

Summary of Non-Consolidated Financial Results For the Fiscal Year Ended February 28, 2014 [Japan GAAP]

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 Stock Code: 6070
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
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 Regular general meeting of shareholders (tentative): May 29, 2014
 Date of securities report (tentative): May 30, 2014
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 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 2014 (March 1, 2013 – February 28, 2014)

(1) Result of operations

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 2014	11,598	(35.2)	297	(71.2)	282	(71.2)	161	(71.3)
Fiscal year ended Feb. 2013	17,898	16.4	1,031	71.9	981	72.7	563	98.9

	Net income per share	Net income per share fully diluted	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 2014	27.50	25.92	9.4	7.5	2.6
Fiscal year ended Feb. 2013	112.32	99.46	45.9	24.4	5.8

Reference: Equity method income FY2/14: - million yen FY2/13 - million yen

Note 1: Net income per share is calculated as if the 1-to-100 common stock split on June 10, 2012 had taken place at the beginning of the fiscal year that ended in February 2013.

Note 2: Trading of Career Link started on November 15, 2012 on the Tokyo Stock Exchange Mothers Market.

Consequently, diluted net income per share for the fiscal year that ended in February 2013 is calculated by using a fiscal year average stock price for the period from the start of trading until the end of the fiscal year.

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2014	3,389	1,786	52.7	289.26
As of February 28, 2013	4,188	1,665	39.8	296.98

Notes: Shareholders' equity

As of February 28, 2014: 1,786 million yen As of February 28, 2013 1,665 million yen

(3) Cash flow position

	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 2/14	(739)	(83)	(135)	1,579
FY 2/13	488	(97)	294	2,538

2. Dividends

	Dividend per share					Total dividends (Annual)	Dividend ratio	Dividend-to- equity ratio
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2/13	-	0.00	-	14.00	14.00	78	12.5	6.1
FY 2/14	-	0.00	-	14.00	14.00	86	50.9	4.8
FY15(Estimate)	-	0.00	-	14.00	14.00		42.6	

3. Forecast for the fiscal year ending February 2015 (March 1, 2014 - February 28, 2015)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	6,206	(1.7)	176	(38.1)	167	(39.7)	89	(45.5)	14.55
Full year	12,856	10.8	356	20.1	340	20.5	202	25.3	32.84

* Notes

(1) 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

(2) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of February 28, 2014: 6,175,800 As of February 28, 2013: 5,607,000

(b) Treasury stock

As of February 28, 2014: 34 As of February 28, 2013: -

(c) Average number of shares

Period ended February 28, 2014: 5,888,132 Period ended February 28, 2013: 5,017,915

Note: Number of shares shown above is calculated as if the 1-to-100 common stock split on June 10, 2012 had taken place at the beginning of the fiscal year that ended in February 2013.

* Description of review procedure implementation status

The rule mandating a review of financial statements (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results.

It has not been completed the review procedure process based upon the Financial Instruments and Exchange Act at the time of disclosure of this report.

* Cautionary statement regarding forecasts of operating results and special notes

(Note regarding the forward-looking statements)

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. Actual results may differ significantly from these statements for a number of reasons. For information about the forecasts, please see "(1) Overview on business performance 3) Outlook for the fiscal year ending February 2015" on page 2.

(Supplementary explanatory documents)

Supplementary explanatory documents will be posted on the Company's WEB site immediately after the earnings presentation.

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1. Results of Operations

(1) Overview on business performance

1) Fiscal year summary

In the fiscal year that ended in February 2014, there was a slow economic recovery in Japan mainly because of government economic stimulus measures and monetary easing by the Bank of Japan. As the yen weakened and stock prices rose, corporate earnings improved, consumer spending increased and there was a rebound in capital expenditures.

The U.S. economy recovered at a moderate pace despite uncertainty about the effects of the tapering of quantitative easing on jobs and other economic indicators. Economic growth slowed in China and other emerging countries. In the eurozone, negative growth is expected to continue because of the sovereign debt problem. Overall, the outlook for the global economy remains unclear.

The business climate for Japan's human resources industry is benefiting from a steady improvement in the number of jobs as the economy recovers slowly. For example, the ratio of job openings to job seekers is increasing, mainly because of companies seeking additional employees. In the temporary staffing sector, the decline in the number of people on assignment has stopped. This indicates that the prolonged downturn in demand for temporary staffing that started with the financial crisis is about to end.

The Japanese government plans to enact proposed amendments to Japan's Temporary Staffing Services Law in the spring of 2015. Approval of these amendments the parliament will create expectations for a recovery in the temporary staffing market. This would probably result in an extremely favorable environment for temporary staffing companies.

Fiscal year sales were severely impacted by the end of a large public-sector business process outsourcing contract that made a big contribution to sales in the previous fiscal year. Furthermore, the start of several additional business process outsourcing projects in the private sector were pushed back to the next fiscal year. As a result, sales were down 35.2% from the previous fiscal year.

To offset the effects of the big downturn in sales, there were measures to lower selling, general and administrative expenses and other expenses. Despite these initiatives, as sales decreased 35.2% to 11,598,515 thousand yen, operating income was down 71.2% to 297,224 thousand yen, ordinary income was down 71.2% to 282,937 thousand yen and net income was down 71.3% to 161,896 thousand yen.

