

# Earnings Presentation

## First Half Ended August 2016

### CAREERLINK CO., LTD

October 7 (Fri.), 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.

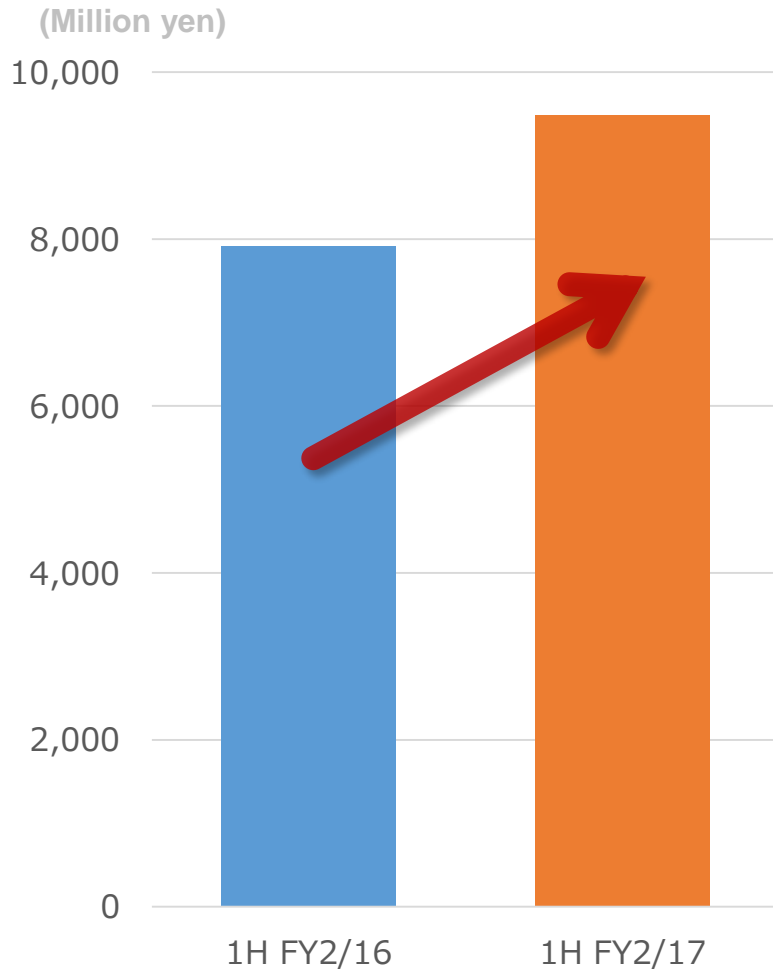
Consequently, there is a risk that Careerlink's actual performance and other aspects of operations may differ from the information in this presentation. An announcement will be made whenever there is a significant change.

# Agenda

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

# I. Financial Highlights for the First Half FY2/17

# Financial Highlights



**Sales: ¥9,489million**

(0.3% below the plan)

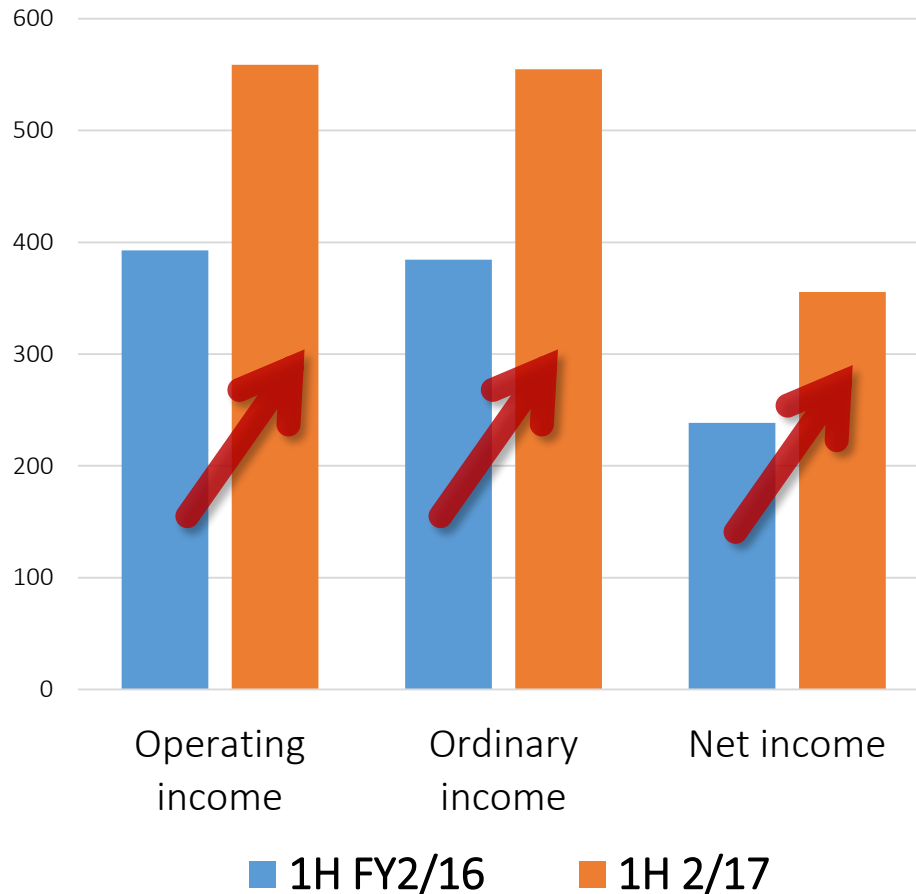
**Sales increased 19.9%** mainly because of strong orders for BPO projects

FY sales plan: ¥19,984million

**Progress: 47.5%**

# Financial Highlights (Incomes)

(Million yen)



**Operating income: ¥558million**

**Year-on-year +42.3%**

(+27.5% vs. plan)

**Ordinary income: ¥554million**

**Year-on-year + 44.3%**

(+28.8% vs. plan)

**Net income: ¥355million**

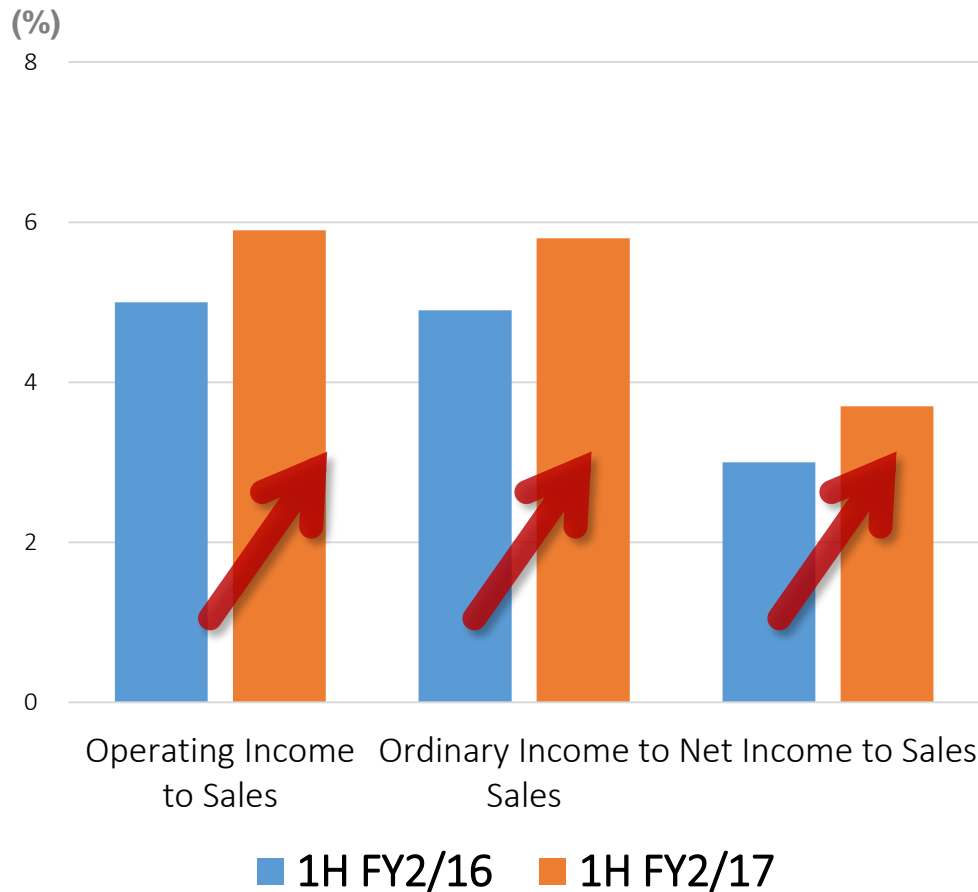
**Year-on-year +49.0%**

(+26.9% vs. plan)

Net income plan: ¥722million

**Progress: 49.2%**

# Financial Highlights (Margins)



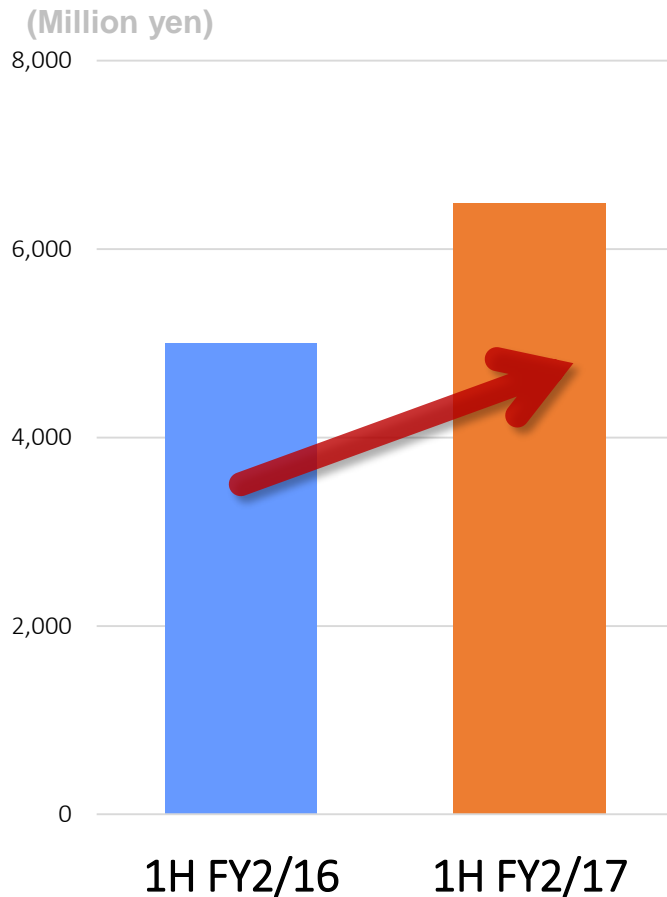
**Operating Income to Sales: 5.9%**  
Year-on-year change: +0.9%point

