103 (+21.3)	+ 28 (+5.1)

# Quarterly Sales

(Million yen)





# Financial Condition

		End of FY2/15	End of FY2/16		
		Amount (Million yen)	Amount (Million yen)	Variance (Million yen)	Main reasons for changes (Million yen)
	Current assets	4,902 (92.2%)	4,900 (87.2%)	-2	<ul style="list-style-type: none"> <li>• Investments and other assets +280</li> <li>• Intangible assets +28</li> <li>• Cash and deposits -555</li> <li>• Accounts receivable - trade +516</li> <li>• Work in process +62</li> </ul>
	Noncurrent assets	412 (7.8%)	719 (12.8%)	+307	
	Total assets	5,314 (100.0%)	5,620 (100.0%)	+305	
	Current liabilities	2,635 (49.6%)	2,476 (44.1%)	-158	<ul style="list-style-type: none"> <li>• Current portion of long-term loans payable +116</li> <li>• Accrued expenses +27</li> <li>• Advances received +71</li> <li>• Deposits received -74</li> <li>• Provision for bonuses +21</li> <li>• Income taxes payable -179</li> <li>• Accrued consumption taxes -151</li> </ul>
	Noncurrent liabilities	484 (9.1%)	484 (8.6%)	0	
	Total liabilities	3,119 (58.7%)	2,961 (52.7%)	-158	
	Total net assets	2,194 (41.3%)	2,658 (47.3%)	+463	
	Total liabilities and net assets	5,314 (100.0%)	5,620 (100.0%)	+305	
				<ul style="list-style-type: none"> <li>• Net income +591</li> <li>• Dividends paid -100</li> <li>• Establishment of a trust for an employee stock ownership plan (purchase of treasury shares) -26</li> </ul>	

# Cash Flows

		FY2/15	FY2/16	
		Amount (Million yen)	Amount (Million yen)	Main reasons for changes (Million yen)
Operating activities	1,724	-203	• Income before income taxes	+122
			• Increase in inventories	-58
			• Decrease in accounts payable	-340
			• Decrease in accrued consumption taxes	-840
			• Income taxes paid	-476
			• Income taxes refund	-123
			• Other	-205
Investing activities	-86	-273	• Time deposits	+67
			• Purchase of property, plant and equipment / intangible assets	-22
			• Purchase of investment securities	-198
			• Lease and guarantee deposits	-35
Free cash flow	1,638	-476		
Financing activities	-99	-23	• Decrease in short-term loans payable	-42
			• Proceeds / redemption of long-term loans payable	+136
			• Proceeds / redemption of issuance of bonds	+29
			• Purchase of treasury shares	-26
			• Dividends paid	-14
Net increase (decrease) in cash and cash equivalents	1,538	-500		
Cash and cash equivalents, beginning of period	1,579	3,118		
Cash and cash equivalents, end of period	3,118	2,617		

# 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**

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

### A New Framework for BPO Growth



# FY2/16 Strategic Goal 1 Achievement

## 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

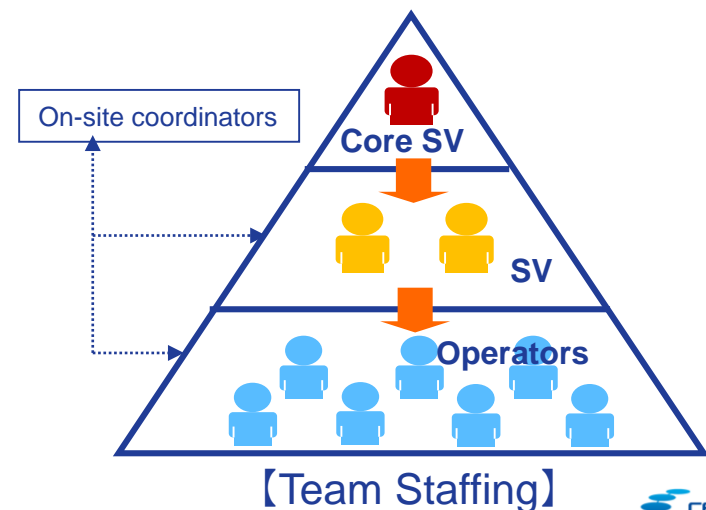
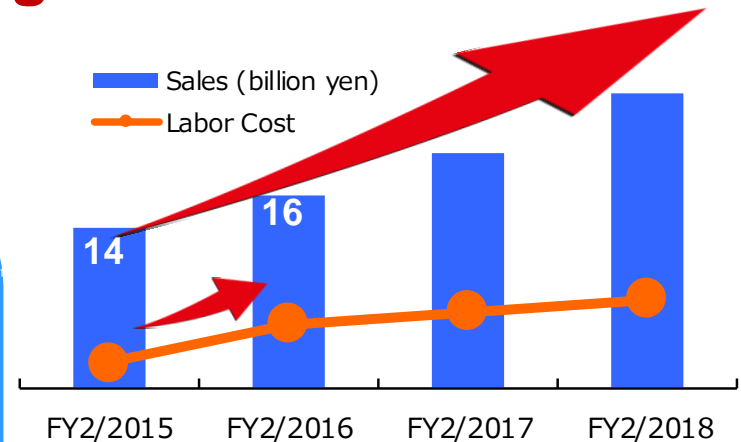
Conducted activities for strengthening capabilities  
57 new graduates joined in April 2016

# FY2/16 Strategic Goal 2

## Private-sector BPO Growth for Financial Institutions and System Integrators

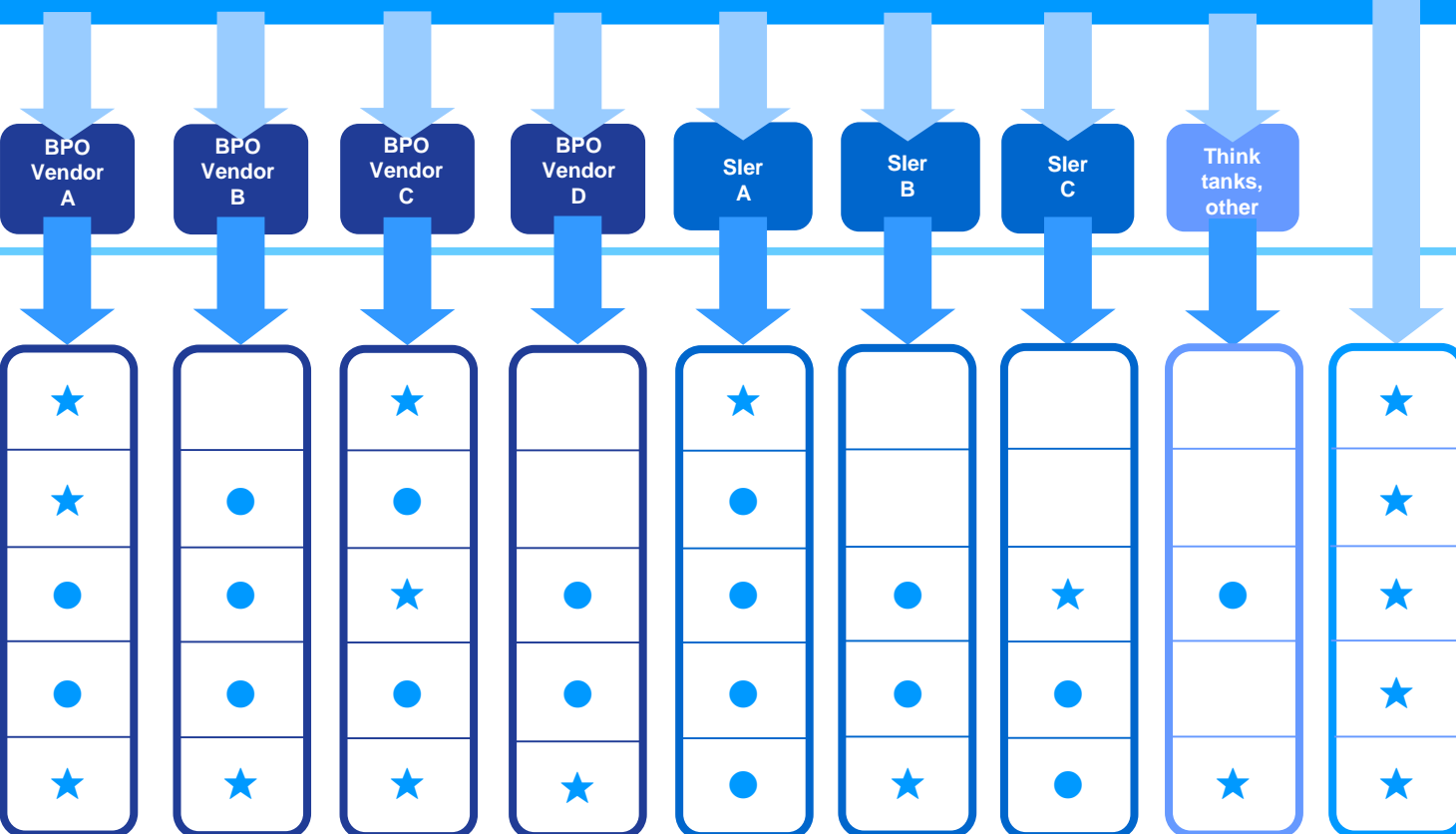
Further strengthen “team staffing” centered on people with an unlimited employment period and outstanding skills and professional certifications

