

**For the Fiscal Year Ended November 30, 2016**

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**Annual Select<sup>®</sup> 2016**

**S-Pool, Inc.**

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**Akihabara Daibiru Bldg., 1-18-13 Sotokanda, Chiyoda-ku, Tokyo, Japan**

**(Securities Code: 2471)**

**+81-3-6859-5599**

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### **[Corporate Philosophy]**

Support Corporate Transformation Through the Power of Outsourcing and Resolve Social Issues

### **[Corporate Profile]**

“Support corporate transformation through outsourcing and resolve social issues to contribute to the vigor of Japan!”

S-POOL was established in December 1999 to fulfill this mission. Many companies exist that have good products, services, brands and technologies, but that are nevertheless unable to gain a competitive edge for reasons such as a lack of leadership skills, insufficient marketing capabilities, delays in systematization and high cost structures. Our mission at S-POOL is to help such companies facing management issues to maximize their strengths and overcome their weaknesses in a timely manner through strategic outsourcing. We grow in tandem with our partner companies by helping them clearly elicit their competitive advantages. In the process, we aim to resolve various social issues caused by environmental change, and to make a contribution.

Since the time of its establishment, S-POOL has held these convictions steadfastly, as we aim to be a company that helps its customers win out over the competition. Going forward, S-POOL will continue taking on the challenge of creating new value with a view to achieving its goal of “supporting corporate transformation and contributing to the vigor of Japan.”

## I. Summary of Selected Financial Data (Consolidated)

	13 <sup>th</sup> term	14 <sup>th</sup> term	15 <sup>th</sup> term	16 <sup>th</sup> term	17 <sup>th</sup> term
	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013	Fiscal year ended November 30, 2014	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Net sales (Thousand yen)	4,941,644	5,365,787	6,604,945	7,267,934	9,236,016
Ordinary income (Thousand yen)	29,667	49,008	191,868	49,551	496,623
Profit (loss) attributable to owners of parent (Thousand yen)	(30,793)	44,819	165,434	(68,663)	408,007
Comprehensive income (loss) (Thousand yen)	(30,793)	45,258	165,805	(68,835)	407,771
Net assets (Thousand yen)	143,027	188,285	756,284	663,892	1,041,602
Total assets (Thousand yen)	1,291,411	1,508,514	2,155,525	2,664,460	3,717,275
Net assets per share (Yen)	55.18	72.70	251.66	218.74	344.52
Basic earnings (loss) per share (Yen)	(11.92)	17.35	58.89	(22.86)	135.85
Diluted earnings per share (Yen)	–	–	–	–	130.24
Equity ratio (%)	11.0	12.4	35.1	24.7	27.8
Return on equity (ROE) (%)	–	27.1	35.1	–	48.2
Price earnings ratio (PER) (Times)	–	51.6	18.6	–	11.1
Net cash provided by (used in) operating activities (Thousand yen)	(45,794)	64,223	291,978	(253,546)	725,792
Net cash provided by (used in) investing activities (Thousand yen)	12,089	(130,795)	(188,814)	(388,130)	(480,153)
Net cash provided by (used in) financing activities (Thousand yen)	184,436	(6,730)	229,698	513,433	138,079
Cash and cash equivalents at end of period (Thousand yen)	559,728	486,426	819,288	691,045	1,074,764
Number of employees	85	105	116	151	205
[Separately, number of contract employees]	[56]	[77]	[127]	[190]	[206]
{Separately, average number of temporary employees} (Persons)	{32}	{50}	{85}	{118}	{103}