2) Business Divisions

(a) Business Process Outsourcing

During the fiscal year, there were sales activities to capture new business associated with activities to collect overdue national pension premiums and business from business process outsourcing companies. Sales activities also targeted special-project demand at financial institutions. However, sales were brought down by the much smaller scale of operations at a large public-sector business process outsourcing project that made a big contribution to the performance in the previous fiscal year. Sales were further reduced by the delay to the next fiscal year of the start of additional private-sector business process outsourcing projects due to customers' requests. As a result, division sales fell 43.5% from one year earlier to 6,187,957 thousand yen.

(b) Customer Relationship Management

There were sales activities to receive new contact center orders, such as for technical support personnel. But there was a sharp decline in sales from a large contact center staffing contract where there was a large volume of work in the previous fiscal year. This contract ended in the first half of the fiscal year that ended in February 2014. There was also a negative effect on sales from the shift of a large number of customer relationship management sales personnel to bolster operations for additional private-sector business process outsourcing projects. Due mainly to the resulting decline in the ability of this division to seek new customers, division sales were down 20.1% from one year earlier to 3,380,356 thousand yen.

(c) Office Services

Sales activities targeted contracts for data entry work and other projects. But division sales were down 39.3% from one year earlier to 931,150 thousand yen because of the absence of the large one-time contracts that contributed to sales in the previous fiscal year.

(d) Manufacturing and Technology

There was growth in orders for ongoing projects, such as inspections of pharmaceuticals. However, sales were reduced by weak production at large manufacturers of home electrical products, auto parts and other products. The resulting decline in orders caused division sales to decrease 6.7% from one year earlier to 1,099,050 thousand yen.

3) Outlook for the fiscal year ending in February 2015

In the business process outsourcing division, projects that were delayed from the past fiscal year to the fiscal year ending in February 2015 will begin full-scale operations. Furthermore, ongoing private-sector projects are expected to continue performing well and we anticipate growth in new contracts. In the customer relationship management division, we forecast no change in performance because of the intense competition to provide temporary workers for contact centers.

We foresee an improvement in sentiment at companies that require temporary workers. One reason is the outlook for growth in the number of jobs as Japan's economy recovers. We also expect a benefit from the planned enactment in the spring of 2015 of the amended Temporary Staffing Services Law. Due to this outlook, we expect growth in sales in the office work division and manufacturing and technology division.

In the fiscal year ending in February 2015, we forecast a 10.8% increase in sales to 12,856,936 thousand yen, an increase of 20.1% in operating income to 356,964 thousand yen, an increase of 20.5% in ordinary income to 340,952 thousand yen, and an increase of 25.3% in net income to 202,788 thousand yen.

(2) Overview of financial condition

1) Assets, liability and net assets

(Assets)

Total assets were 3,389,885 thousand yen at the end of the fiscal year, 798,714 thousand yen less than one year earlier. There was an 839,690 thousand yen decrease in current assets to 3,027,576 thousand yen and a 40,976 thousand yen increase in non-current assets to 362,308 thousand yen.

The decrease in current assets was mainly attributable to decreases of 969,728 thousand yen in cash and deposits, mainly the result of income tax payments, and 139,618 thousand yen in notes and accounts receivable. There were also increases of 160,631 thousand yen in consumption taxes receivable and 114,566 thousand yen in tax refunds receivable. Updating and repairs to the core sales IT system in the amount of 37,310 thousand yen was mainly responsible for the increase in non-current assets.

(Liabilities)

Liabilities decreased 919,928 thousand yen to 1,603,482 thousand yen. There was a 928,958 thousand yen decrease in current liabilities to 1,108,095 thousand yen and a 9,029 thousand yen increase in long-term liabilities to 495,387 thousand yen. Current liabilities were down chiefly because of decreases of 293,703 thousand yen in accounts payable-other, 289,723 thousand yen in income taxes payable and 224,280 thousand yen in consumption taxes payable.

(Net assets)

Net assets increased 121,214 thousand yen to 1,786,403 thousand yen. Retained earnings increased 83,398 thousand yen (the difference between net income of 161,896 thousand yen and dividend payments of 78,498 thousand yen) and capital stock and the capital surplus each increased 18,816 thousand yen because of the exercise of stock options.

2) Cash flows

Cash and cash equivalents at the end of the fiscal year totaled 1,579,983 thousand yen, 958,728 thousand yen less than one year earlier.

(Operating activities)

Net cash used in operating activities was 739,328 thousand yen compared with a positive cash flow of 488,611 thousand yen in the previous fiscal year. Major sources of cash were income before income taxes of 282,937 thousand yen, 698,385 thousand yen less than in the previous fiscal year and a decrease of 139,618 thousand yen in notes and accounts receivable. Major uses of cash were income tax payments of 483,847 thousand yen, 386,865 thousand yen resulting from a decrease in consumption taxes payable and an increase in consumption taxes receivable involving interim tax payments, and a 277,289 thousand yen decrease in accounts payable-other.

(Investing activities)

Net cash used in investing activities was 83,796 thousand yen, down 13.7% from the previous fiscal year. The primary uses of cash were payments of 72,533 thousand yen for property and equipment and intangible fixed assets.

(Financing activities)

Net cash used in financing activities was 135,602 thousand yen compared with a positive cash flow of 294,152 thousand yen in the previous fiscal year. For long-term loans, there were repayments of 331,474 thousand yen and proceeds of 400,000 thousand yen. In addition, there were payments of 161,000 thousand yen for the redemption of bonds and 78,184 thousand yen for cash dividends paid.