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 Achievement (1)

## Public sector/Private sector



As of end of Sept. 2015 (★ : Orders received ● : Orders expected)

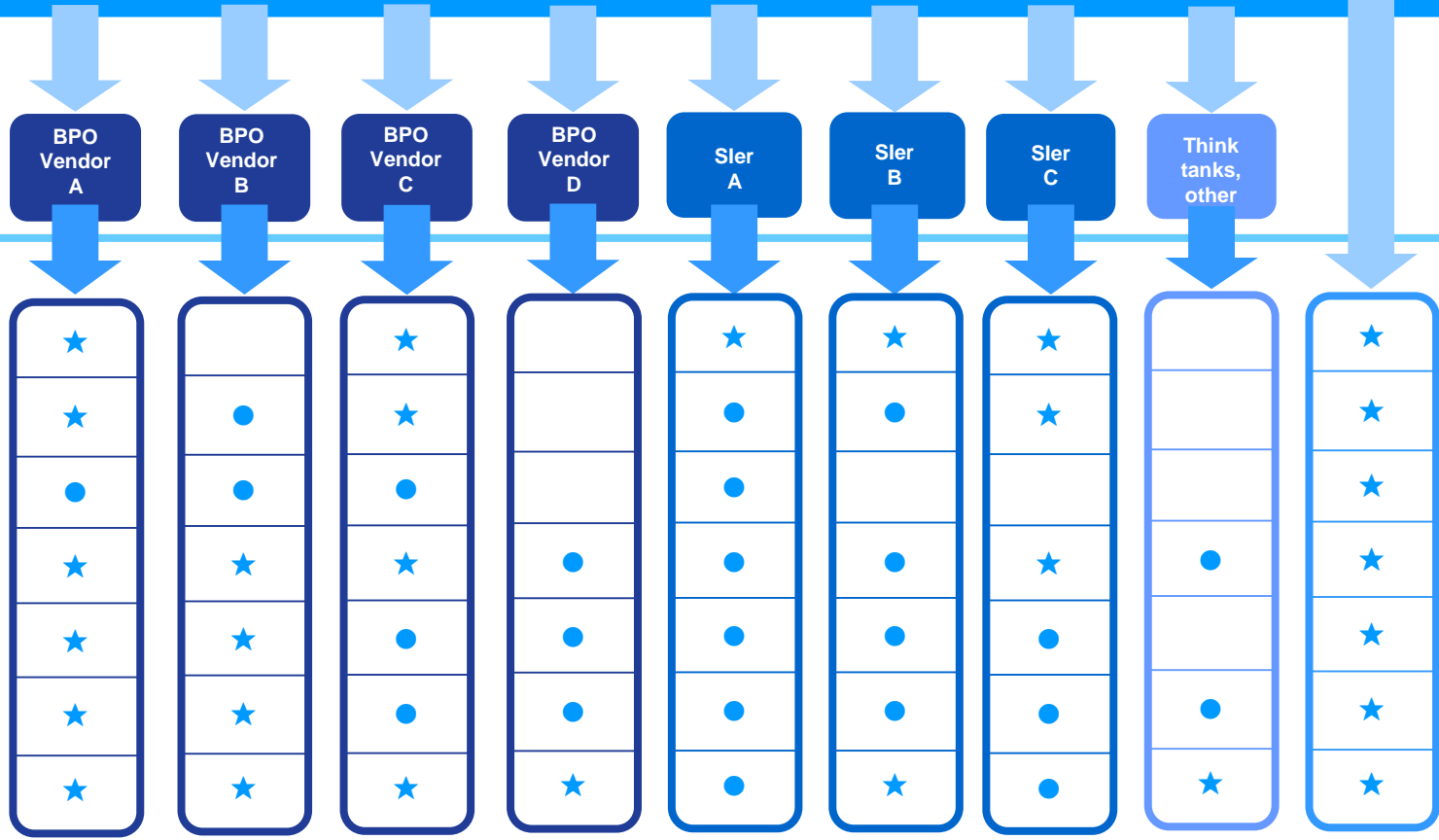
### Unit Model



# FY2/16 Strategic Goal 2 Achievement (1)

Important Projects

## Public sector/Private sector



As of end of Feb. 2016 (★ : Orders received ● : Orders expected)

### Unit Model

- Business development
- Business operations/structure
- Operations manager
- Quality assurance
- Supervisor
- Operations



# FY2/16 Strategic Goal 2 Achievement (2)

## Identification number projects

- Taito Ward
- Ota Ward
- Musashino City
- Fuchu City
- Chiba City
- Matsudo City
- Tokorozawa City
- Kasukabe City
- Kyoto City
- Suita City
- Nishinomiya 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\*

As of end of FY2/16:

- Identification number projects
  - Low-income supplementary payment projects
- 25 orders received from 24 local governments**

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

\* Others are sub-contracted projects received from BPO vendors and other sources.



# II. Annual Plan for FY2/17 and Medium-Term Management Plan (FY2/17 - FY2/19)

# Annual Plan for FY2/16

	Actual for FY2/16		Plan for FY2/17	
	Amount (Million yen)	Change	Amount (Million yen)	Change
<b>Sales</b>	<b>16,607</b>	<b>+19.1%</b>	<b>19,984</b>	<b>+20.3%</b>
<b>Operating Income</b> [Operating Income to Sales]	<b>958</b> [5.8%]	<b>+15.2%</b>	<b>1,119</b> [5.6%]	<b>+16.8%</b>
<b>Ordinary Income</b> [Ordinary Income to Sales]	<b>944</b> [5.7%]	<b>+14.9%</b>	<b>1,106</b> [5.5%]	<b>+17.2%</b>
<b>Net Income</b> [Net Income to Sales]	<b>591</b> [3.6%]	<b>+21.3%</b>	<b>722</b> [3.6%]	<b>+22.1%</b>

**Planning on achieving record-high sales and earnings in FY3/17**

# Business Strategy FY2/17 (Public Sector)



# Business Strategy FY2/17 (Private Sector)



# 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**

**Benefits**

**Deregulation  
(market tests)**

## 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

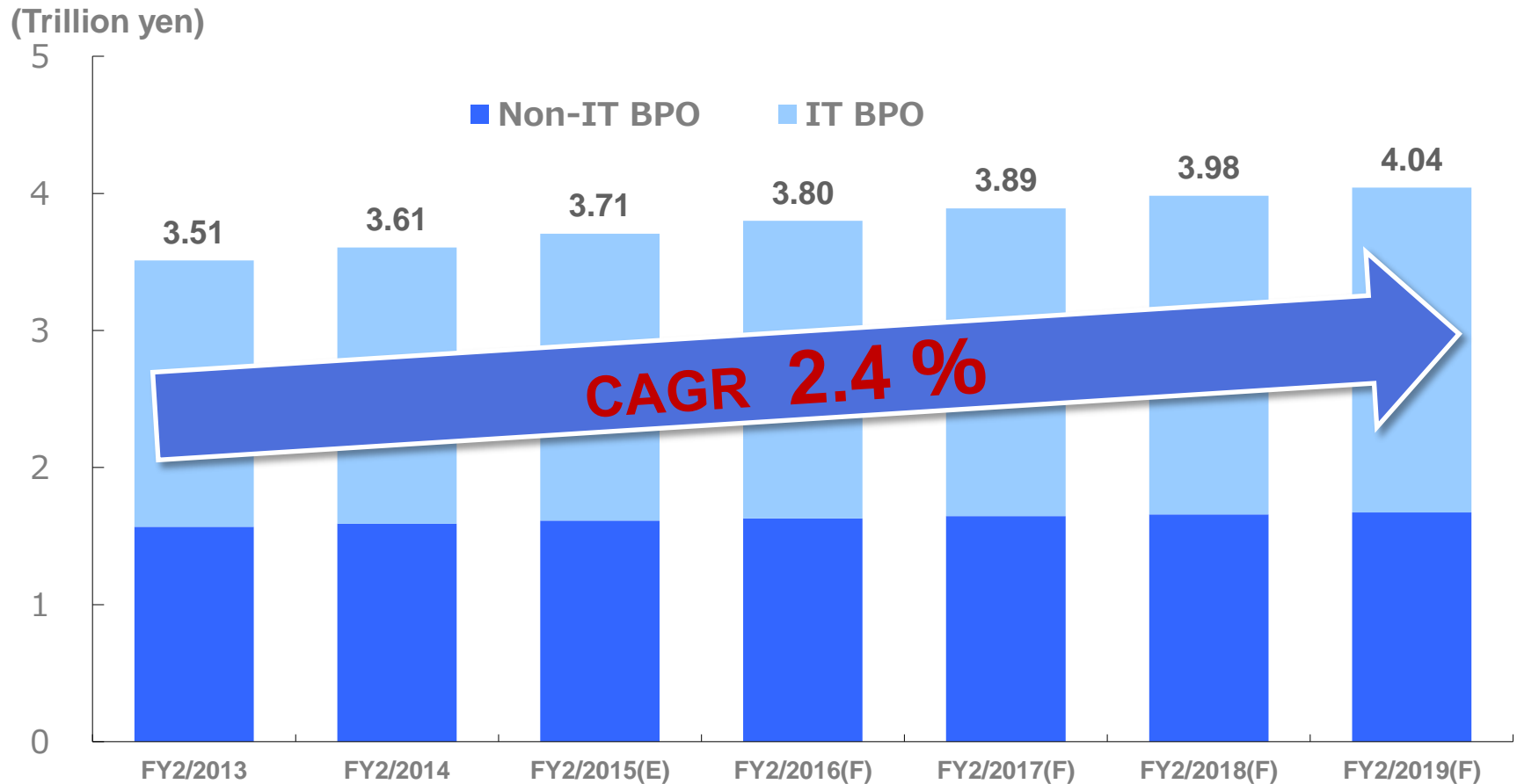
**Earthquake reconstruction activity**

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

**Updates of IT systems at large companies**

# BPO Market Growth

- ❖ Demand is growing because of Japan's labor shortage and the start of operations in Japan by foreign companies