**Ordinary Income to Sales: 5.8%**  
Year-on-year change: +0.9%point

**Net Income to Sales: 3.7%**  
Year-on-year change: +0.7%point

# Sales by Business Division (1)

## Business Process Outsourcing



**Sales: ¥6,485million**

(Vs. plan +0.3%)

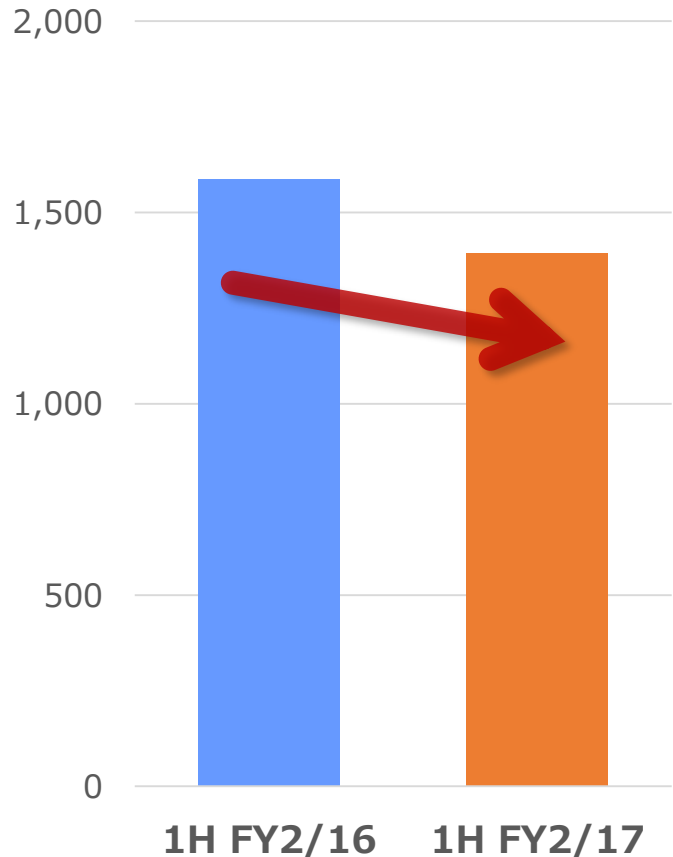
BPO sales **increased 29.8%**. Strong BPO orders from financial institutions and other private-sector companies were one reason. Public-sector BPO orders from government agencies were as planned because of orders for tasks involving Japan's new personal identification number system (started in FY2/16 3Q) and special government benefit payments.



# Sales by Business Division (2)

## Customer Relationship Management

(Million yen)



## Sales: ¥1,393million

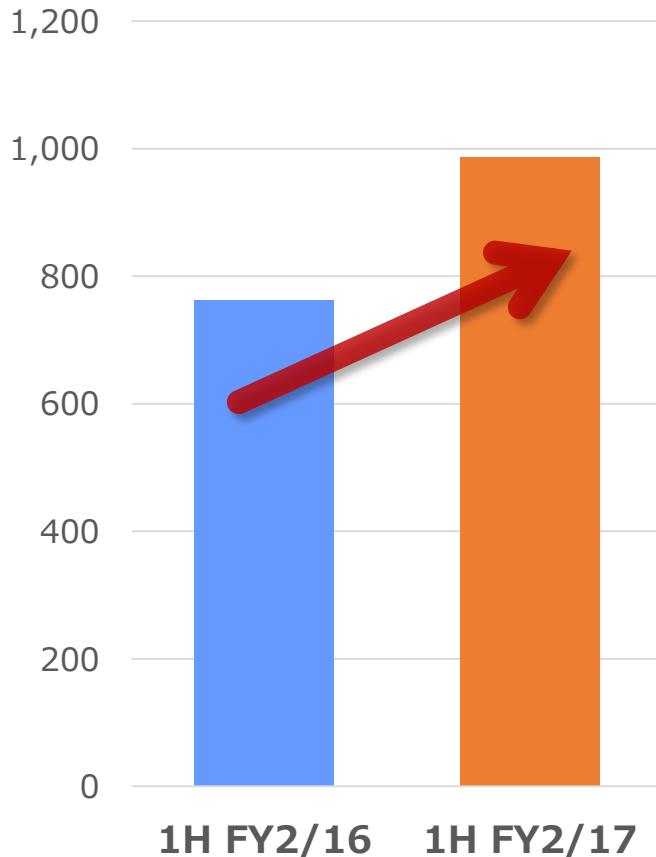
(Vs. plan -3.8%)

CRM sales **decreased 12.2%** due mostly to the contribution of one-time projects to sales one year earlier. In addition, the inclusion in BPO of sales from clerical tasks performed in conjunction with call center operations reduced sales.

# Sales by Business Division (3)

## Manufacturing and Technology

(Million yen)



## Sales: ¥987million

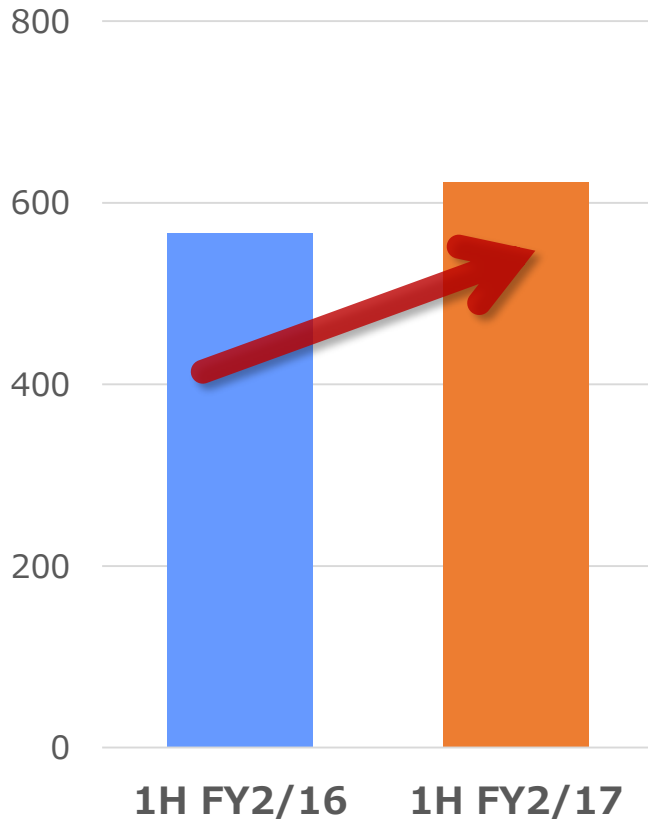
(Vs. plan +3.9%)

Manufacturing and Technology sales **increased 29.5%**. Higher orders from manufacturers of home appliances, medical equipment and food products were the main reason.

# Sales by Business Division (4)

## Office Services

(Million yen)



## Sales: ¥622million

(Vs. plan -4.9%)

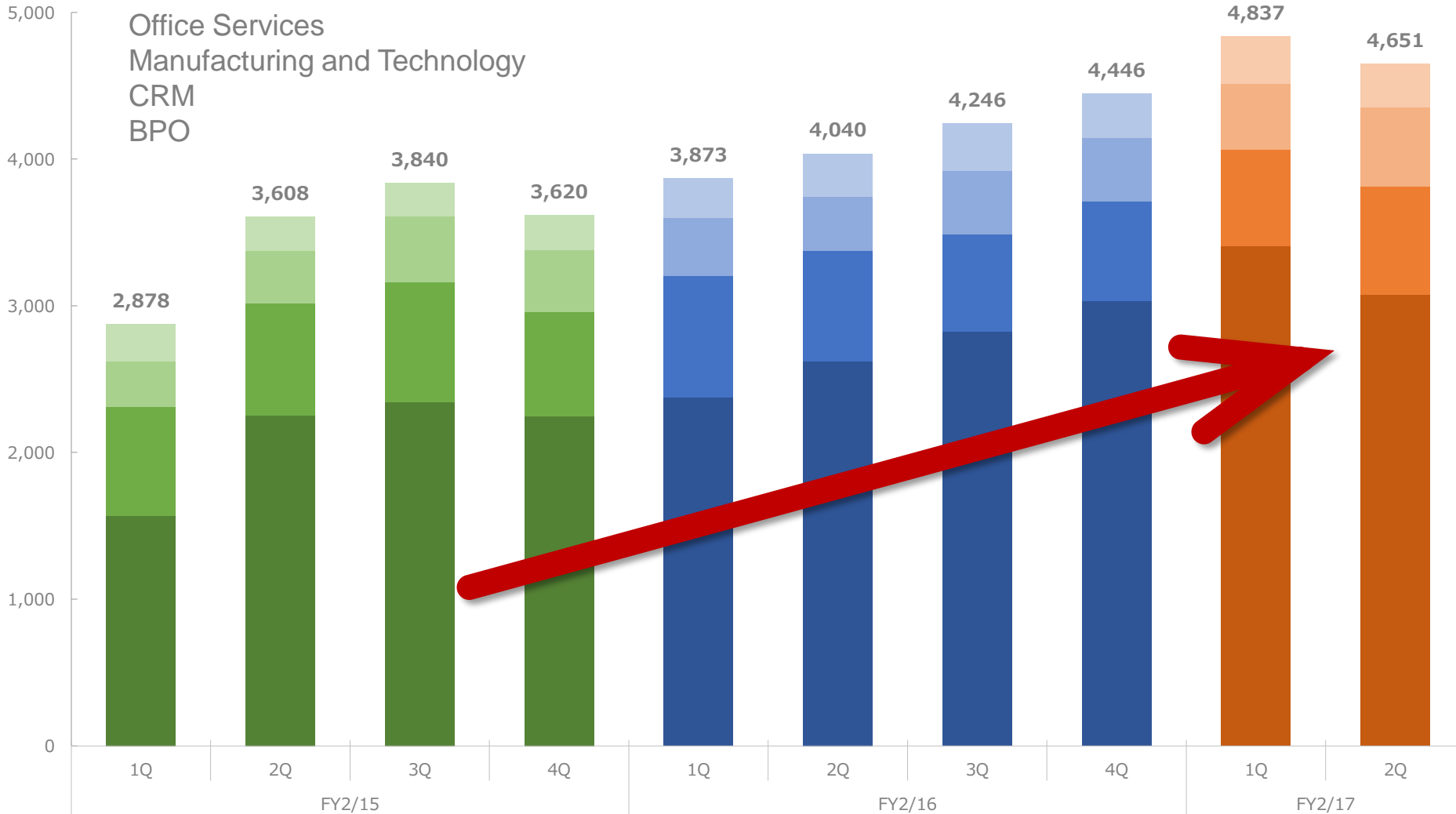
Office Services sales **increased 9.9%** with growth attributable mainly to operations center and other existing projects.