(Reference) Cash flow indicators

	FY 2/12	FY 2/13	FY 2/14
Equity ratio (%)	20.5	39.8	52.7
Market capital equity ratio (%)	-	86.2	100.2
Debt to cash flow ratio (years)	0.7	1.8	-
Interest coverage ratio (times)	51.6	32.9	-

Equity ratio = Shareholders' equity/Total assets

Market capital equity ratio = Market capitalization/Total assets

Debt to cash flow ratio = Interest-bearing debt/Cash flows

Interest coverage ratio = Cash flows/Interest expenses

Notes:

1. Market capitalization is based on the number of shares issued after deducting treasury stock.
2. Cash flows are operating cash flows.
3. Interest-bearing debt is the sum of all debt on the balance sheet on which interest is paid.
4. The debt to cash flow ratio and interest coverage ratio for the fiscal year that ended in February 2014 are not shown because this ratio was negative in that year.

(3) Earnings Distribution Policy and Dividends

Career Link positions the distribution of earnings to shareholders as one of its highest priorities along with measures to build a sound foundation for business operations. The fundamental policy is to pay a dividend consistently at a suitable level that

reflects results of operations and all other aspects of operations. At the same time, sufficient earnings will be retained to fund actions to achieve sustained growth and to strengthen operations.

In accordance with this policy, we plan to pay a year-end dividend of 14 yen per share for the fiscal year that ended in February 2014. In the next fiscal year as well, we plan to pay a year-end dividend of 14 yen per share.

(4) Business Risk

This section contains risk factors involving business operations that may have a significant effect on the decisions of investors. In addition, this section contains other items that, although not necessarily business risk factors, are included because we believe they are important with respect to investment decisions. Career Link is aware of these risks and is taking actions to prevent these problems and to respond to these problems if they occur. Forward-looking statements in this section reflect the judgments of Career Link as of the date of this earnings announcement.

1) Laws and regulations

To fulfill its obligation to society as a company, Career Link has prepared rules and operating manuals for compliance with laws and regulations, operates and upgrades employee training programs, and maintains and strengthens a system of internal controls. We will continue to operate and expand a proper system of internal controls that reflect the growth of our operations as well as internal and external changes affecting our operations. However, we may receive administrative guidance or an order to improve operations if there is serious negligence, fraud, illegal activity or other improper behavior by employees. Furthermore, these problems could result in litigation and the payment of damages. These events may have an effect on results of operations.

In addition, there may be amendments or other revisions to the Temporary Staffing Services Law, the primary law that regulates our operations, and other laws and regulations. These changes may be made due to changes in the temporary staffing market, to tighten restrictions concerning sectors where temporary staffing can be used and the length of temporary staffing assignments, or for other reasons. Depending on the nature of an amendment or revision, there may be an effect on results of operations.

(a) Temporary staffing

Temporary staffing requires the approval of the Minister of Health, Labour and Welfare as a “general temporary staffing business” in accordance with the Temporary Staffing Services Law. This approval must be renewed after five years.

Article 14 of the Temporary Staffing Services Law provides for the termination of approval and other actions in order to ensure the proper operation of the temporary staffing business. In the event that a temporary staffing services company (including individuals who operate a temporary staffing business and, for companies, the directors) violate any item listed in paragraph 1 of Article 14, the law provides for the termination of approval to operate the business.

At this time, Career Link has not violated any of these items. However, if business approval is terminated for some reason in the future, the resulting limitations on business activities may affect results of operations.

(b) Outsourcing

Minister of Labour Notice No. 37 of 1986 defined the categorization standards for the outsourcing and temporary staffing businesses. The provision of outsourcing services requires compliance with these standards.

Although we strictly comply with Notice No. 37, there is a possibility of a labor bureau of a prefecture of Japan reaching the decision that one or more of our outsourcing services are effectively a temporary staffing service. If this leads to a judgment that an outsourcing service of ours should be classified as a temporary staffing service instead, there may be a penalty that could include an order to suspend operations. If this happens, there may be an effect on results of operations.

(c) Recruiting services

Recruiting services require the approval of the Minister of Health, Labour and Welfare as a “fee-based job introduction business” in accordance with the Employment Security Law. This approval must be renewed after five years.

The law states that the role of recruiting and related services is to facilitate proper and efficient adjustments in the supply and demand for workers. To ensure that this business is operated in a suitable manner, Article 32-9 of the Employment Security Law provides for the termination of approval and other actions. In the event that a company providing recruiting or related services violates any item listed in paragraph 1 of Article 32, the law provides for the termination of approval to operate the business.

At this time, Career Link has not violated any of these items. However, if business approval is terminated for some reason in the future, the resulting limitations on business activities may affect results of operations.

(d) Temporary staffing for permanent employment

The provision of temporary employees with the intent that they will be hired by the companies where they work applies to both (a) temporary staffing and (c) recruiting services. As a result, this business requires approval as both a general temporary staffing business and a fee-based job introduction business.

Temporary staffing for permanent employment therefore includes the risk factors in the above sections (a) and (c). At this time, Career Link has not violated any of items that could result in the termination of the approval for either of these two businesses. However, if business approval is terminated for some reason in the future, the resulting limitations on business activities may affect results of operations.

2) Amendments to the social insurance system

Social insurance payment rates and the scope of these payments are revised as required based on a national debate that includes unified reforms of social security programs and taxes.