Source: Yano Research Institute BPO market 2015  
Note: Based on sales of BPO vendors

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

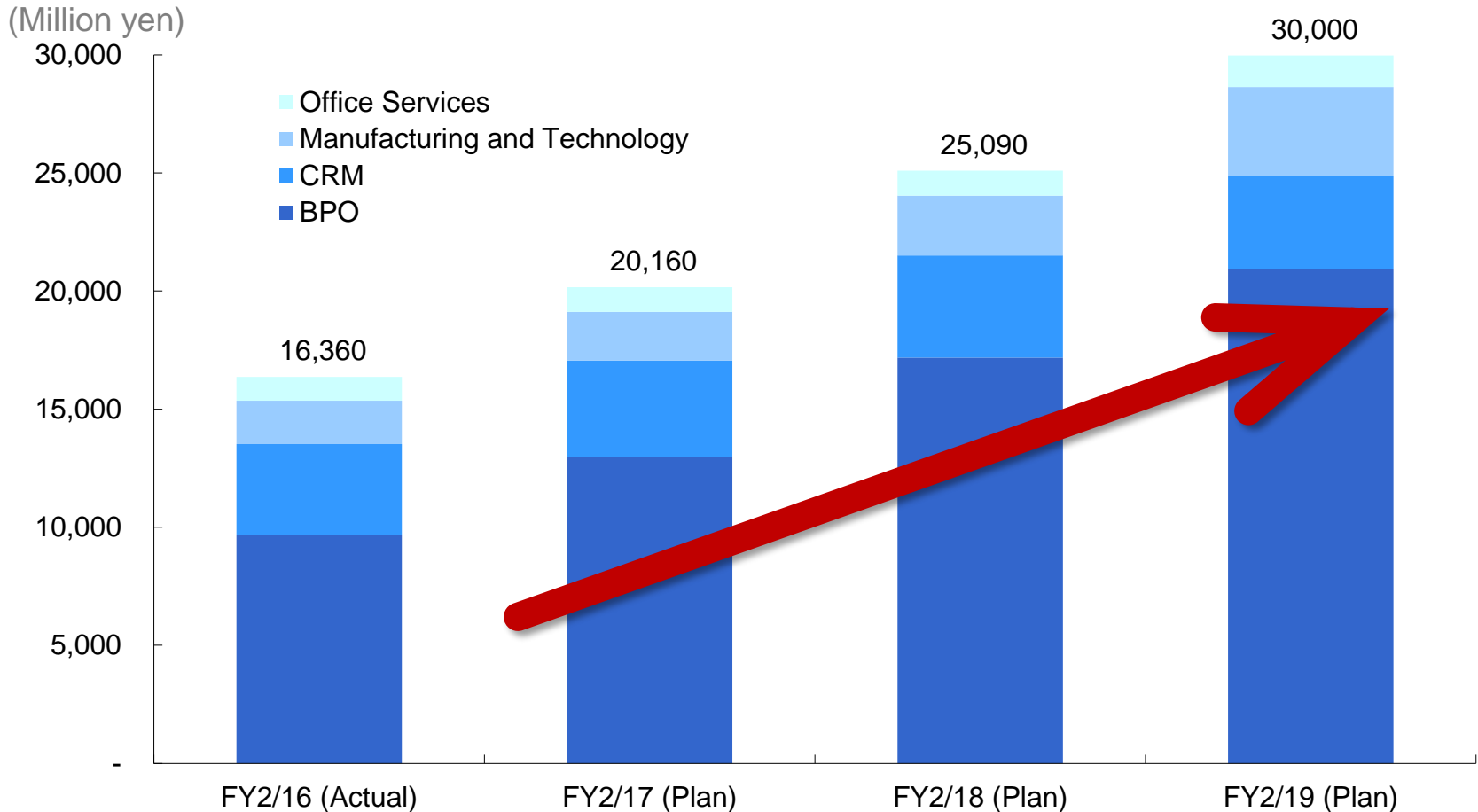
Careerlink revises its medium-term plan every year to reflect the current business climate and other changes.



**FY2/19 Goals: Sales of ¥30 billion and net income of ¥1.2 billion**

(Million yen)	Actual for FY2/16		Plan for FY2/19
<b>Sales</b>	<b>16,607</b>		<b>30,000</b>
<b>Operating Income</b> [Operating Income to Sales]	<b>958</b> [5.8%]		<b>1,850</b> [6.2%]
<b>Ordinary Income</b> [Ordinary Income to Sales]	<b>944</b> [5.7%]		<b>1,840</b> [6.2%]
<b>Net Income</b> [Net Income to Sales]	<b>591</b> [3.6%]		<b>1,200</b> [4.0%]