# Statements of Income

	Actual for FY2/15	Plan for FY2/17 (Announced on April 21, 2016)	Actual for 1H FY2/17		
	Amount (Million yen)	Amount (Million yen)	Amount (Million yen)	Year-on-year	Vs. Plan
				Variance (Million yen / %)	
<b>Sales</b>	7,914	9,519	9,489	+1,574 (+19.9)	-30 (-0.3)
<b>BPO</b> (Sales Composition)	4,997 (63.2%)	6,465 (67.9%)	6,485 (68.3%)	+1,487 (+29.8)	+19 (+0.3)
<b>CRM</b> (Sales Composition)	1,587 (20.1%)	1,448 (15.2%)	1,393 (14.7%)	-193 (-12.2)	-55 (-3.8)
<b>Manufacturing and Technology</b> (Sales Composition)	762 (9.6%)	950 (10.0%)	987 (10.4%)	+224 (+29.5)	+37 (+3.9)
<b>Office Services</b> (Sales Composition)	566 (7.2%)	655 (6.9%)	622 (6.6%)	+56 (9.9)	-32 (-4.9)
<b>Operating Income</b> [Operating Income to Sales]	392 [5.0%]	438 [4.6%]	558 [5.9%]	+166 (+42.3)	+120 (+27.5)
<b>Ordinary Income</b> [Ordinary Income to Sales]	384 [4.9%]	430 [4.5%]	554 [5.8%]	+170 (+44.3)	+123 (+28.8)
<b>Net Income</b> [Net Income to Sales]	238 [3.0%]	280 [2.9%]	355 [3.7%]	+116 (+49.0)	+75 (+26.9)

# Quarterly Sales

(Million yen)



# Financial Condition

		End of FY2/16	1H FY2/17		
		Amount (Million yen)	Amount (Million yen)	Variance (Million yen)	Main reasons for changes (Million yen)
	Current assets	4,900 (87.2%)	5,088 (88.5%)	+188	<ul style="list-style-type: none"> <li>• Cash and deposits +235</li> <li>• Accounts receivable – trade +17</li> <li>• Investments and other assets -68</li> <li>• Work in process -53</li> </ul>
	Noncurrent assets	719 (12.8%)	661 (11.5%)	-58	
	<b>Total assets</b>	<b>5,620</b> <b>(100.0%)</b>	<b>5,750</b> <b>(100.0%)</b>	<b>+129</b>	
	Current liabilities	2,476 (44.1%)	2,414 (42.0%)	-62	<ul style="list-style-type: none"> <li>• Income taxes payable +43</li> <li>• Accounts payable – other +39</li> <li>• Bonds payable (incl. current portion) +32</li> <li>• Short-term loans payable +30</li> <li>• Provision for employee stock ownership plan +15</li> <li>• Provision for bonuses +10</li> <li>• Long-term loans payable (incl. current portion) -161</li> <li>• Income taxes payable -108</li> <li>• Advances received -52</li> </ul>
	Noncurrent liabilities	484 (8.6%)	417 (7.3%)	-66	
	<b>Total liabilities</b>	<b>2,961</b> <b>(52.7%)</b>	<b>2,832</b> <b>(49.3%)</b>	<b>-129</b>	
	<b>Total net assets</b>	<b>2,658</b> <b>(47.3%)</b>	<b>2,917</b> <b>(50.7%)</b>	<b>+ 258</b>	
<b>Total liabilities and net assets</b>		<b>5,620</b> <b>(100.0%)</b>	<b>5,750</b> <b>(100.0%)</b>	<b>+129</b>	

# Cash Flows

	1H 2/16	1H 2/17	
	Amount (Million yen)	Amount (Million yen)	Main reasons for changes (Million yen)
Operating activities	-391	401	<ul style="list-style-type: none"> <li>• Income before income taxes +554</li> <li>• Decrease in inventories +52</li> <li>• Increase in notes and accounts receivable-trade +23</li> <li>• Income taxes paid -168</li> <li>• Decrease in accrued consumption taxes -101</li> </ul>
Investing activities	-211	49	<ul style="list-style-type: none"> <li>• Proceeds from sales of investment securities +100</li> <li>• Purchase of property, plant and equipment/Purchase of intangible assets -28</li> <li>• Payments for lease and guarantee deposits -22</li> </ul>
Free cash flow	-603	451	
Financing activities	124	-215	<ul style="list-style-type: none"> <li>• Net increase in short-term loans payable +30</li> <li>• Repayment of long-term loans payable -161</li> <li>• Cash dividends paid -113</li> </ul>
Net increase (decrease) in cash and cash equivalents	-478	235	
Cash and cash equivalents, beginning of period	3,118	2,617	
Cash and cash equivalents, end of period	2,639	2,853	

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



# Annual Plan for FY2/17

	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 FY2/17**

# Business Strategy FY2/17 (Public Sector)

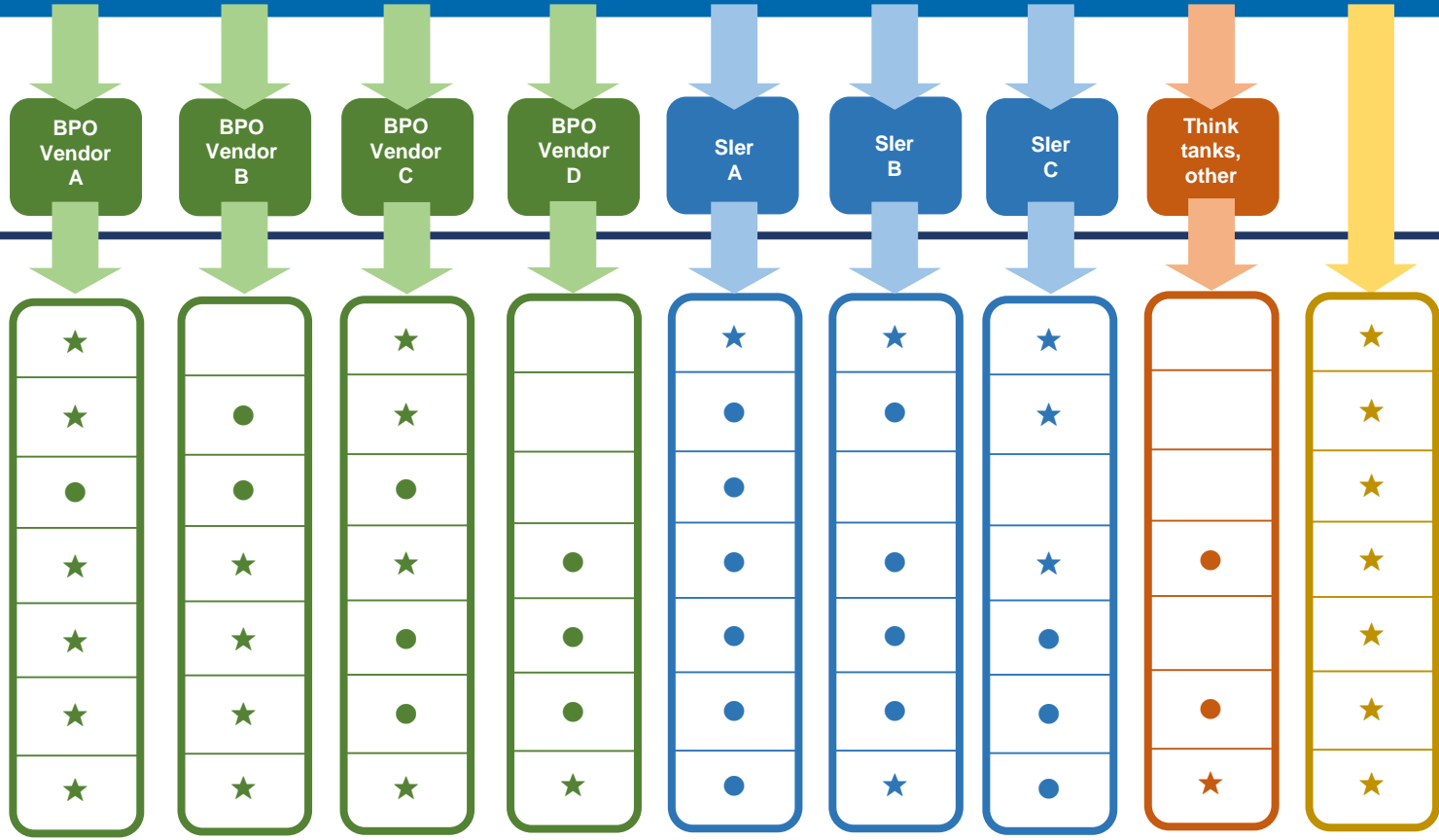


# Business Strategy FY2/17 (Private Sector)



# FY2/17 Achievement (1)

## Public sector/Private sector



As of end of Aug. 2016 ( ★ : Orders received (29) ● : Orders expected (24) )