As required by the current social insurance system in Japan, Career Link ensures that all full-time employees belong to this system and that all other staff members on assignment that meet the requirements for social insurance are in this system. However, a revision to the social insurance system may affect results of operations. For example, a reduction in the social insurance membership requirements could increase the amount of premiums paid by employers. For Japan's Welfare Pension Insurance, due to pension reform legislation enacted in 2004, the premium rate is increasing every year by 0.354% from October 2004 to September 2017. In the last year, this premium will be 18.3%. Due to these increases, the Welfare Pension Insurance premium paid by employers for standard monthly compensation is expected to increase by 0.177% every year until 2017. This increase is expected to have a negative effect on earnings.

The full-time employees and temporary staffing workforce of Career Link belong to the Temporary Staffing Health Insurance Association. The financial soundness of this association has declined for several reasons. One is payments due to a new contribution system (support payments for seniors older than 75 and payments for seniors age 65 to 74) associated with April 2008 reforms for senior citizen health care. The rising cost of health care and Japan's economic downturn also contributed to the association's financial problems. In response, the association has been raising the employer health insurance premium rate almost every year. In fiscal 2014, this rate increased from 4.3% to 4.35%. To maintain financial soundness, the Temporary Staffing Health Insurance Association has been taking steps to hold down health care expenses, lower operating expenses and make other improvements. However, if the lack of progress results in more increases in the insurance premium rate, there will probably be a negative effect on earnings.

For employment insurance, revisions enacted in fiscal 2010 raised from 0.7% to 0.95% the premiums paid by companies in ordinary business sectors. The scope of this insurance was extended, too. If the employment insurance system is revised again and there is another increase in payments by employers and employees, there will probably be a negative effect on earnings.

3) Recruitment of temporary staffing workforce

Career Link is always seeking applicants to register for temporary staffing assignments. We use the Internet, newspapers, magazines and other media for recruiting activities. Maintaining a sufficient number of registered individuals and people on temporary staffing assignments is vital to our business operations. As a result, we keep in close touch with registered individuals not yet on an assignment by using periodic communications and we have activities designed to provide these individuals with job opportunities that match their wishes.

For individuals on a temporary staffing assignment, we provide training and other support, offer an opportunity to become a full-time employee and have other programs to upgrade their skills. However, due to changes in the job market or in the demand for workers, we may be unable to recruit a sufficient number of temporary staffing workers or to supply a client with a sufficient number of temporary workers. If this happens, there may be an effect on results of operations.

4) Reliance on specific customers

Career Link serves a large number of companies primarily by providing business process outsourcing and customer relationship management services. In the fiscal year that ended in February 2014, Moshi Moshi Hotline, Inc. and Toppan Forms Co., Ltd. accounted for 24.6% and 22.2%, respectively, of total sales. As a result, these two companies accounted for 46.8% of total sales. We have stable relationships with these companies and are receiving orders consistently. We plan to continue working with Moshi Moshi Hotline and Toppan Forms. However, if there is a sudden change in either of these relationships, there may be an effect on results of operations.

5) Mergers and acquisitions

Career Link may acquire companies with businesses associated with current operations or use other actions in order to achieve growth. In the event of an acquisition or similar action, we will ascertain risks in advance by performing thorough due diligence concerning the other company's finances and business operations.

However, there is a possibility that an acquisition may not produce the expected benefits due to changes in the business climate in Japan or other countries or for other reasons. For example, we may be unable to sufficiently control an acquired company's management, businesses or assets or an acquired company may lose personnel or customers. Consequently, if an acquisition or similar action does not produce the expected benefits, the inability to sufficiently recover the investment may affect results of operations.

6) Competition

There are many companies in Japan's human resources service sector. To differentiate our services, we use knowledge gained from large public-sector projects and other experience to provide human resources services that help client companies to make their operations more efficient and streamlined. However, if competition becomes even more heated, there may be an effect on results of operations.

7) Natural disasters and IT system problems

(a) System malfunctions and disruptions

Computer systems and networks are vital to business operations. The business administration data system stores an enormous volume of personal information of registered and on-assignment temporary workers, information about client companies, and any other items. This information allows us to match workers with assignments by selecting registered individuals who have the best skills for each customer's requirements. Moreover, we use this computer system to oversee amounts due to the temporary staff, the payment of salaries, invoices for temporary staffing services, credit management and other tasks.

If this system stops functioning because of damage to the server that stores data or because of any other problem caused by an earthquake or other major natural or other disaster, we could have difficulty conducting business operations and there may be an effect on results of operations.

(b) Information network security

We receive a large volume of personal information and other confidential information in the course of business operations. We are well aware of the importance of information security and the associated risks. We have established information security rules and received ISO/IEC27001 (see below) certification in April 2010. In addition, we have a well-organized and continuous employee training program and management system for information security. However, if there is an information security problem due to unforeseen circumstances, there could be a loss of confidence in Career Link and damage to the company's reputation. These events could have an effect on results of operations.

Note: ISO/IEC27001 is an international standard for information security management systems, which are a framework to enable an organization to maintain the effectiveness of information management. This standard includes information storage methods, anti-virus measures, guidelines for using e-mail, action plans in the event of a system malfunction, and other components.

8) Personal information

Career Link holds an enormous volume of personal information about the registered and on-assignment workforce, individuals seeking jobs, full-time employees and others. Furthermore, we must comply with the Personal Information Protection Law, which was enacted in April 2005, because Career Link is designated by this law as a company handling personal information.