**Goal: Sales of ¥30 billion in FY2/19, 81% higher than in FY2/16**

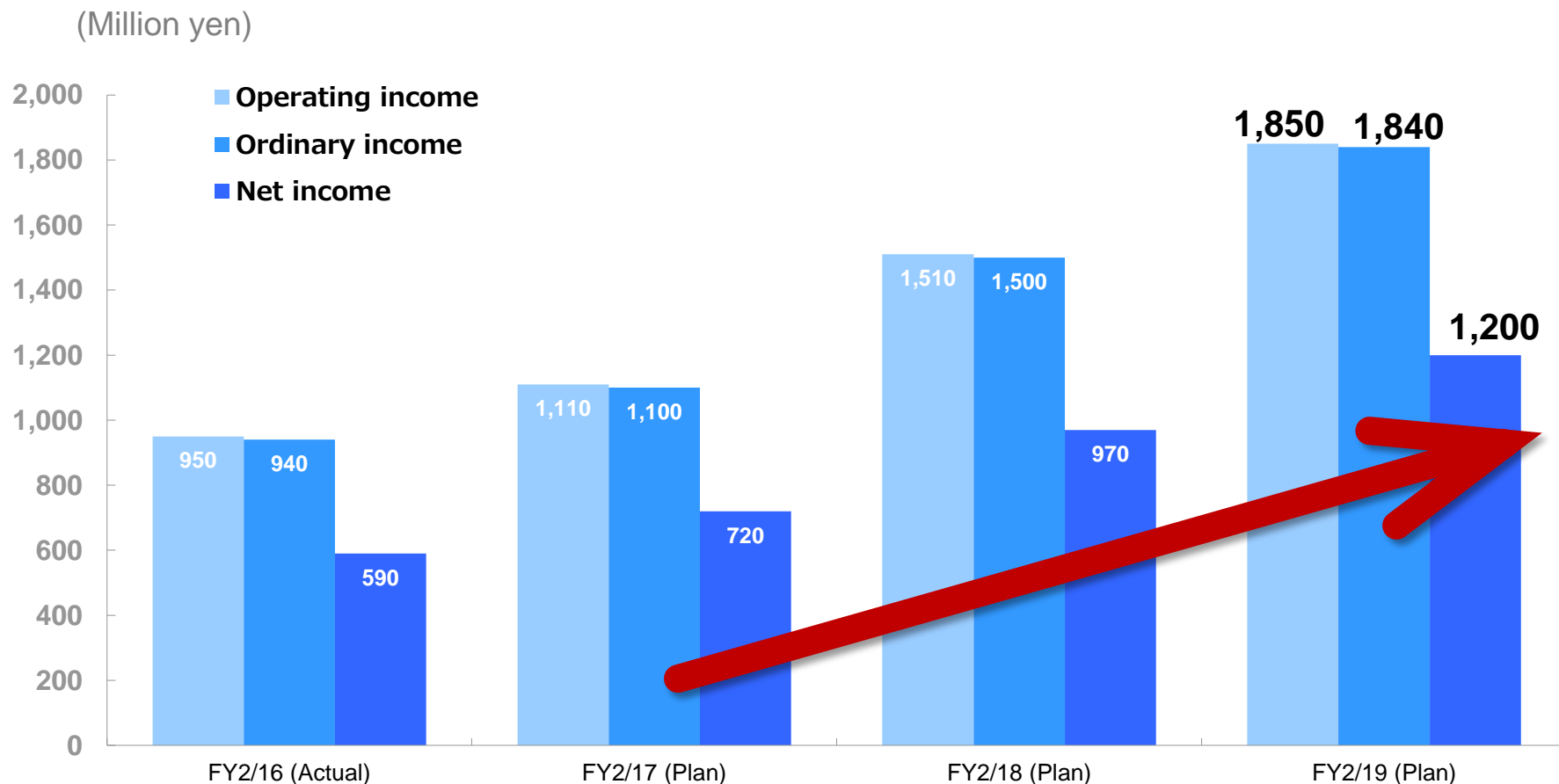


# Medium-Term Management Plan (FY2/17-FY2/19)

## Goals (3)

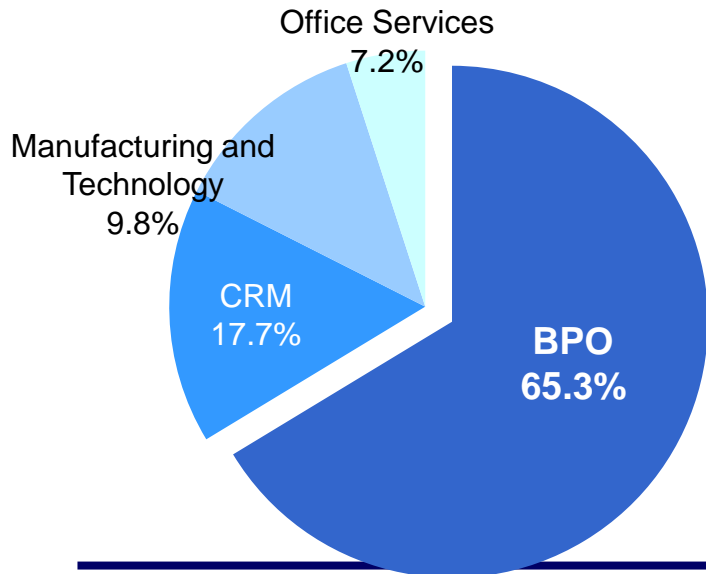
**FY2/19 Goals: Operating Income ¥1.8 billion, Ordinary Income of ¥1.8 billion,  
Net Income of ¥1.2 billion**

**Operating Income 94%, Ordinary Income 96%, Net Income 103% higher than FY2/16**

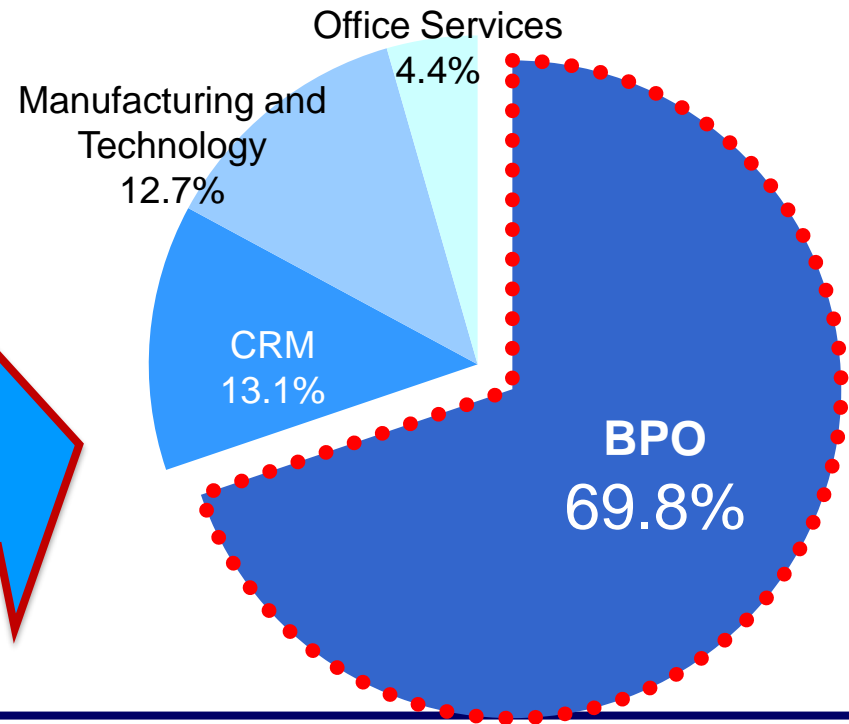


The goal is a **70%** share of sales for BPO, which will be the main source of growth

**FY2/16 (Actual)  
Sales: ¥16,607mn**



**FY2/19 (Plan)  
Sales: ¥30,000mn**



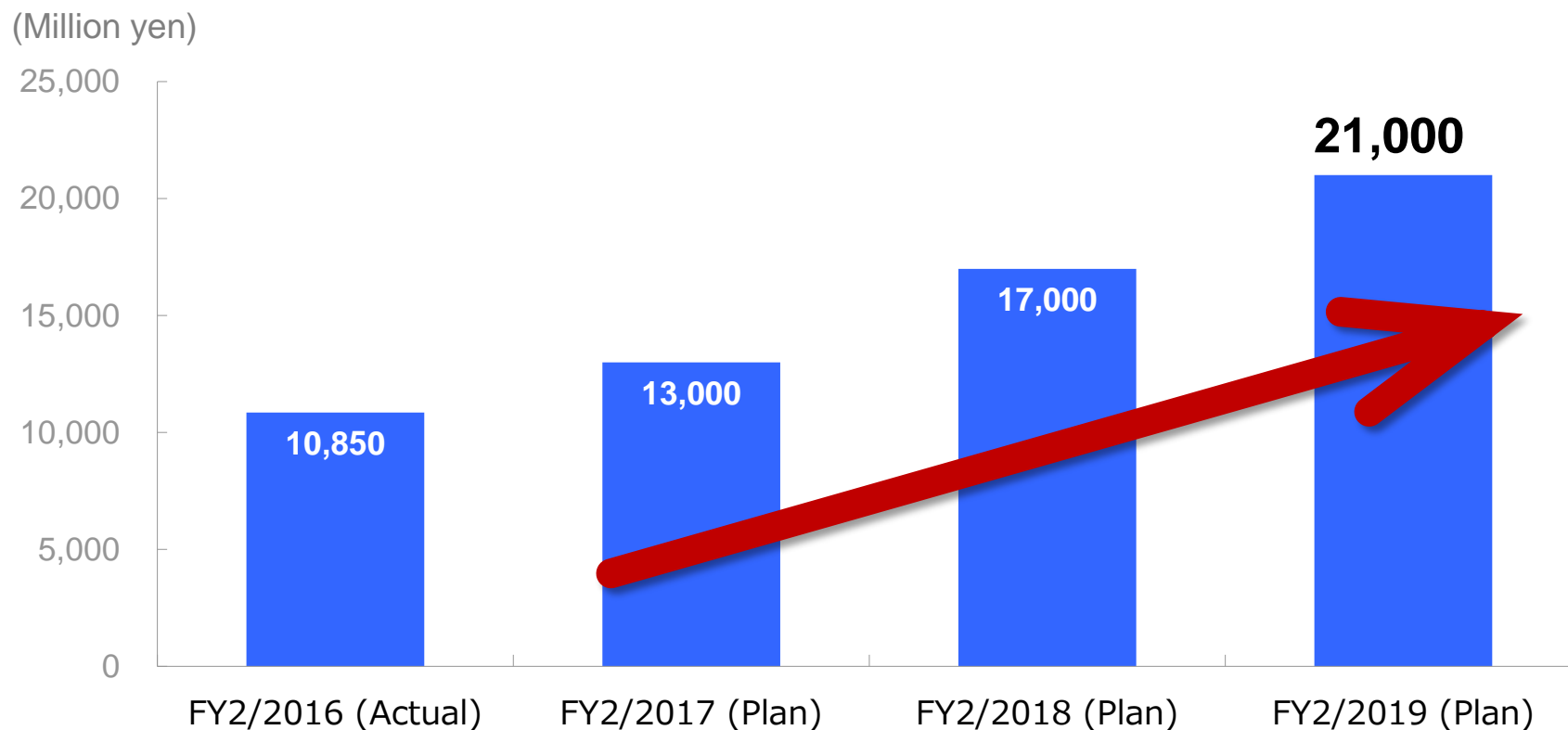
**Goal: Use high-quality BPO services to rank first in BPO customer satisfaction**