### Unit Model



Business development



Business operations/structure



Operations manager



Quality assurance



Supervisor



Operations

# FY2/17 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*					
<b>Shinjuku Ward</b>	<b>Kunitachi City</b>				

**15 orders**

## Low-income supplementary payment projects

Sendai City	Adachi Ward	Kokubunji City	Higashi Osaka City	Himeji City
Others*				
<b>Izumi city</b>	<b>Tondabayashi City</b>	<b>Kakogawa City</b>		

**9 orders**

## Pension/Others

**Japan Pension Service (Headquarters, Minamikanto, Kinki)**  
**METI Chiba City Shinjuku Ward Koto Ward Sakai City**

**10 orders**

**BLUE: Orders renewed by negotiated contract**

**RED: New orders in FY2/17**

As of end of August 2016

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



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

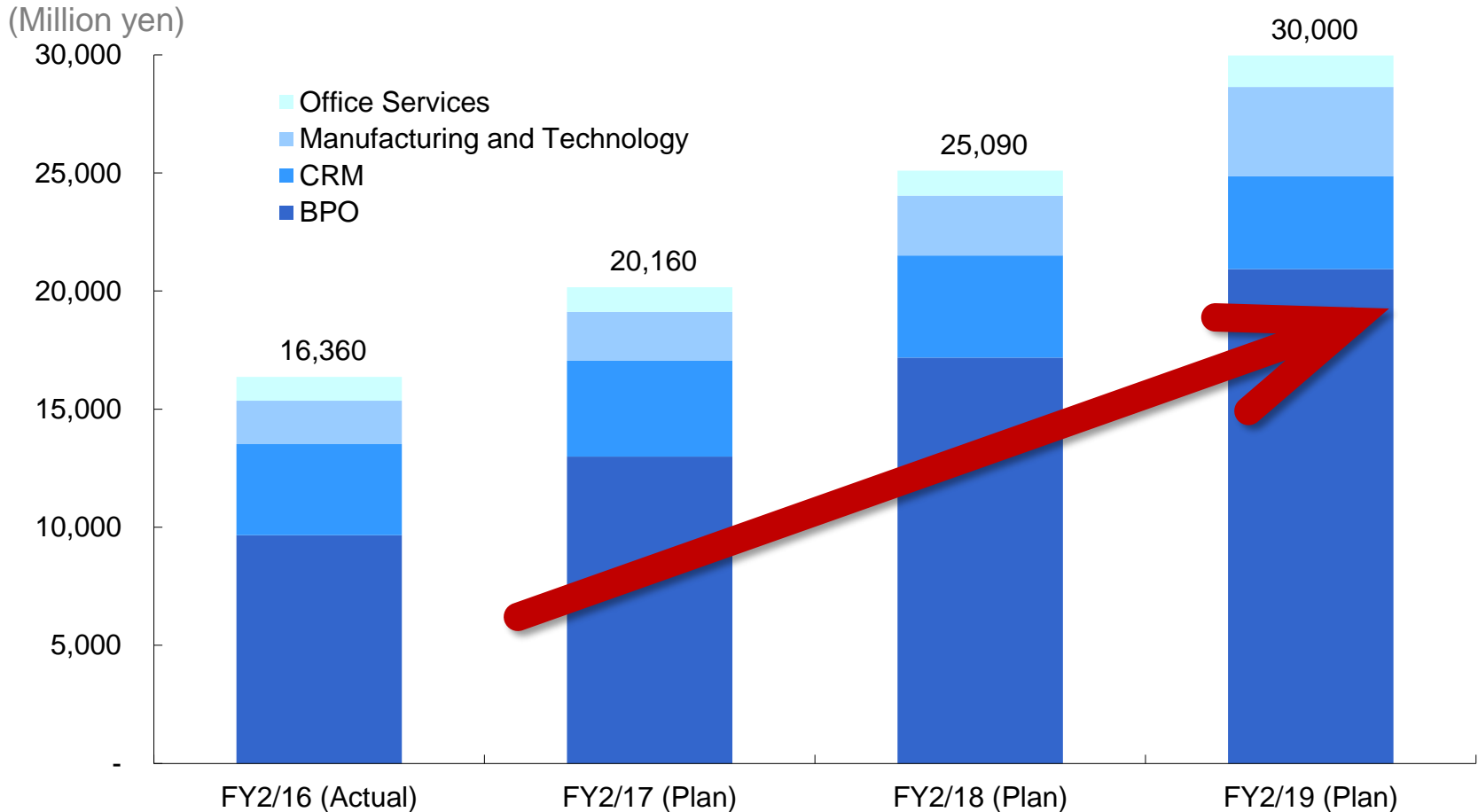
- Use mergers and acquisitions to extend BPO operations into new business domains

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



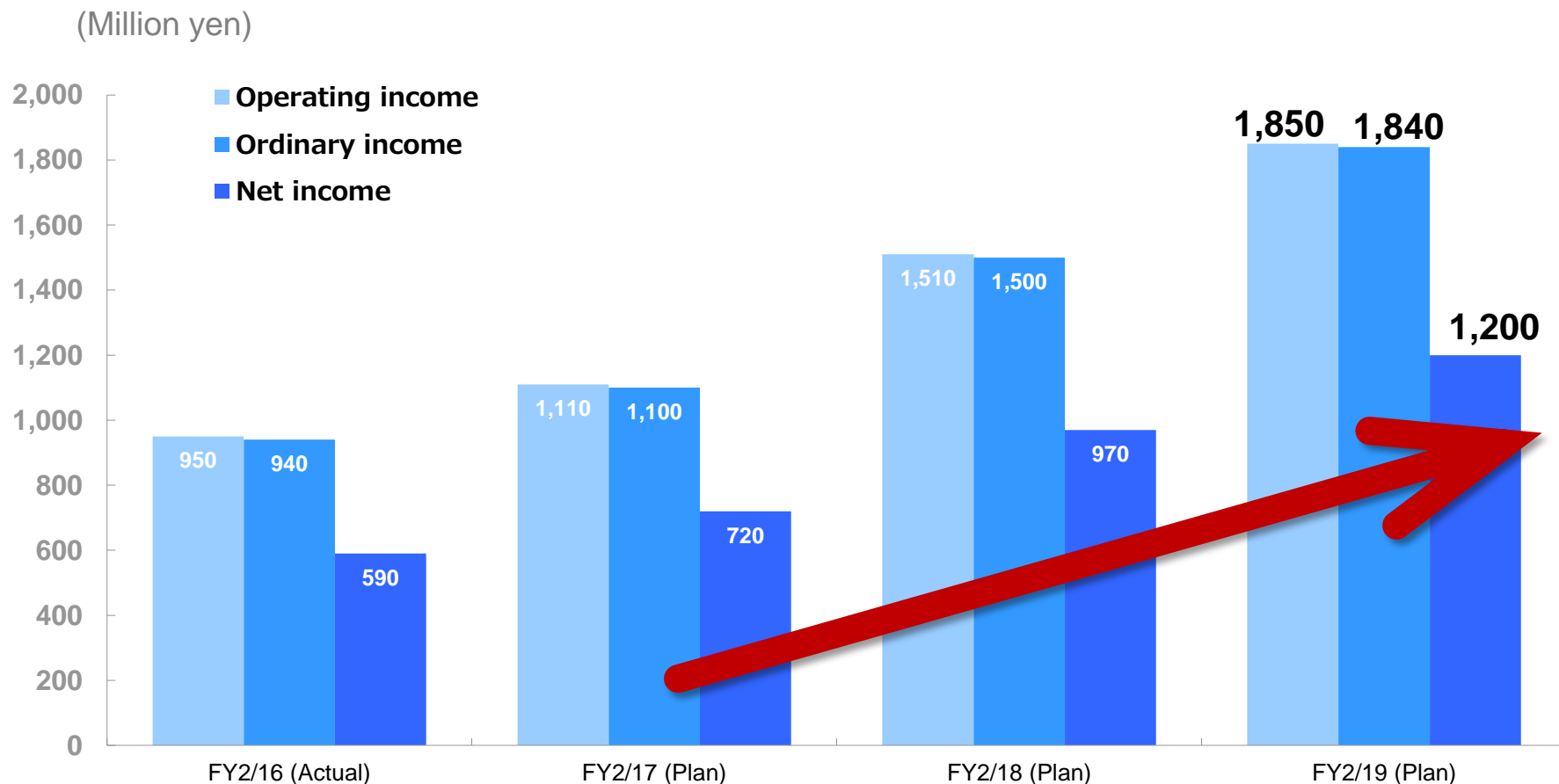


# Medium-Term Management Plan (FY2/17-FY2/19)

## Goals (3)

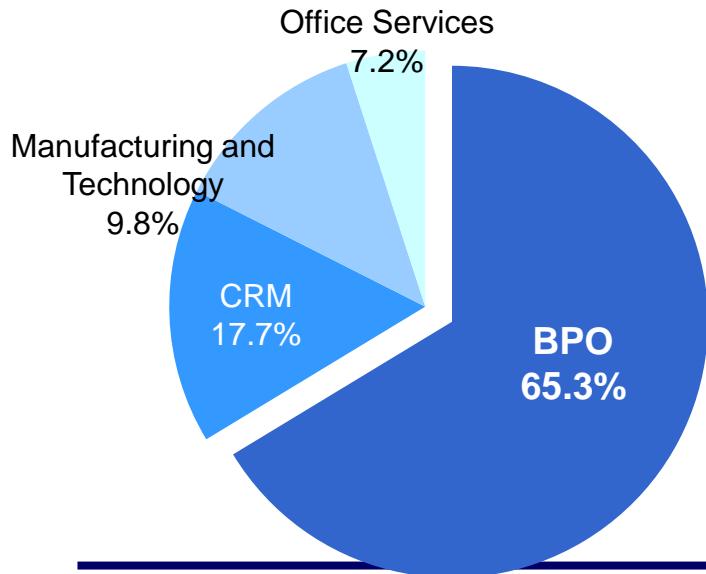
**FY2/19 Goals: Operating Income ¥1.8 billion, Ordinary Income of ¥1.8 billion,  
Net Income of ¥1.2 billion**