We received Privacy Mark certification in April 2005, prepared a Personal Information Protection Handbook and Personal Information Protection Manual, and ensure strict compliance with personal information handling rules by following these procedures and educating employees. Despite these measures, there is a possibility of an information leak or other problem caused by improper activities other events. If this happens, the resulting loss of public confidence, damage to the company's reputation, payment of damages or other problems may affect results of operations.

9) Recruiting and retention of employees

Career Link must hire high-quality individuals and train these people in order to provide customers with workers who can deliver even more added value. As a result, if we are unable to recruit talented individuals in a timely manner or if there are resignations of skilled core workers, we may have difficulty in sustaining our growth. This may have an effect on results of operations.

10) Stock dilution from exercise of options

Career Link distributes stock options to executives and employees to give them an additional incentive. As of the date of this earnings announcement, stock options were equivalent to 103,100 shares of stock, 1.7% of the 6,175,800 shares issued. Consequently, the new shares issued if these stock options are exercised may dilute the value and voting percentages of the stock held by current shareholders.

2. Corporate Group

There is no corporate group because Career Link has no subsidiaries or affiliated companies.

3. Management Policies

(1) Basic policies

Since its establishment in October 1996, Career Link has been dedicated to contributing to society by increasing the number of jobs. The company has grown by supplying employment opportunities to many people who were looking for jobs.

We believe that the corporate value of human resource companies contributes to society in two ways. First is by providing the required personnel and tasks in a timely manner in response to the diverse needs of customers. Second is by supplying labor for the tasks requested by customers in a manner that matches the remuneration received by workers. We meet the numerous wishes of people seeking jobs. In addition, we provide our workers with support to enable them to lead fulfilling lives. We regard these roles as two important social missions of ours. We remain dedicated to achieving more growth in corporate value.

(2) Key performance indicators

To achieve consistent growth in the scale of operations and corporate value, we place priority on sales, the operating margin and the return on equity as indicators of profitability and efficiency.

(3) Medium and long-term strategic goals

Our goal is sustained growth in the size of our operations and our earnings based on our corporate philosophy of “providing everyone with the joy of working.”

To accomplish this goal, we will use our expertise in administration and quality assurance along with other strengths to grow rapidly, chiefly in operations involving business process outsourcing. In addition, as a comprehensive provider of human resource services, we will continue to upgrade our compliance and administration capabilities and further improve the quality of these services. This will include supplying our customers with people who can be a source of significant added value.

(4) Major issues

There are expectations for a continuation of the economic recovery in Japan because of government measures to support the economy. But there are concerns about the effects of the Ukraine crisis on the global economy.

In Japan’s human resource services industry, there are hopes for benefits from proposed amendments to the Temporary Staffing Services Law that the Japanese parliament is currently considering. At Career Link, recruiting workers for temporary staffing assignments is an important issue.

Career Link will focus on the following major issues while continuing to position business process outsourcing, which has good prospects for more growth, as the core business.

1) Rapid expansion of business process outsourcing operations

In the core business process outsourcing sector, national and local governments in Japan will continue to outsource tasks as they try the use of market forces to hold down expenditures. In the private sector, companies are outsourcing peripheral activities in order to concentrate their resources on core businesses.

As these trends fuel growth of the business process outsourcing market, we will extend operations into more business domains. To do this, we will train highly skilled job site supervisors and utilize our expertise involving business process outsourcing project operations. This includes the knowledge we have acquired over the years involving operations and quality assurance. Our goal is expand the use of all of these strengths to every project. Building stronger ties with large business process outsourcing companies is one more way that we plan to achieve rapid growth of our business process outsourcing operations.

2) A temporary staffing workforce that can add more value

In the temporary staffing services industry, the outlook is for increasing demand among client companies for people who can perform creative work. This is why we believe that establishing a framework for recruiting people who can provide as much added value as possible will be vital to building a sound profit structure.

3) Recruit temporary staffing workforce and improve their job satisfaction

With business process outsourcing services as our core business, we are dedicated to growth by adapting with speed and flexibility to changes in our operating environment and our customers’ needs. To support this growth, the people who are registered for temporary assignments and those who are on assignments must have specialized skills and much experience.

Recruiting qualified workers is likely to become increasingly difficult in Japan because of the ongoing decline in the country’s working-age population. We have established a department devoted solely to improving the satisfaction of our temporary staffing workforce. We have a strong commitment to serving this workforce, such as by offering training programs and providing opportunities to become full-time employees. By offering these benefits, we aim to maintain a temporary staffing workforce that our customers can rely on as a source of added value.

Our objective is to use all of these measures to improve the job satisfaction of our temporary staffing workforce and earn a reputation among these people as Japan’s most caring human resources company.

4) Strengthen operations and build an organization able to support rapid growth

(a) Recruiting and training

We expect our growth to continue because of our focus on the business process outsourcing sector. As our scale of operations grows, we will increase the number of employees as required. To execute our medium and long-term

strategies for growth, we must hire people with the skills to operate an well-managed organization with effective controls.

People are the resource for our comprehensive human resource services business. As a result, growth will be impossible without upgrading the skills of our employees. Recruiting and training people are among our highest priorities. We are constantly working on hiring talented individuals and providing training programs for upgrading their skills. Increasing the motivation of our employees is another goal. This is why we will continue to enhance personnel systems and improve the quality of our workforce.