**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.

**FY2/19 Goal: Sales of  $\yen21,000$  million in the core BPO Business, 93% higher than in FY2/16**



**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.**

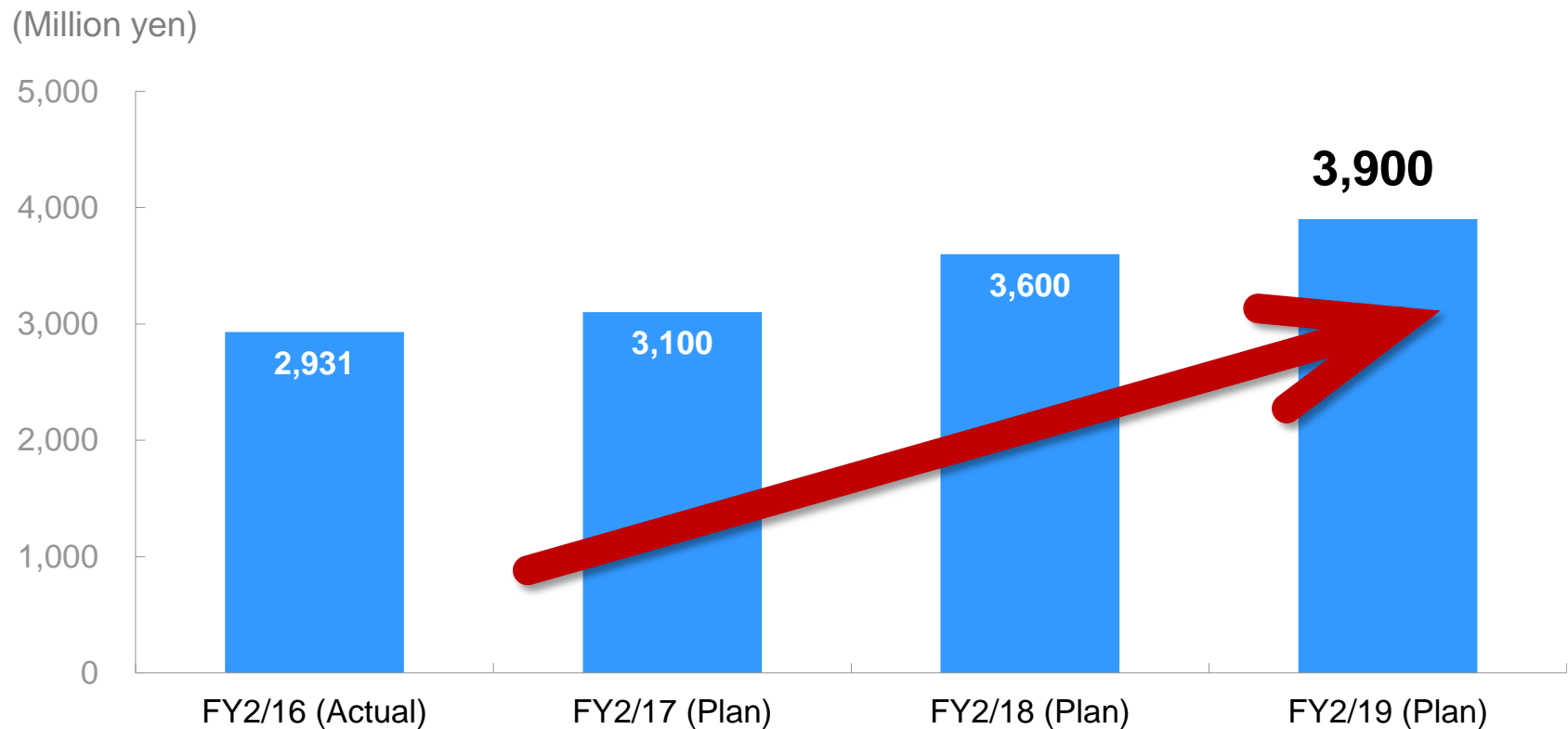
**2**

**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.**

**FY2/19 Goal: Sales of **¥3,900 million** in the CRM Business,  
**34%** higher than in FY2/16**





**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.**

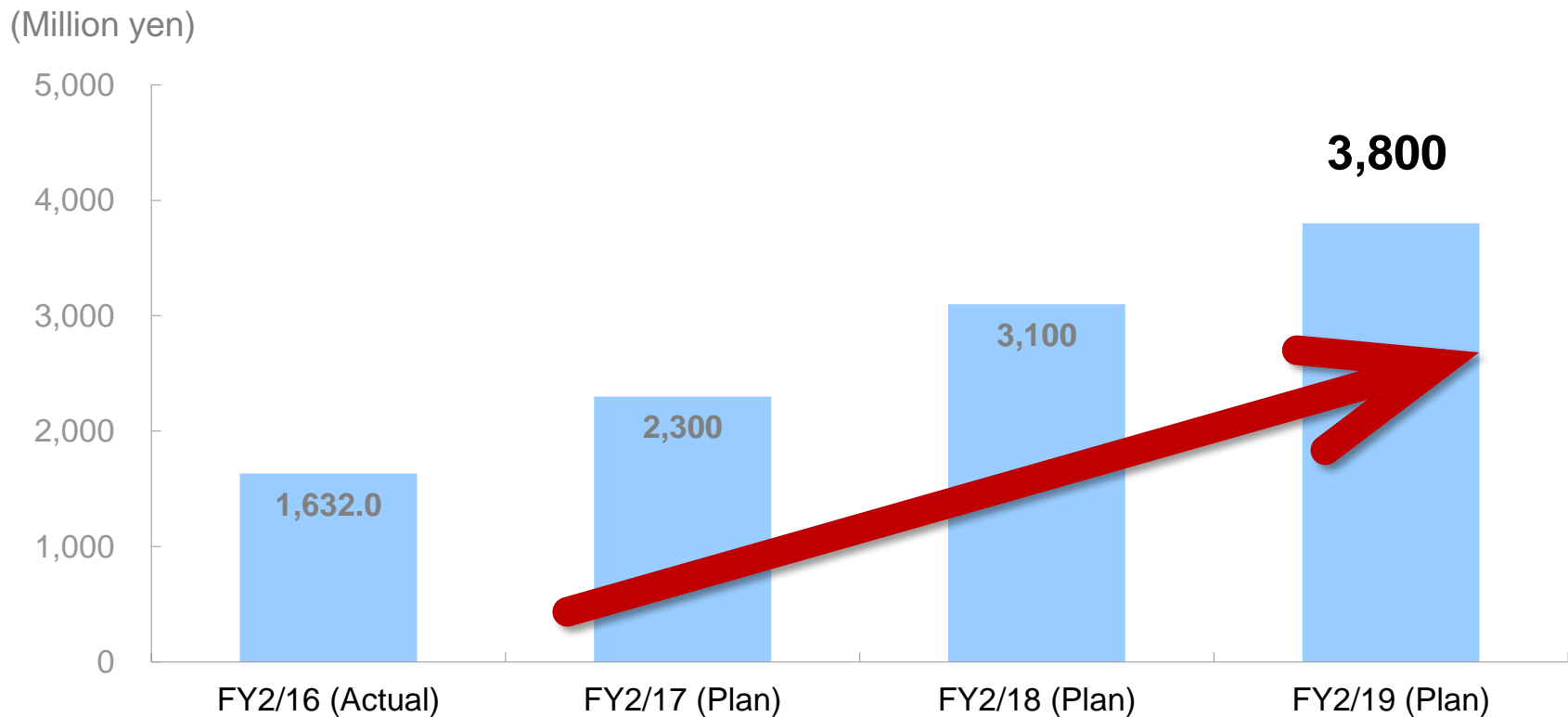
**2**

**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.**

**FY2/19 Goal: Sales of **¥3,800 million** in the Manufacturing and Technology Business, **133%** higher than in FY2/16**



**Shift to a highly profitable temporary staffing business model centered on unlimited and temp-to-permanent employment**

**1**

**Increase the effectiveness of career paths and use a hybrid business model that combines unlimited employment, temp-to-permanent employment and regular staffing.**