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

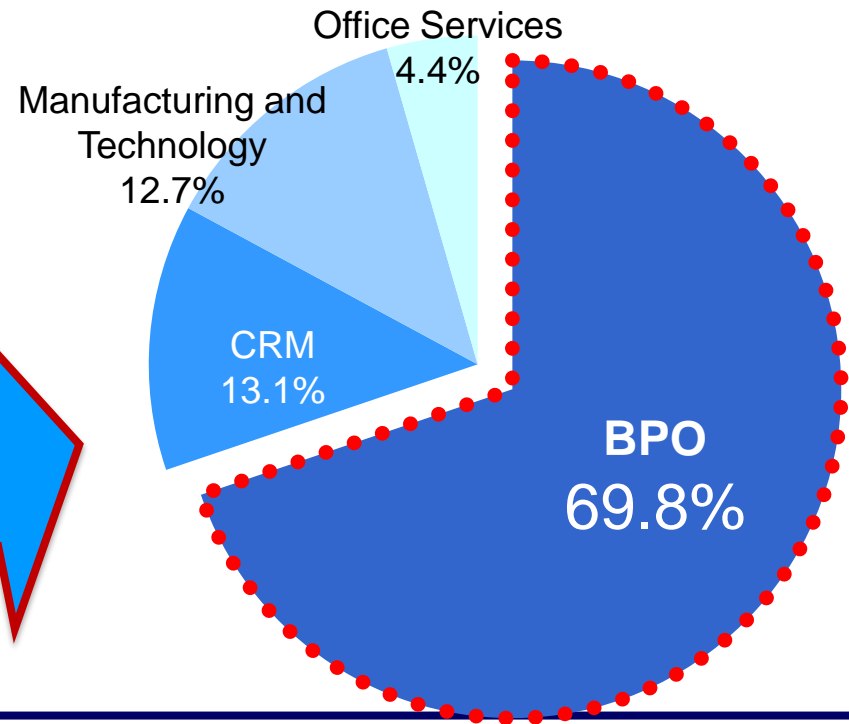


The goal is a **70%** share of sales for BPO, which will be the main source of growth

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



**FY2/19 (Plan)**  
**Sales: ¥30,000mn**



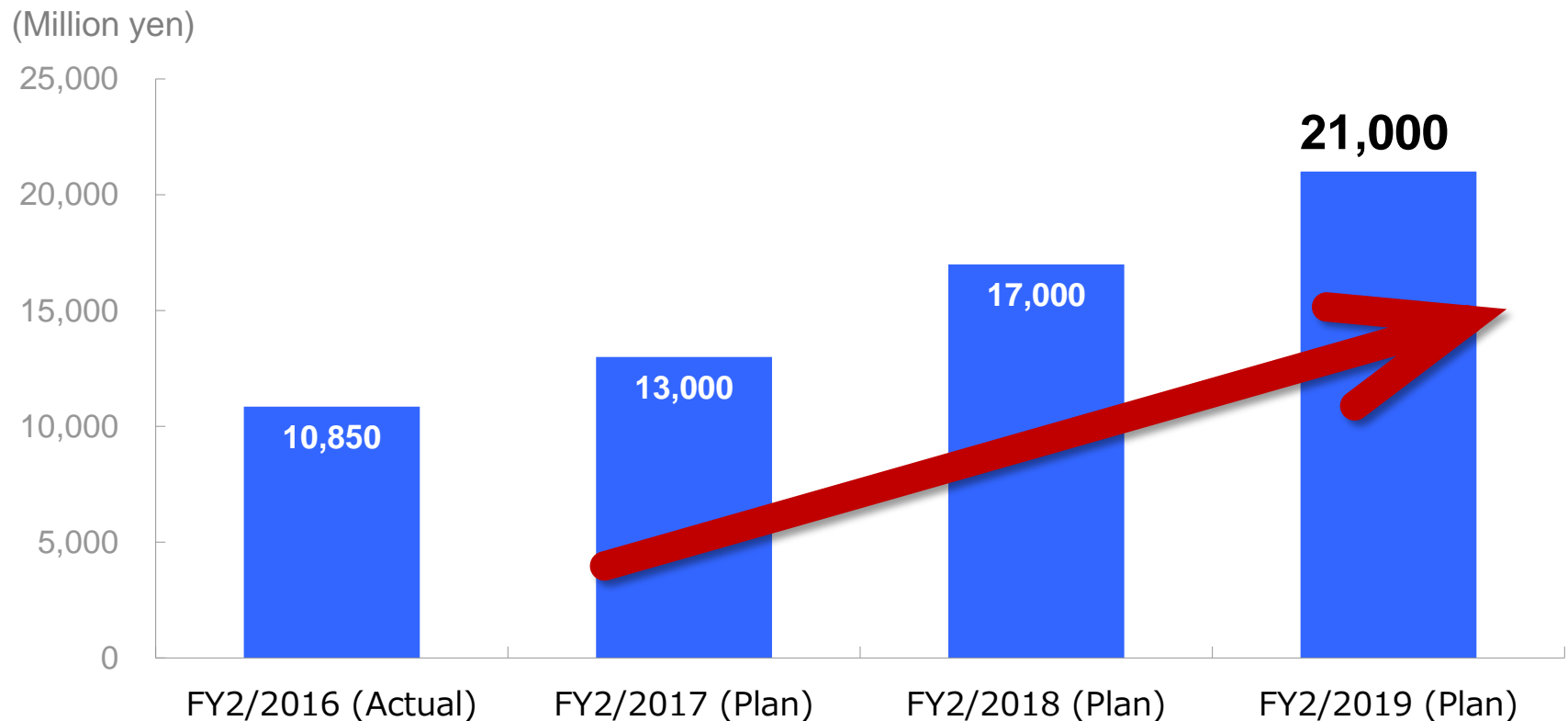
**Goal: Use high-quality BPO services to rank first in BPO customer satisfaction**