Furthermore, we are determined to build an even more powerful organization to support the speed of our growth. We need to make revisions to our organization quickly as needed to reflect changes in the operating environment and our own operations. This is one element of our goal of creating effective corporate governance and management systems that cover every part of our organization.

(b) Expand and upgrade information systems

We expect the volume of business processes and administrative expenses to increase along with the scale of our operations. Consequently, one of our most important issues is expanding and upgrading information systems to reflect these changes in our business activities. To do this, we will rebuild our information systems to improve efficiency, increase the performance of our system for supporting workers on temporary staffing assignments, and make other improvements.

The popularity of smartphones along with other developments is making the Internet an even more important part of our lives. As Internet utilization continues to grow, we will start using many new technologies. We want to increase employee satisfaction, reinforce systems to support temporary workers on assignments and improve the efficiency of our business operations systems.

5) Effective compliance activities

The human resource services industry uses people to provide customers with services. Operating this business therefore demands adherence to high ethical standards and rigorous compliance with laws, regulations and other guidelines. Our operations must comply with the Labor Standards Law, Temporary Staffing Services Law and other laws as well as laws and regulations associated with the operation of a business. We understand that compliance with these laws, regulations and other guidelines is the basis for our ability to fulfill our obligations as a member of society.

We have established internal rules based on these laws, regulations and guidelines. To oversee compliance activities, there is a Compliance Committee chaired by the company president. We will continue to operate this compliance framework with the goals of ensuring the effectiveness of our compliance programs.

(5) Other significant items

None

4. Financial Statements

(1) Balance sheet

(Thousand yen)

	Fiscal year ended February 2013 (As of February 28, 2013)	Fiscal year ended February 2014 (As of February 28, 2014)
ASSETS		
Current assets		
Cash and deposits	2,549,711	1,579,983
Accounts receivable-trade	1,126,958	987,340
Work in process	66,786	46,438
Supplies	1,708	1,484
Prepaid expenses	27,487	88,055
Deferred tax assets	61,526	28,697
Accounts receivable-other	21,214	13,644
Income taxes receivable	-	114,566
Consumption taxes receivable	-	160,631
Other	12,612	7,315
Allowance for doubtful accounts	(738)	(581)
Total current assets	3,867,267	3,027,576
Noncurrent assets		
Property, plant and equipment		
Buildings	65,182	75,012
Accumulated depreciation	(33,580)	(40,396)
Buildings, net	31,601	34,615
Vehicles	230	230
Accumulated depreciation	(115)	(192)
Vehicles, net	115	38
Tools, furniture and fixtures	106,893	123,478
Accumulated depreciation	(73,119)	(89,530)
Tools, furniture and fixtures, net	33,773	33,948
Construction in progress	-	13,965
Total property, plant and equipment	65,490	82,567
Intangible assets		
Software	44,156	57,750
Other	3,659	3,659
Total intangible assets	47,815	61,410
Investments and other assets		
Investment securities	1,545	1,835
Investments in capital	10	10
Claims provable in bankruptcy, claims provable in rehabilitation and other	518	518
Long-term prepaid expenses	2,730	1,573
Deferred tax assets	1,657	190
Lease and guarantee deposits	161,620	160,366
Long-term time deposits	31,000	43,000
Other	9,462	11,355
Allowance for doubtful accounts	(518)	(518)
Total investments and other assets	208,026	218,331
Total noncurrent asset	321,332	362,308
Total assets	4,188,600	3,389,885

(Thousand yen)

	Fiscal year ended February 2013 (As of February 28, 2013)	Fiscal year ended February 2014 (As of February 28, 2014)
Liabilities		
Current liabilities		
Short-term loans payable	12,000	12,000
Current portion of bonds	161,000	129,000
Current portion of long-term loans payable	284,774	224,228
Accounts payable-other	867,569	573,865
Accrued expenses	143,580	111,489
Income taxes payable	289,723	-
Accrued consumption taxes	224,280	-
Deposits received	3,433	5,240
Provision for bonuses	50,691	51,086
Asset retirement obligations	-	1,185
Total current liabilities	2,037,053	1,108,095
Noncurrent liabilities		
Bonds payable	303,000	174,000
Long-term loans payable	117,428	246,500
Provision for retirement benefits	11,700	14,550
Asset retirement obligations	29,300	35,408
Other	24,928	24,928
Total noncurrent liabilities	486,357	495,387
Total liabilities	2,523,411	1,603,482
Net assets		
Shareholders' equity		
Capital stock	365,751	384,567
Capital surplus		
Legal capital surplus	212,110	230,926
Total capital surplus	212,110	230,926
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,087,061	1,170,459
Total retained earnings	1,087,061	1,170,459
Treasury stock	-	(18)
Total shareholders' equity	1,664,923	1,785,936
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	265	466
Total valuation and translation adjustments	265	466
Total net assets	1,665,188	1,786,403
Total liabilities and net assets	4,188,600	3,389,885

(2) Statements of income

(Thousand yen)