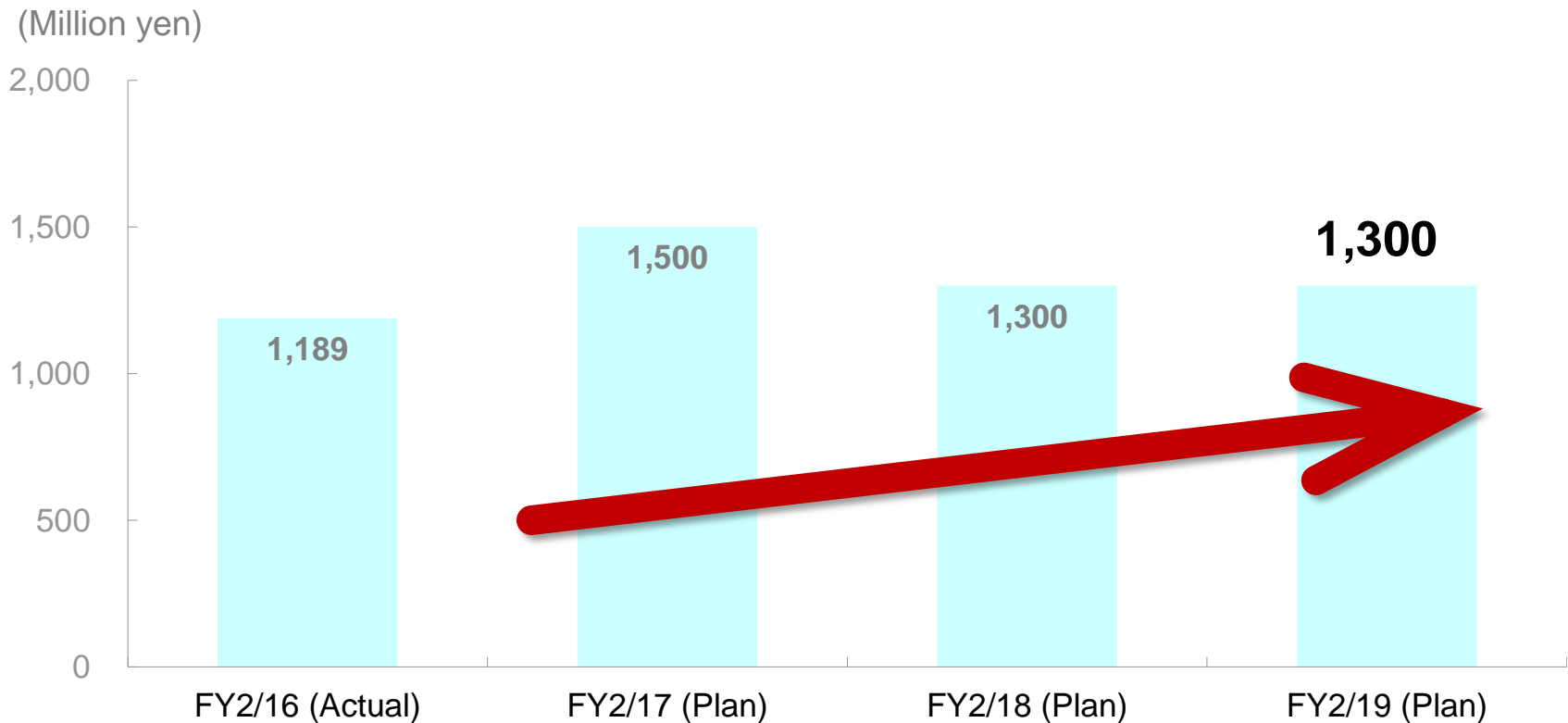
**2**

**Increase temp-to-permanent placements and step up activities for attracting new customers and recruiting high-quality temporary staffing workers.**

**3**

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

**FY2/19 Goal: Sales of  $\yen1,300$  million in the Office Services Business, 12% higher than in FY2/16**

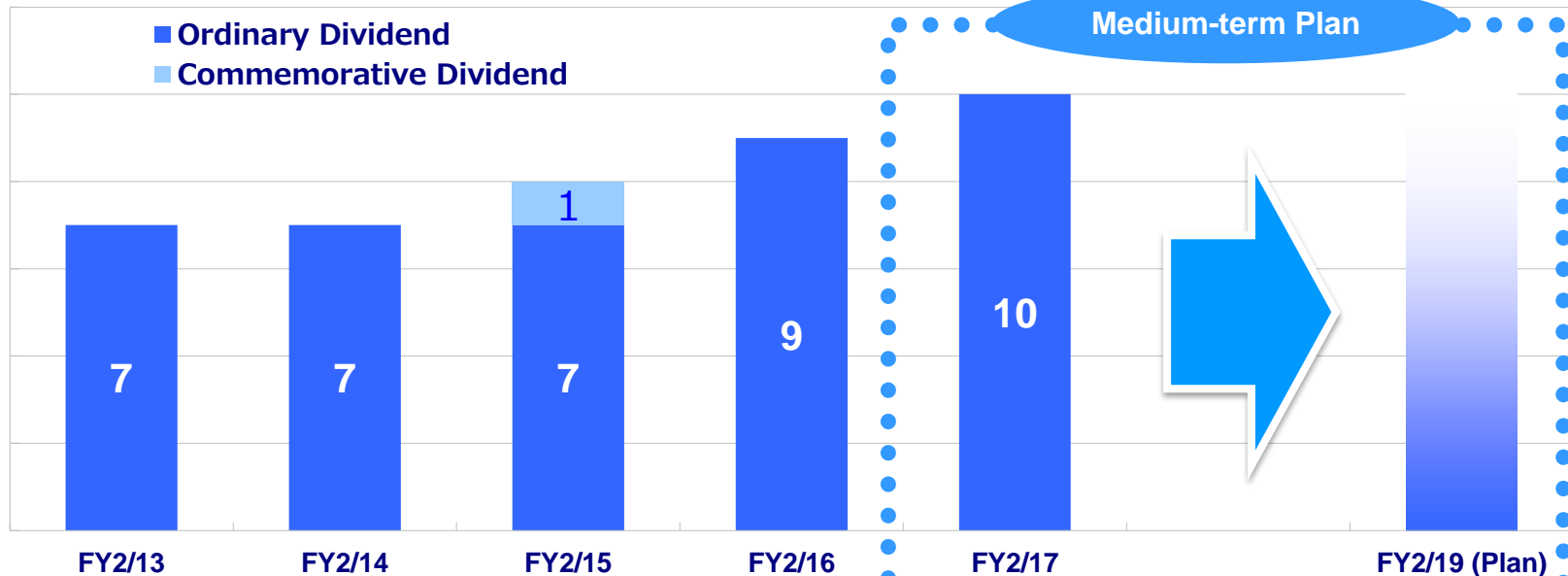


# Shareholder Distributions (1)

## Distribution policy during the medium-term plan

In accordance with the basic policy for shareholder distributions, shareholders will receive an annual dividend of ¥10 per share and QUO cards (¥500 for 100 to 199 shares, ¥1,000 for 200 to 499 shares and ¥2,000 for 500 shares or more). Careerlink may consider additional distributions based on results of operations and other factors.

## Dividend per Share



Note: Dividends per share have been adjusted for the two-for-one stock split on June 1, 2016.

# Shareholder Distributions (2)

## Shareholder Gift

- ◆ Record date: End of August
- ◆ Gift: Original QUO card
  - 100 to less than 200 shares ⇒ ¥500
  - 200 to less than 500 shares ⇒ ¥1,000
  - 500 shares and above ⇒ ¥2,000



Note: Shareholder gift has been adjusted for the two-for-one stock split on June 1, 2016.