**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 ¥21,000 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.**

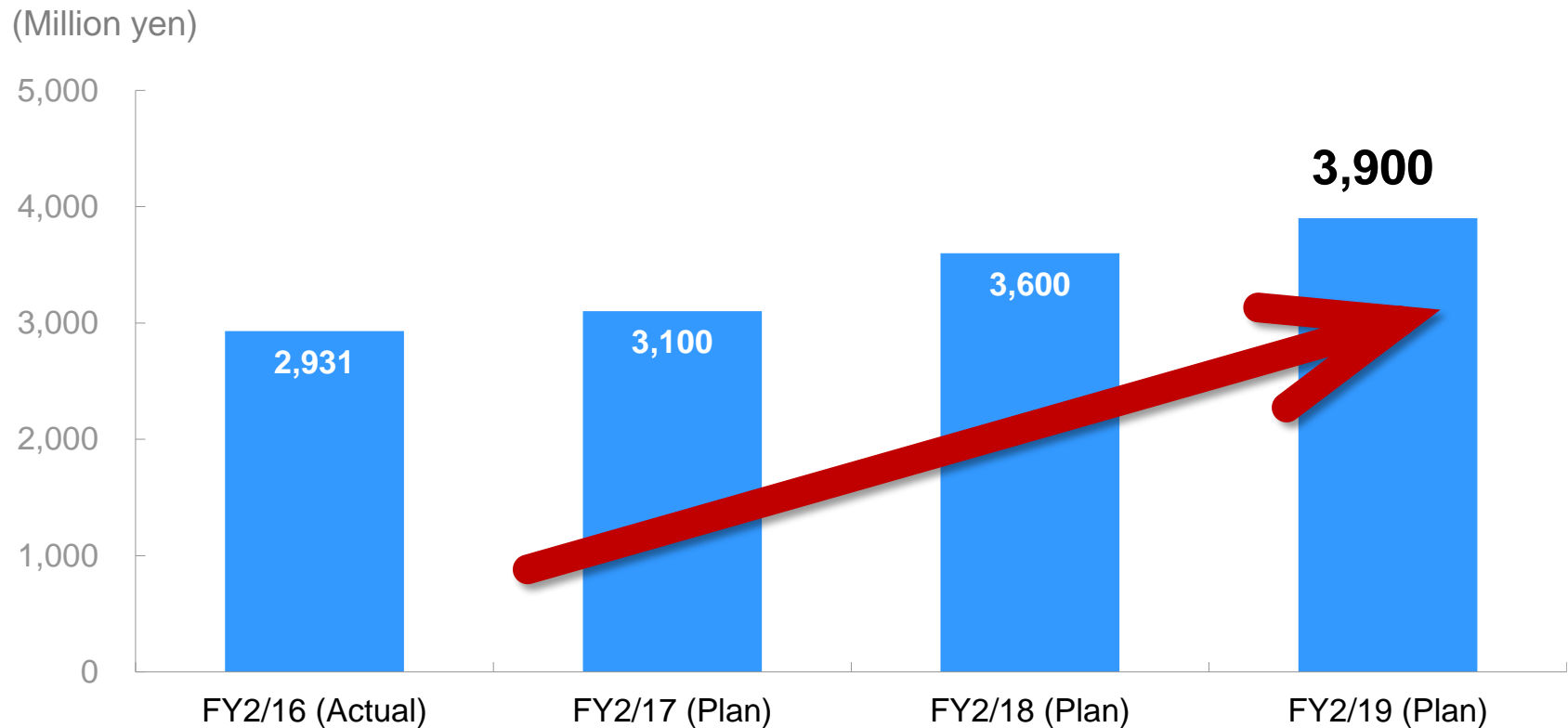
**2**

**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.**

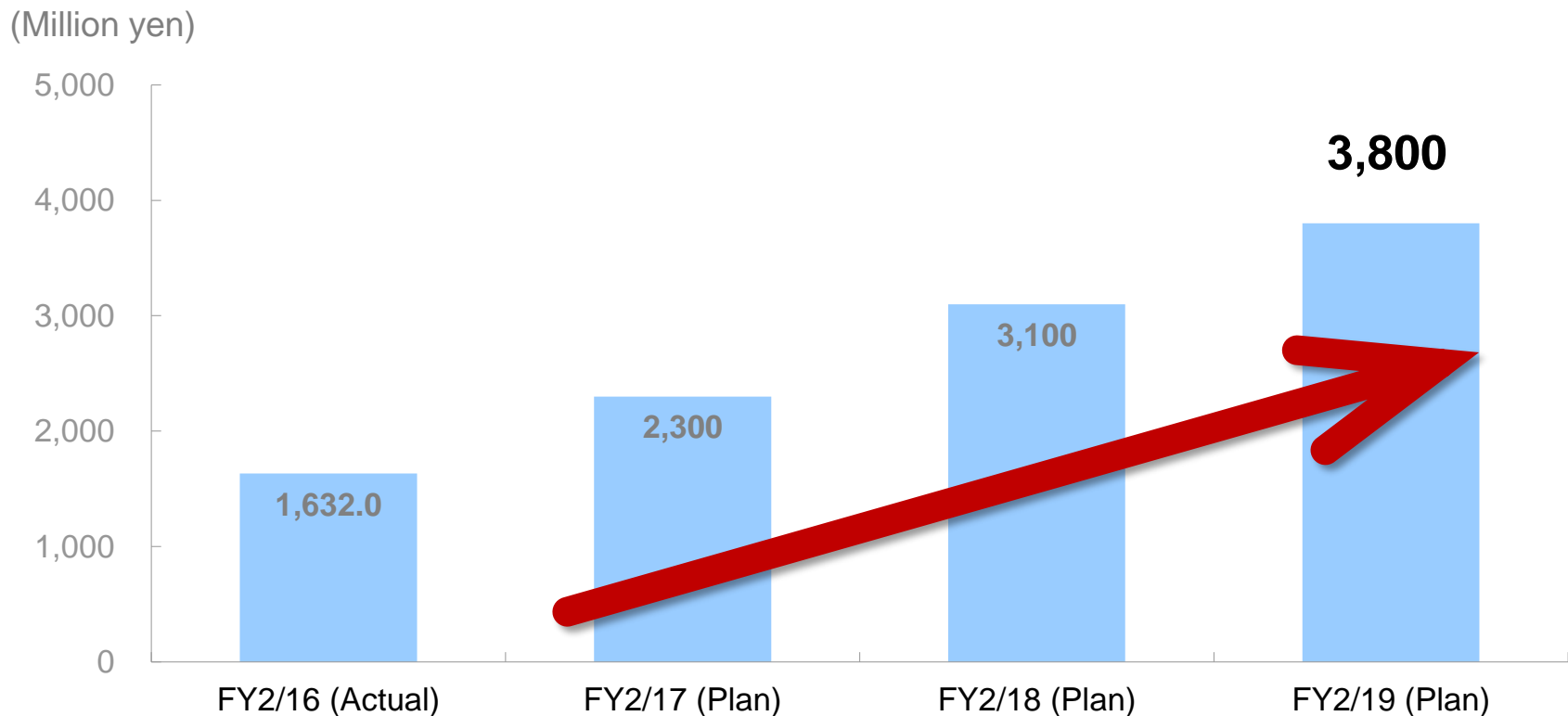
**2**

**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.**

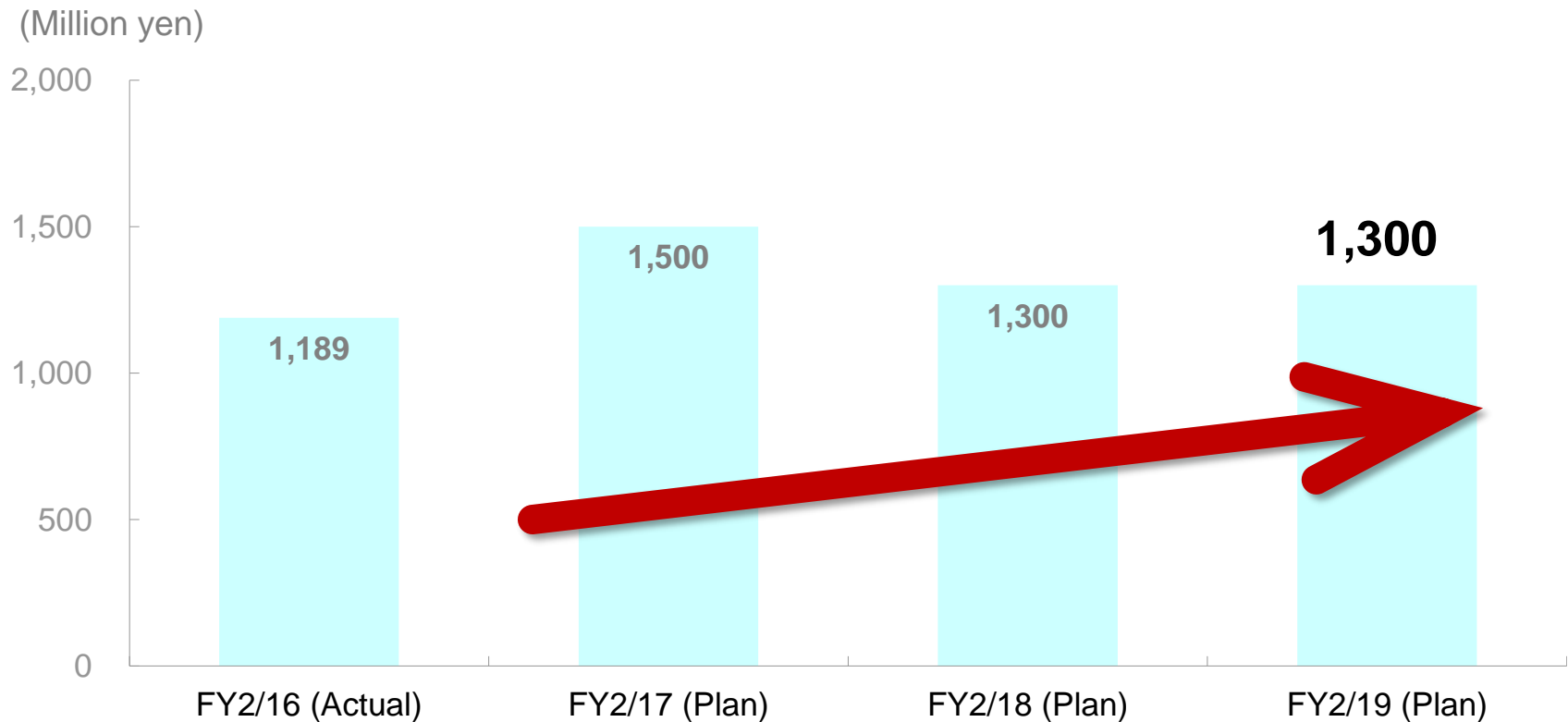
**2**

**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**

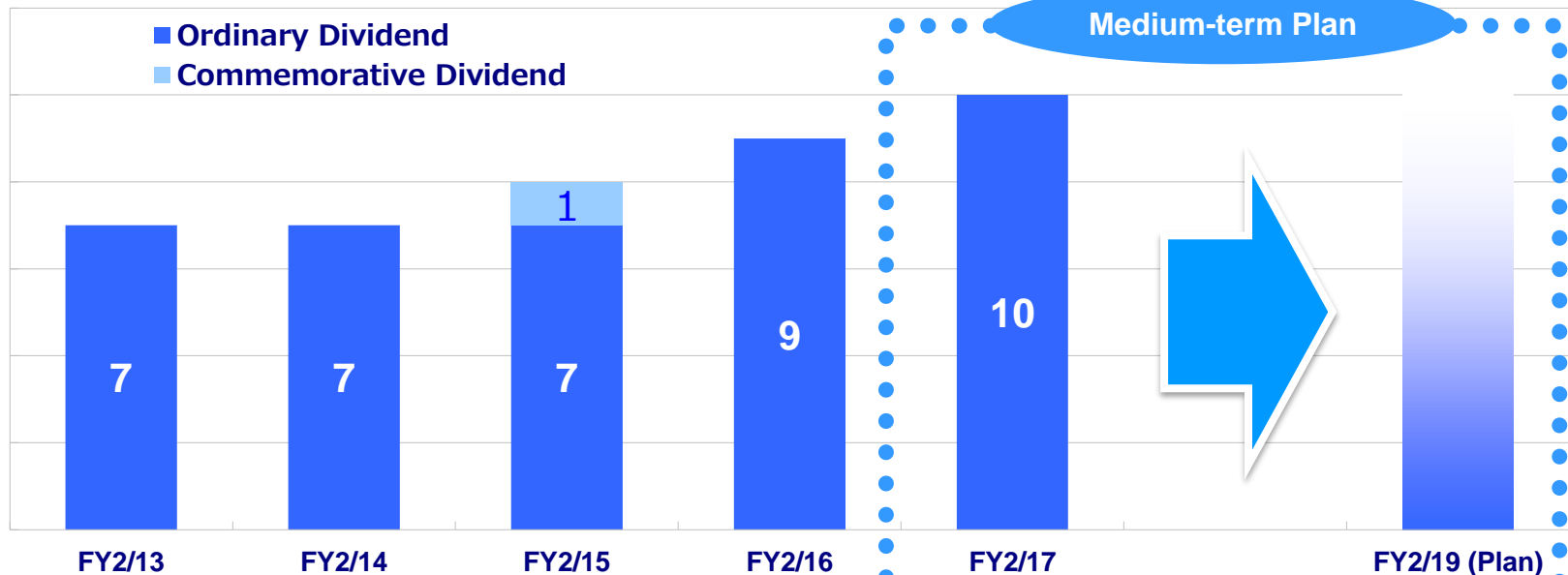


# Shareholder Distributions (1)

## 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.

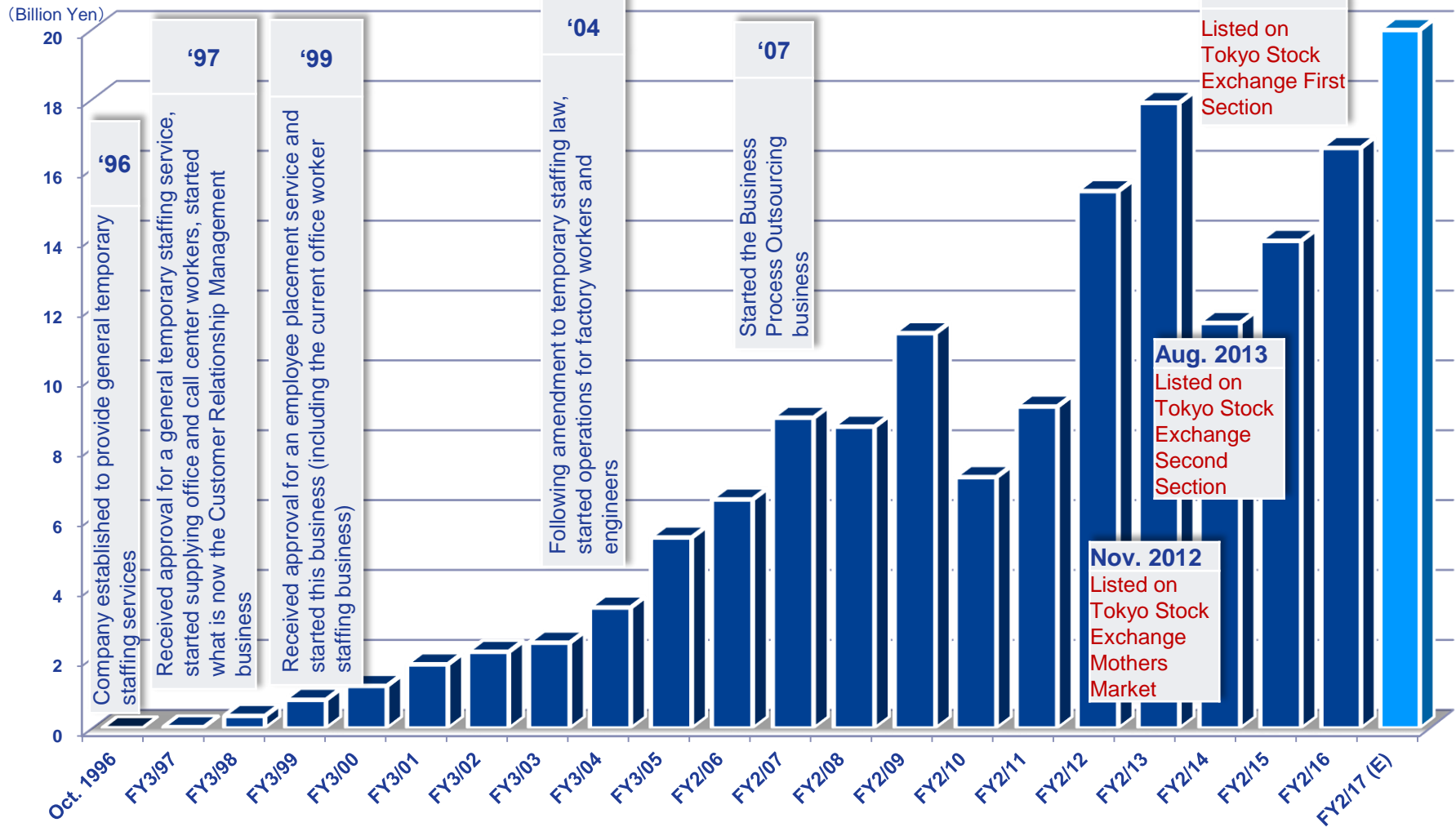