	Fiscal year ended February 2013 (March 1, 2012 - February 28, 2013)	Fiscal year ended February 2014 (March 1, 2013 - February 28, 2014)
Net sales	17,898,653	11,598,515
Cost of sales	14,685,594	9,498,237
Gross profit	3,213,059	2,100,277
Selling, general and administrative expenses	2,181,632	1,803,052
Operating income	1,031,427	297,224
Non-operating income		
Interest income	280	375
Interest on securities	249	-
Dividends income	40	38
Subsidy income	140	-
Other	41	205
Total non-operating income	751	620
Non-operating expenses		
Interest expenses	13,360	9,165
Interest on bonds	3,226	2,745
Amortization of bond issuance cost	6,678	-
Guarantee commission	4,722	2,656
Going public expenses	14,123	-
Other	8,743	340
Total non-operating expenses	50,855	14,907
Ordinary income	981,323	282,937
Income before income taxes	981,323	282,937
Income taxes-current	421,037	86,856
Income tax adjustment	(3,320)	34,185
Total income taxes	417,717	121,041
Net income	563,605	161,896

(3) Statement of changes in shareholders' equity

Previous fiscal year (March 1, 2012 - February 28, 2013)

(Thousand yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Total capital surpluses	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at the beginning of current period	210,000	56,359	56,359	523,455	523,455	789,815
Changes of items during the period						
Issuance of new shares	155,751	155,751	155,751			311,502
Net income				563,605	563,605	563,605
Net changes of items other than shareholders' equity						
Total changes of items during the period	155,751	155,751	155,751	563,605	563,605	875,107
Balance at the end of current period	365,751	212,110	212,110	1,087,061	1,087,061	1,664,923

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(60)	(60)	789,754
Changes of items during the period			
Issuance of new shares			311,502
Net income			563,605
Net changes of items other than shareholders' equity	326	326	326
Total changes of items during the period	326	326	875,434
Balance at the end of current period	265	265	1,665,188

Current fiscal year (March 1, 2013 - February 28, 2014)

(Thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Total capital surpluses	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at the beginning of current period	365,751	212,110	212,110	1,087,061	1,087,061	-	1,664,923
Changes of items during the period							
Issuance of new shares	18,816	18,816	18,816				37,633
Dividends from surplus				(78,498)	(78,498)		(78,498)
Net income				161,896	161,896		161,896
Purchase of treasury stock						(18)	(18)
Net changes of items other than shareholders' equity							
Total changes of items during the period	18,816	18,816	18,816	83,398	83,398	(18)	121,013
Balance at the end of current period	384,567	230,926	230,926	1,170,459	1,170,459	(18)	1,785,936

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	265	265	1,665,188
Changes of items during the period			
Issuance of new shares			37,633
Dividends from surplus			(78,498)
Net income			161,896
Purchase of treasury stock			(18)
Net changes of items other than shareholders' equity	201	201	201
Total changes of items during the period	201	201	121,214
Balance at the end of current period	466	466	1,786,403

(4) Statements of cash flows

(Thousand yen)

	Fiscal year ended February 2013 (March 1, 2012 - February 28, 2013)	Fiscal year ended February 2014 (March 1, 2013 - February 28, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes	981,323	282,937
Depreciation and amortization	41,293	42,132
Increase (decrease) in allowance for doubtful accounts	(320)	(156)
Increase (decrease) in provision for bonuses	10,099	394
Increase (decrease) in provision for retirement benefits	450	2,850
Interest and dividends income	(570)	(414)
Interest expenses	13,360	9,165
Interest on bonds	3,226	2,745
Amortization of bond issuance cost	6,678	-
Going public expenses	14,123	-
Decrease (increase) in notes and accounts receivable-trade	494,430	139,618
Decrease (increase) in inventories	(44,481)	20,572
Increase (decrease) in accounts payable-other	(302,520)	(277,289)
Decrease/increase in consumption taxes receivable/payable	(153,129)	(386,865)
Other, net	(121,240)	(80,581)
Subtotal	942,722	(244,892)
Interest and dividends income received	570	414
Interest expenses paid	(14,869)	(11,003)
Income taxes paid	(439,810)	(483,847)
Net cash provided by (used in) operating activities	488,611	(739,328)
Net cash provided by (used in) investing activities		
Payments into time deposits	(24,000)	(13,000)
Proceeds from withdrawal of time deposits	12,000	12,000
Purchase of property, plant and equipment	(33,548)	(35,597)
Purchase of intangible assets	(16,987)	(36,936)
Payments for lease and guarantee deposits	(50,488)	(15,368)
Proceeds from lease and guarantee deposits received	17,805	6,976
Other, net	(1,892)	(1,870)
Net cash provided by (used in) investing activities	(97,111)	(83,796)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(59,000)	-
Proceeds from long-term loans payable	300,000	400,000
Repayment of long-term loans payable	(535,182)	(331,474)
Proceeds from issuance of bonds	393,321	-
Redemption of bonds	(104,000)	(161,000)
Proceeds from issuance of common stock	303,518	37,307
Purchase of treasury stock	-	(18)
Cash dividends paid	-	(78,184)
Other, net	(4,504)	(2,233)
Net cash provided by (used in) financing activities	294,152	(135,602)
Net increase (decrease) in cash and cash equivalents	685,652	(958,728)
Cash and cash equivalents at beginning of period	1,853,058	2,538,711
Cash and cash equivalents at end of period	2,538,711	1,579,983

- (5) Notes to financial statement
 (Notes to going concern assumptions)
 None

(Gain or loss on equity method, etc.)
 None

(Segment information, etc.)

a. Business segments

Fiscal years that ended in February 2013 (March 1, 2012 - February 28, 2013) and February 2014 (March 1, 2013 - February 28, 2014)

No business segment information is provided for these fiscal years because there was only one segment, the comprehensive human resource services business.

b. Additional information

Fiscal year ended in February 2013 (March 1, 2012 - February 28, 2013)

1. Information for individual products and services

(Thousand yen)

	Business Process Outsourcing	Customer Relationship Management	Office Services	Manufacturing and Technology	Total
Net sales to external customer	10,957,172	4,229,986	1,533,215	1,178,279	17,898,653

2. Geographic segments

(1) Net sales

Not applicable because all sales were in Japan.