## III. Reference

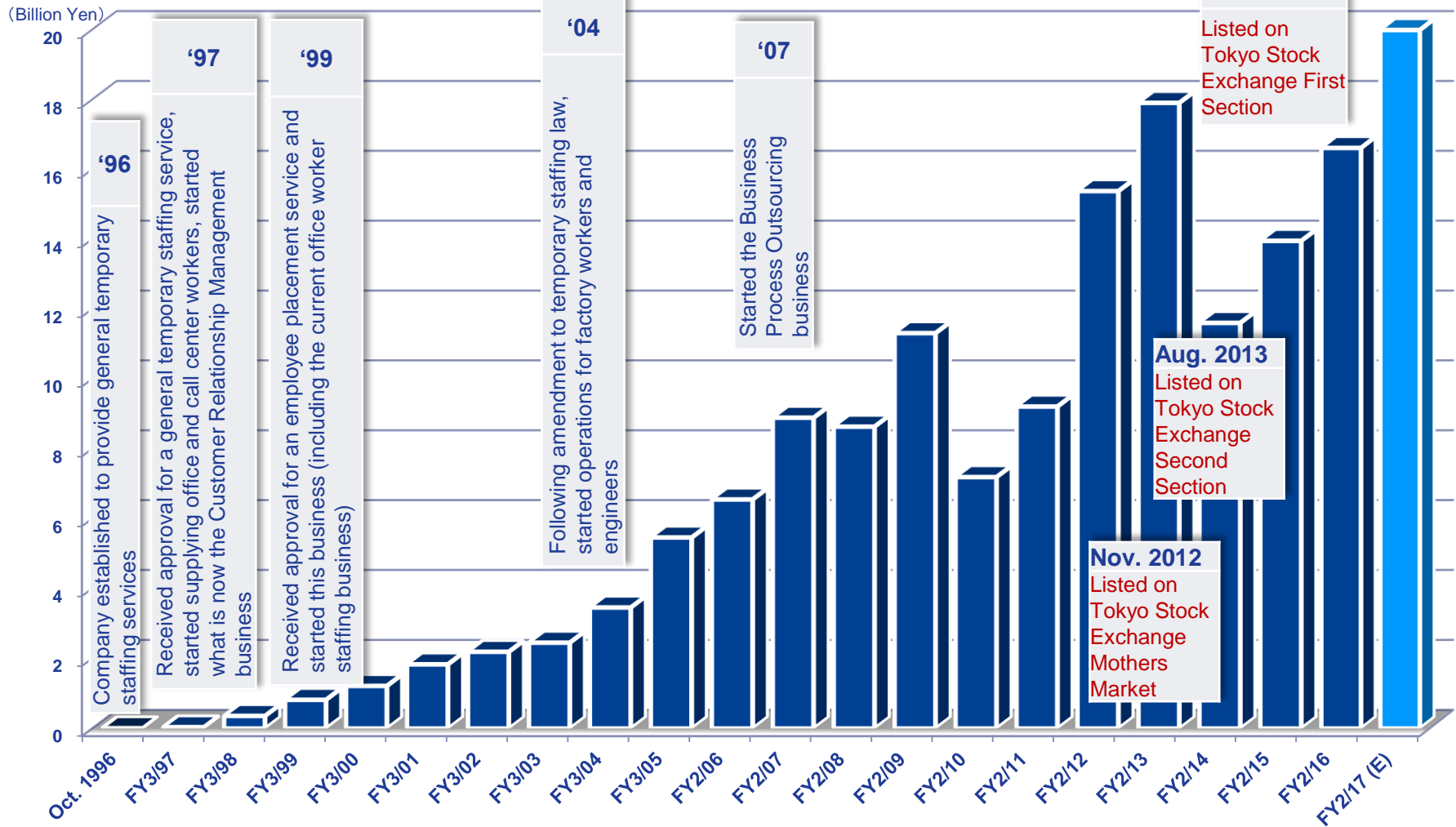
# Company Overview

<b>Head Office</b>	33F Shinjuku-Mitsui Bulg., Nishi-Shinjuku 2-1-1, Shinjuku Ward, Tokyo
<b>Representative</b>	Chairman & Representative Director: Yasuhiko Kondo President & Representative Director: Motoaki Narusawa
<b>Established</b>	October 1 <sup>st</sup> , 1996
<b>Main Corporate Activities</b>	Comprehensive Human Resource Service Business <ul style="list-style-type: none"><li>■ Business Process Outsourcing</li><li>■ Customer Relationship Management</li><li>■ Manufacturing and Technology</li><li>■ Office Services</li></ul>
<b>Stated Capital</b>	388,005,500 Yen (As of February 29, 2016)
<b>No. of Employees</b>	716 (As of February 29, 2016)
<b>Accounting Period</b>	February
<b>Stock Exchange Listing</b>	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

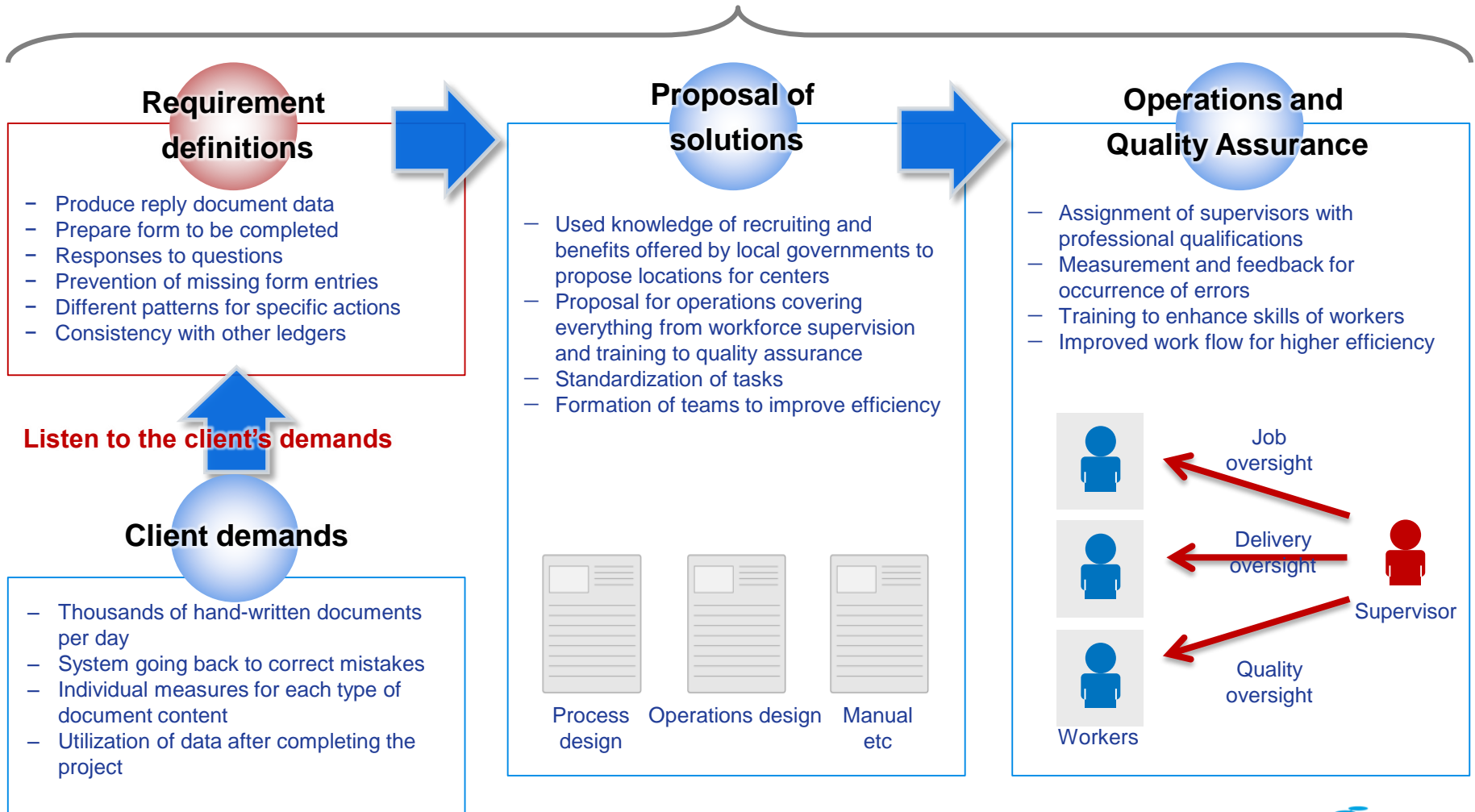
Business Process Outsourcing (More than 500 workers)		
FY2007	Tokyo area	2,000
FY2008	Tokyo area	1,500
FY2009	Hokkaido, other	1,400
FY2010	Tokyo area, other	6,000
FY2012	Tokyo area	1,700
FY2013	Tokyo area	700
FY2014	Tokyo area, other	1,200
FY2015	Tokyo area, other	500
FY2015	Tokyo area	600
Customer Relationship Management (More than 300 workers)		
FY2008	Tokyo area	500
FY2008	Tokyo area	500
FY2011	Kyushu area, other	700
FY2012	Tokyo area	2,000
FY2012	Tokyo area	500
FY2013	Tokyo area	600
Fy2014	Kansai area	300
FY2015	Tokyo area, other	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)

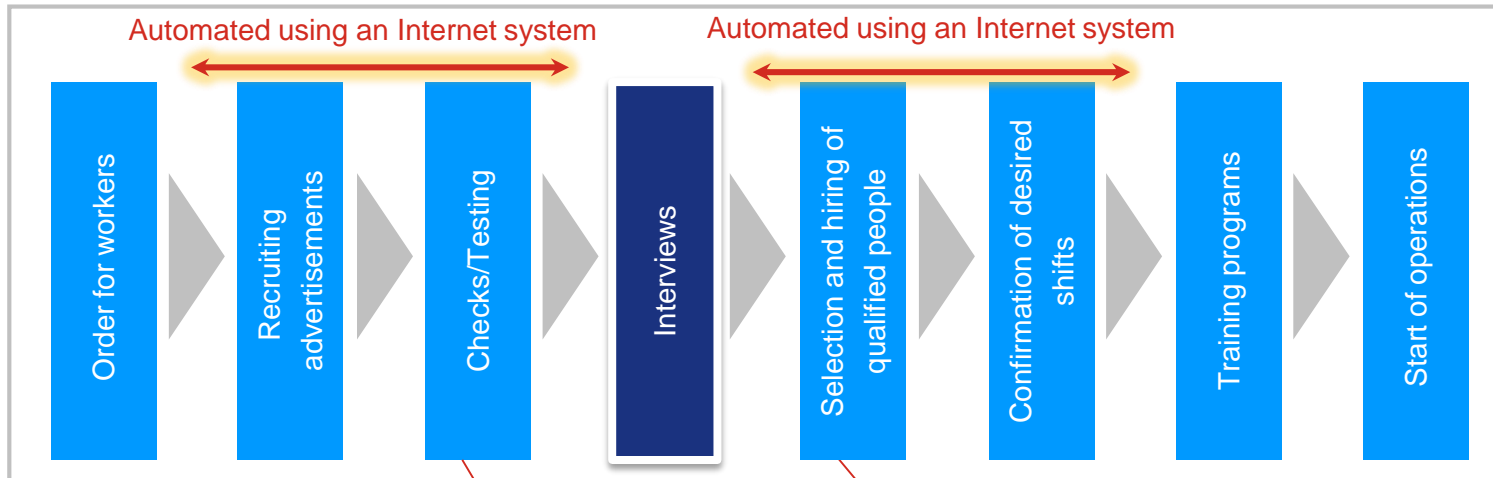
## 2 Able to start operations quickly and handle large volumes of work

- 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



Selection of the best balance between wages and skills

Exclusive know-how used for checking and testing; identifies characteristics of applicants other than in application form data