## III. Reference

# 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 August 31, 2016)
<b>No. of Employees</b>	736 (As of August 31, 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

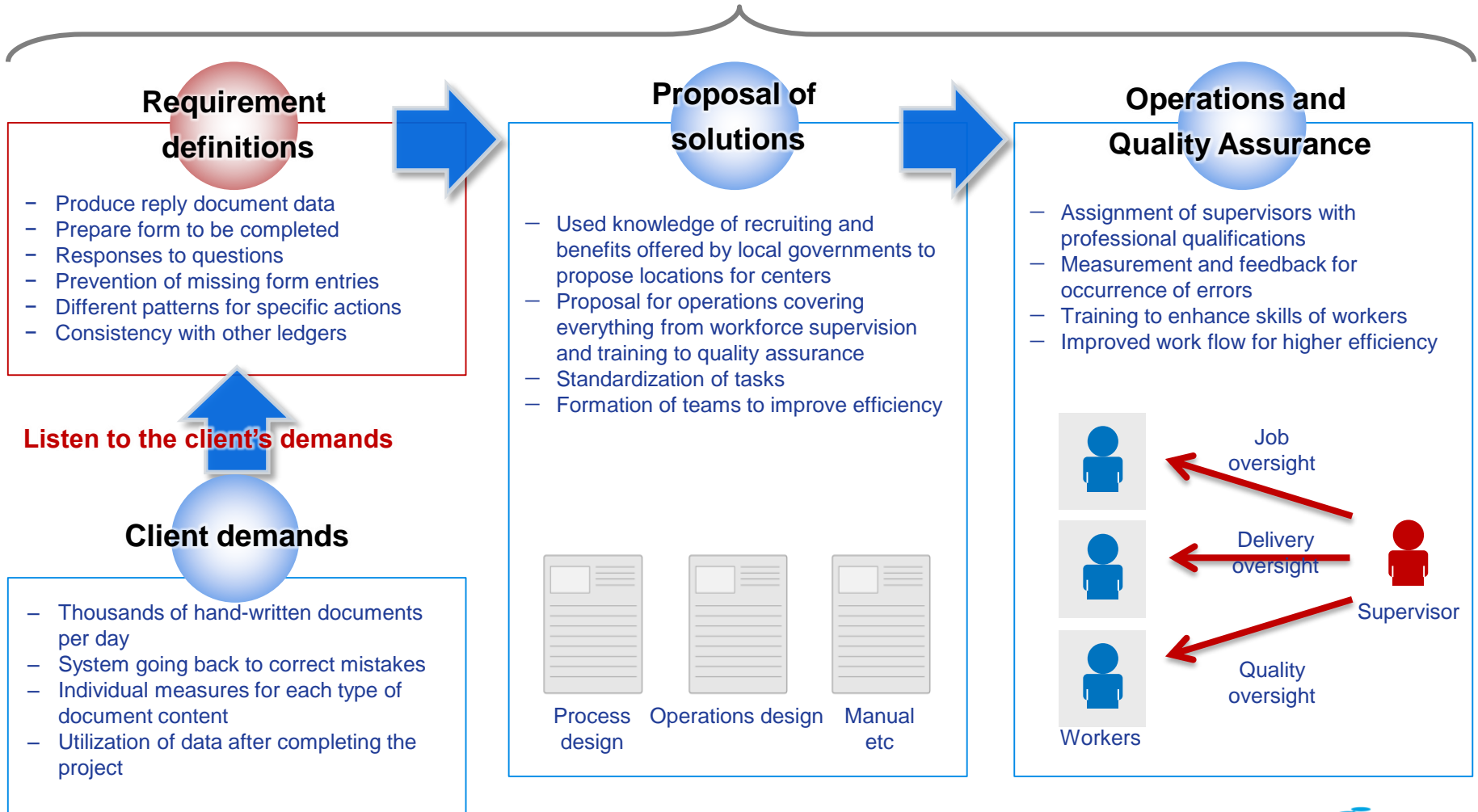
Business Process Outsourcing (More than 500 workers)		
FY2007	Tokyo area	2,000
FY2008	Tokyo area	1,500
FY2009	Hokkaido, other	1,400
FY2010	Tokyo area, other	6,000
FY2012	Tokyo area	1,700
FY2013	Tokyo area	700
FY2014	Tokyo area, other	1,200
FY2015	Tokyo area, other	500
FY2015	Tokyo area	600
Customer Relationship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