(2) Property, plant and equipment

Not applicable because all property and equipment is in Japan.

3. Information by major client

(Thousand yen)

Name of client	Net sales	Segment (Note)
Moshi Moshi Hotline Inc.	10,354,326	-
TOPPAN FORMS CO., LTD.	2,222,048	-

Note: No business segments are listed because there is only one business segment.

Fiscal year ended in February 2014 (March 1, 2013 - February 28, 2014)

1. Information for individual products and services

(Thousand yen)

	Business Process Outsourcing	Customer Relationship Management	Office Services	Manufacturing and Technology	Total
Net sales to external customer	6,187,957	3,380,356	931,150	1,099,050	11,598,515

2. Geographic segments

(1) Net sales

Not applicable because all sales were in Japan.

(2) Property, plant and equipment

Not applicable because all property, plant and equipment is in Japan.

3. Information by major client

(Thousand yen)

Name of client	Net sales	Segment (Note)
Moshi Moshi Hotline Inc.	2,849,473	-
TOPPAN FORMS CO., LTD.	2,569,589	-

Note: No business segments are listed because there is only one business segment.

c. Business segment asset impairment losses for property and equipment

Fiscal years that ended in February 2013 (March 1, 2012 - February 28, 2013) and February 2014 (March 1, 2013 - February 28, 2014)

No information is provided for these fiscal years because there was only one segment.

d. Business segment goodwill amortization and remaining goodwill

Fiscal years that ended in February 2013 (March 1, 2012 - February 28, 2013) and February 2014 (March 1, 2013 - February 28, 2014)

Not applicable

e. Business segment gain on negative goodwill

Fiscal years that ended in February 2013 (March 1, 2012 - February 28, 2013) and February 2014 (March 1, 2013 - February 28, 2014)

Not applicable

(Per share information)

Fiscal year ended February 2013 (March 1, 2012 - February 28, 2013)		Fiscal year ended February 2014 (March 1, 2013 - February 28, 2014)	
	Yen		Yen
Net assets per share	296.98	Net assets per share	289.26
Net income per share	112.32	Net income per share	27.50
Net income per share (diluted)	99.46	Net income per share (diluted)	25.92

Notes:

1. There was a 1-to-100 common stock split on June 10, 2012. Net assets per share and net income per share are calculated as if this split had taken place at the beginning of the fiscal year that ended in February 2013.
2. The basis for calculating earnings per share and diluted earnings per share is as follows.

	Fiscal year ended February 2013 (March 1, 2012 - February 28, 2013)	Fiscal year ended February 2014 (March 1, 2013 - February 28, 2014)
Net income per share		
Net income (thousand yen)	563,605	161,896
Amount not attributable to common stockholders (thousand yen)	-	
Amount attributable to common stockholders (thousand yen)	563,605	161,896
Average number of shares during the period (shares)	5,017,915	5,888,132
Diluted net income per share		
Adjustment to net income (thousand yen)	-	-
Increase in common stock (shares)	648,815	358,368
Non-dilutive common stock equivalents not included in calculation of diluted net income per share	-	-

Note: Trading of Career Link stock started on November 15, 2012 on the Tokyo Stock Exchange Mothers Market. Consequently, diluted net income per share for the fiscal year that ended in February 2013 is calculated by using a fiscal year average stock price for the period from the start of trading until the end of the fiscal year.

(Subsequent events)

None

5. Other information

(1) Changes in directors and corporate auditors (planned for May 29, 2014)

- | | |
|---|-------------|
| 1) Representative directors (current position in parentheses) | |
| Hirohiko Kondo (Chairman and representative director) | Re-election |
| Motoaki Narusawa (President and representative director) | Re-election |

2) Other directors (current position in parentheses)

(a) Director candidate

- | | |
|--|--------------|
| Takehiro Hiramatsu (Senior managing director, general manager of Administration Division) | Re-election |
| Natsumi Morimura (Director, general manager of Sales Division and Sales Planning Department) | Re-election |
| Makoto Deguchi (Director, general manager of Sales No. 1 Department, Sales Division) | Re-election |
| Masahiro Takeda (General manager of Information Systems Department, Administration Division) | New director |
| Ichiro Miura (Director) | Re-election |
- Note: Masahiro Takeda is a candidate for election as a new director. Ichiro Miura is a candidate for re-election as an outside director.

(b) Corporate auditor candidate

Tadao Toyoshima

Note: Tadao Toyoshima is a candidate for election as a new outside corporate auditor.

(c) Alternate corporate auditor candidate

Terufumi Hiroshima

Note: Terufumi Hiroshima is a candidate for election as an alternate corporate auditor. Mr. Hiroshima meets the requirements as an outside corporate auditor as specified in Article 2-16 of the Companies Law.

(d) Resigning director

Masashi Morikawa (Director, general manager of Administration Department, Administration Division)

(e) Resigning corporate auditor

Yu Mori (Corporate auditor)

* For information about the backgrounds of the candidates for election as a new director and new corporate auditors, please see the press release dated today titled "Notice Concerning Directors and Corporate Auditors."