# 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

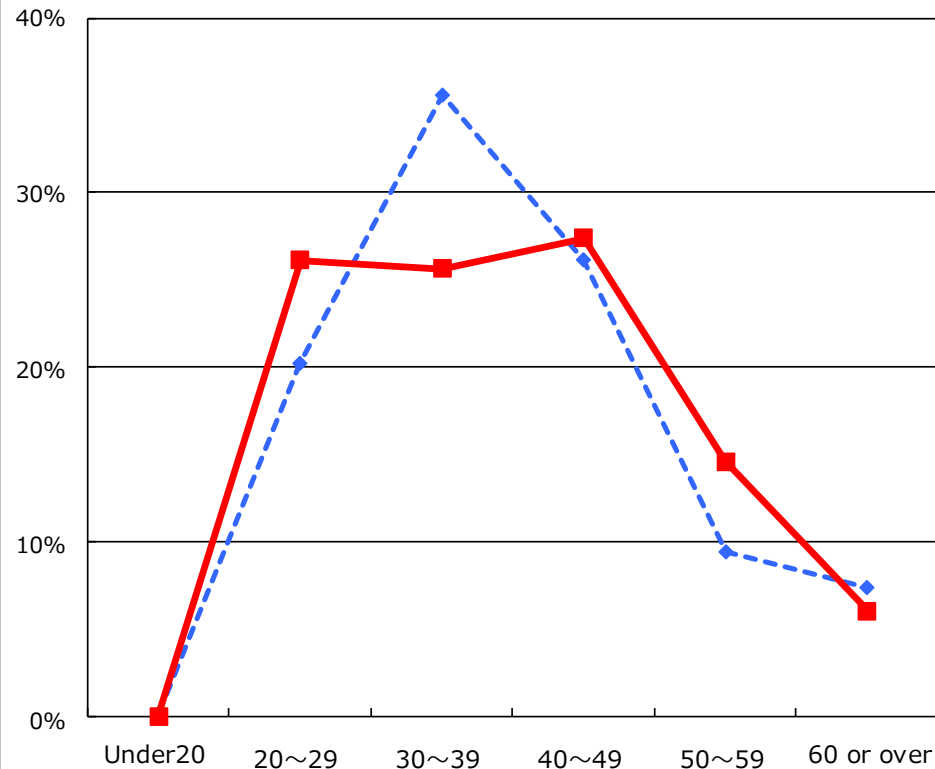
#### ● Development of skills by carefully monitoring each worker's progress

- 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

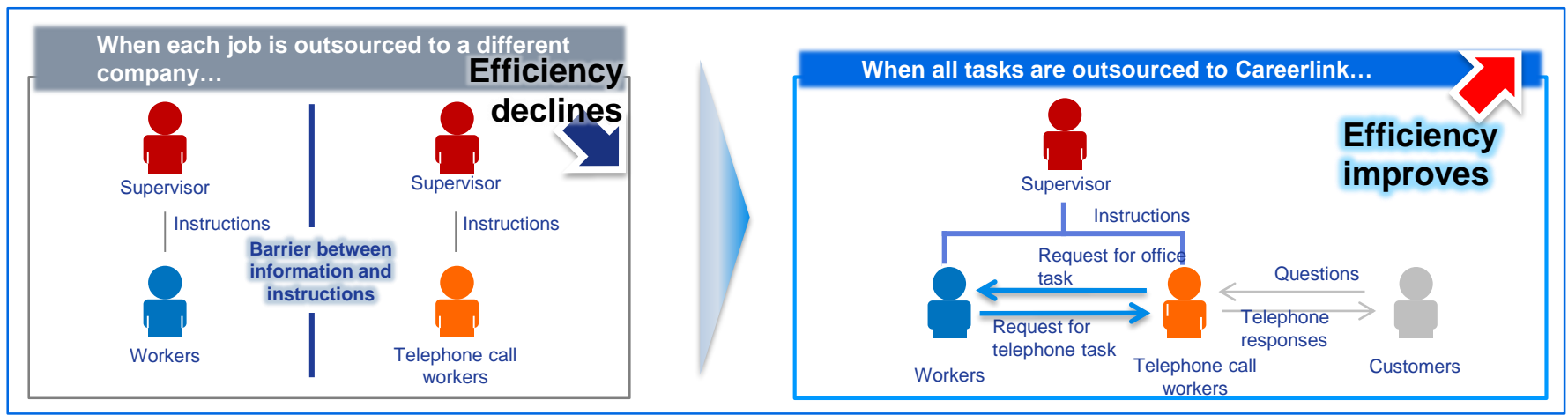
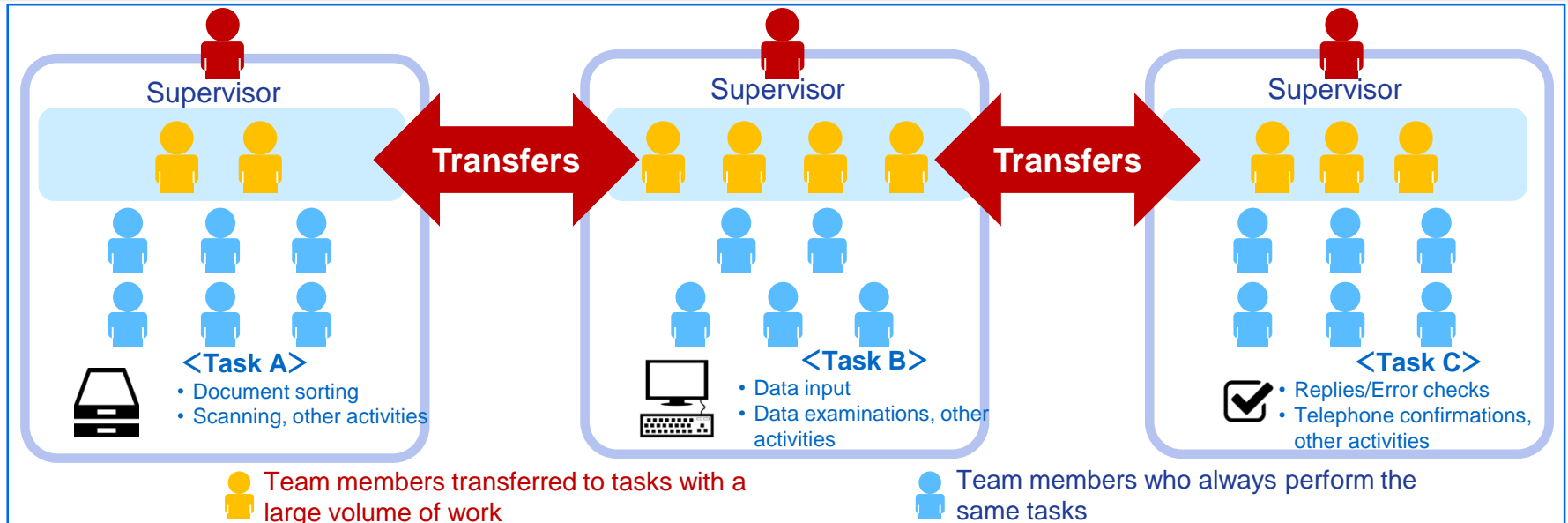


◆ Fiscal 2012 Temporary Worker Survey by the Ministry of Health, Labour and Welfare

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

# Three Key Strengths (3)-2

Sending workers in teams improves efficiency





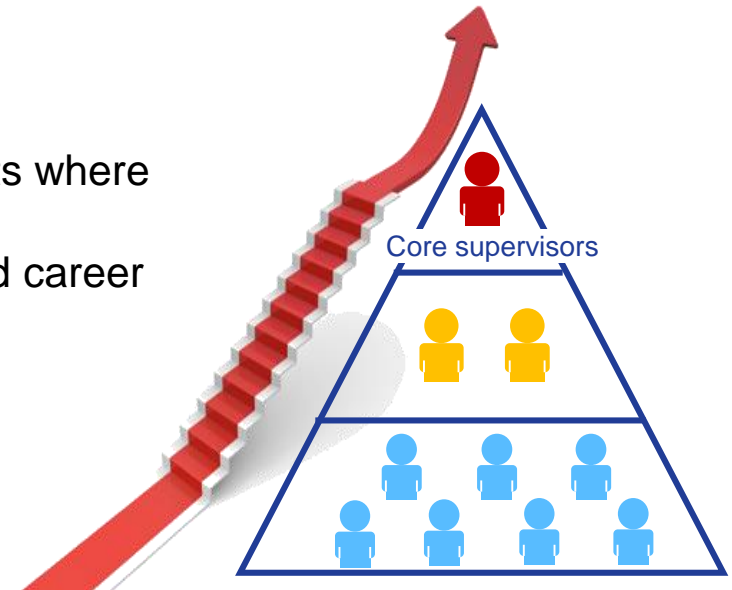
# (Reference) Major Careerlink Actions Associated with the Worker Dispatching Act Amendments

## 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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We believe the joy of work.

Contact: Corporate Planning Department  
33F Shinjuku-Mitsui Bulg., Nishi-Shinjuku 2-1-1,  
Shinjuku Ward, Tokyo

TEL: 81-3-6311-7321  
FAX: 81-3-6311-7324