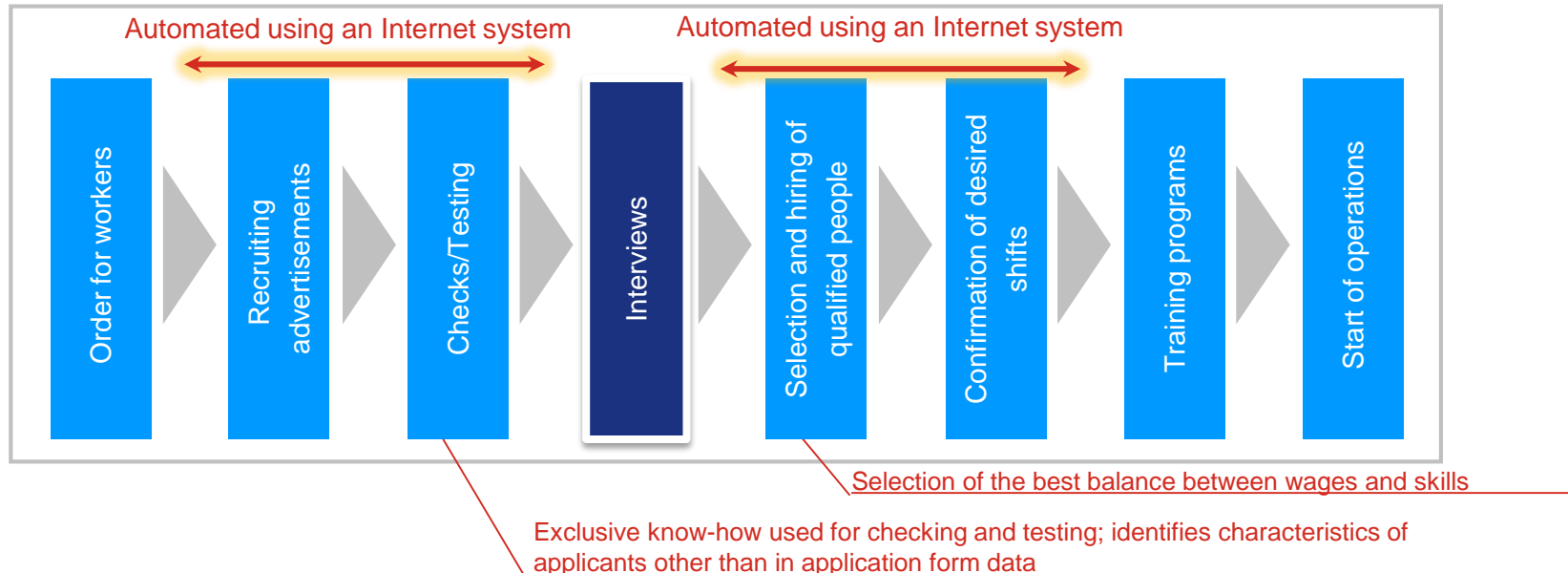
## Able to start operations quickly and handle large volumes of work

- 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



# 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

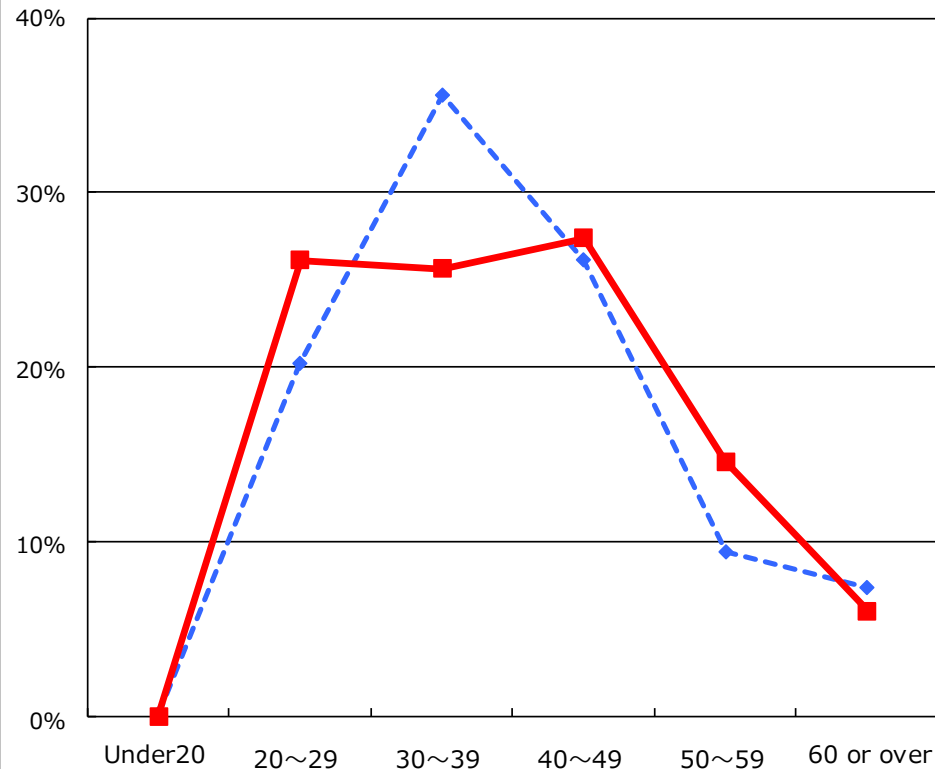
#### ● Development of skills by carefully monitoring each worker's progress

- 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

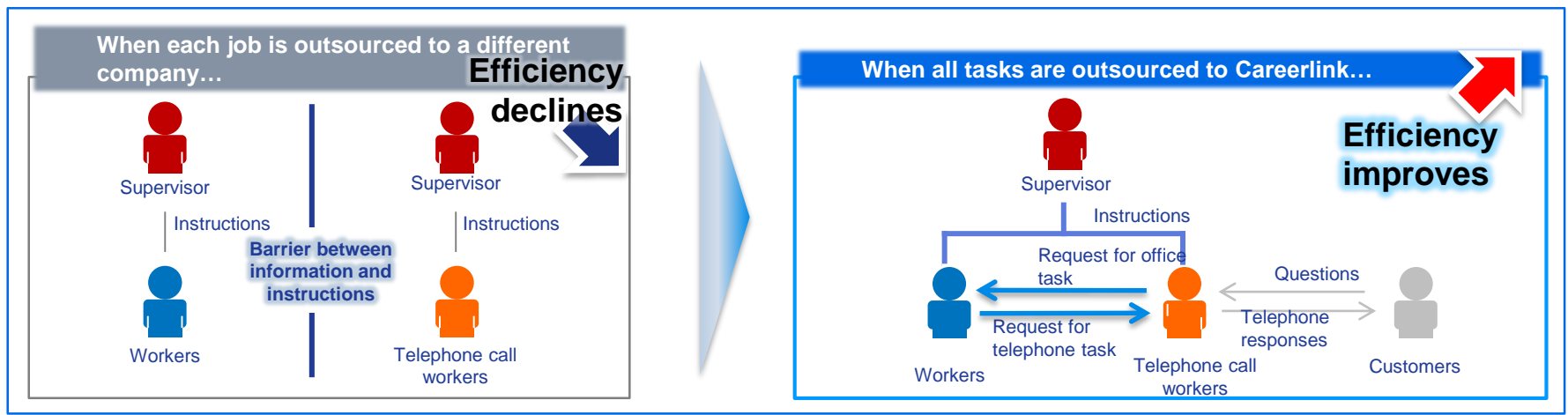
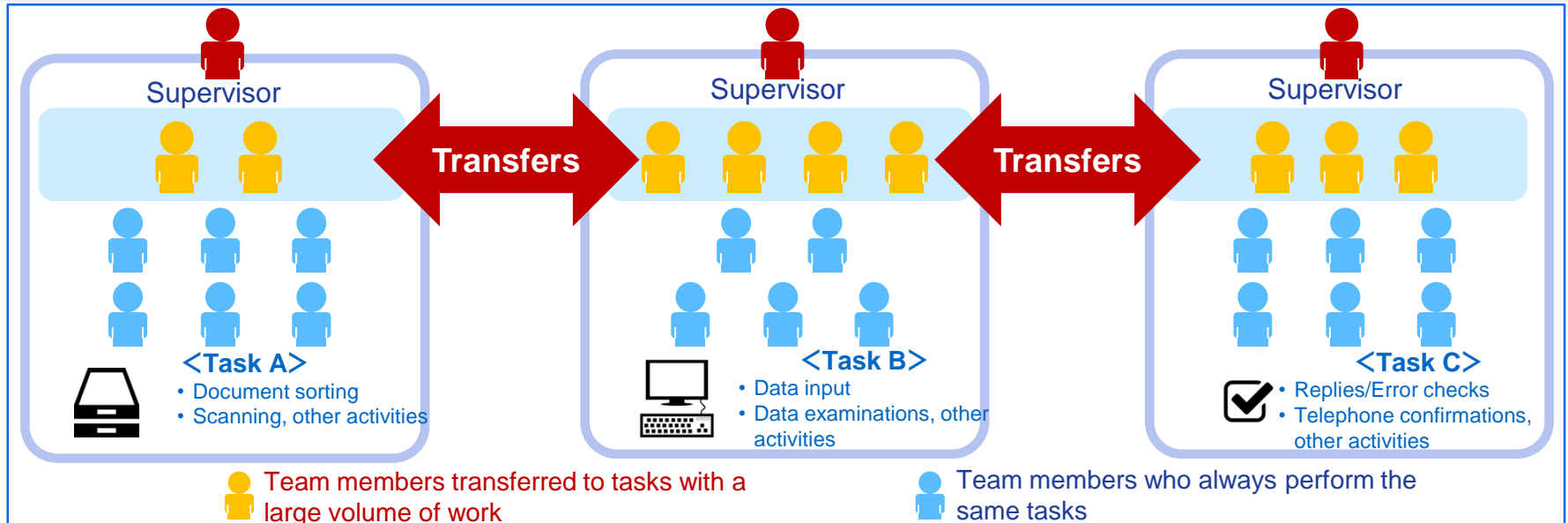


◆ Fiscal 2012 Temporary Worker Survey by the Ministry of Health, Labour and Welfare

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

# Three Key Strengths (3)-2

Sending workers in teams improves efficiency



Dedicated to sincerity and excellence for human resource services



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We believe the joy of work.

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