- Notes:
1. Net sales do not include consumption taxes.
  2. Diluted earnings per share for the 13th term is not presented because the Company reported net loss per share and had no potential shares with dilutive effects. Diluted earnings per share for the 14th and 15th terms is not presented because the Company had no potential shares with dilutive effects. Diluted earnings per share for the 16th term is not presented because the Company reported net loss per share although potential shares with dilutive effects existed.
  3. Concerning employees, the square brackets [ ] present the number of contract employees and curly brackets { } present the annual average number of temporary employees.
  4. Return on equity and price earnings ratio for the 13th and 16th terms are not presented because the Company reported loss attributable to owners of parent.
  5. The Company implemented a 1:100 common share split on December 1, 2012. Net loss per share and net assets per share for the 13th terms were calculated on the assumption that the share split was implemented at the beginning of the 13th term.
  6. Effective from the fiscal year ended November 30, 2016, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ (Accounting Standards Board of Japan) Statement No. 21, September 13, 2013), etc. and former “net income (loss)” is now presented as “profit (loss) attributable to owners of parent.”

## II. Message from the President



Sohei Urakami  
Chairman of the board, President, and  
Representative Director

### **Fiscal Year Ended November 30, 2016**

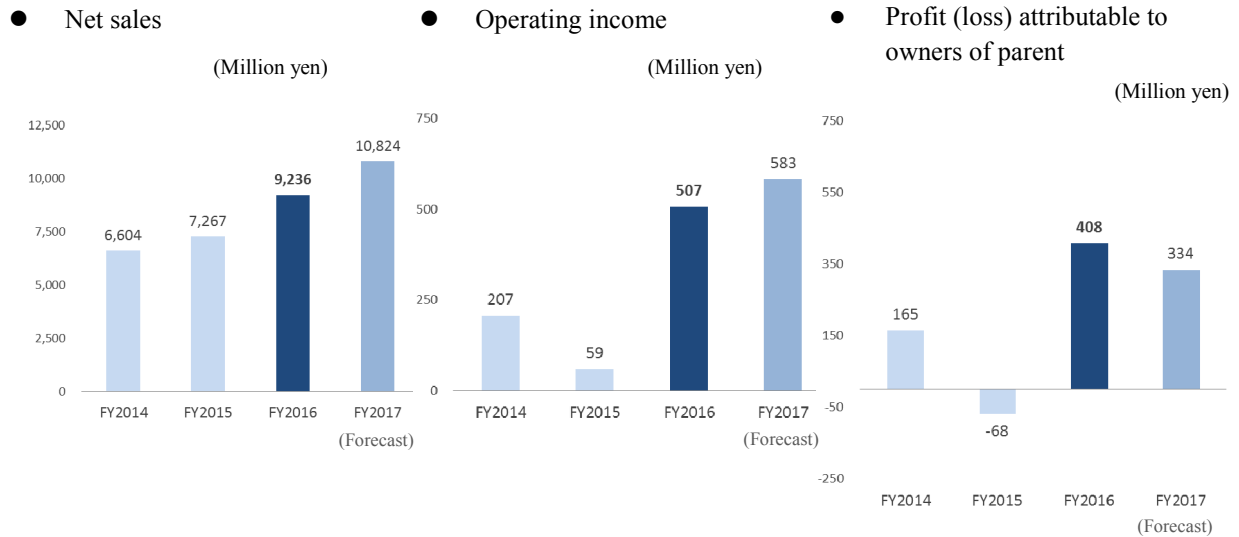
During the fiscal year ended November 30, 2016, we achieved sales growth across the board, primarily in our core temporary staffing service and special needs employment service. Net sales grew 27.1% year on year to ¥9,236 million, reaching a record high for a second consecutive year. The temporary staffing service in particular increased 36% year on year atop growth in staffing services at call centers, while the special needs employment service also achieved extremely good results, increasing 56% year on year with a steady increase in the number of transacting companies.

Earnings also increased significantly in step with sales, while the Company also made strong progress on improving the earnings from smart meter services, which had been an issue. As a result, operating income rose 753.2% year on year, to ¥507 million; ordinary income increased 902.2%, to ¥496 million; and we recorded profit attributable to owners of parent of ¥408 million, compared with loss attributable to owners of parent of ¥68 million in the previous fiscal year.

### **Outlook for the Fiscal Year Ending November 30, 2017**

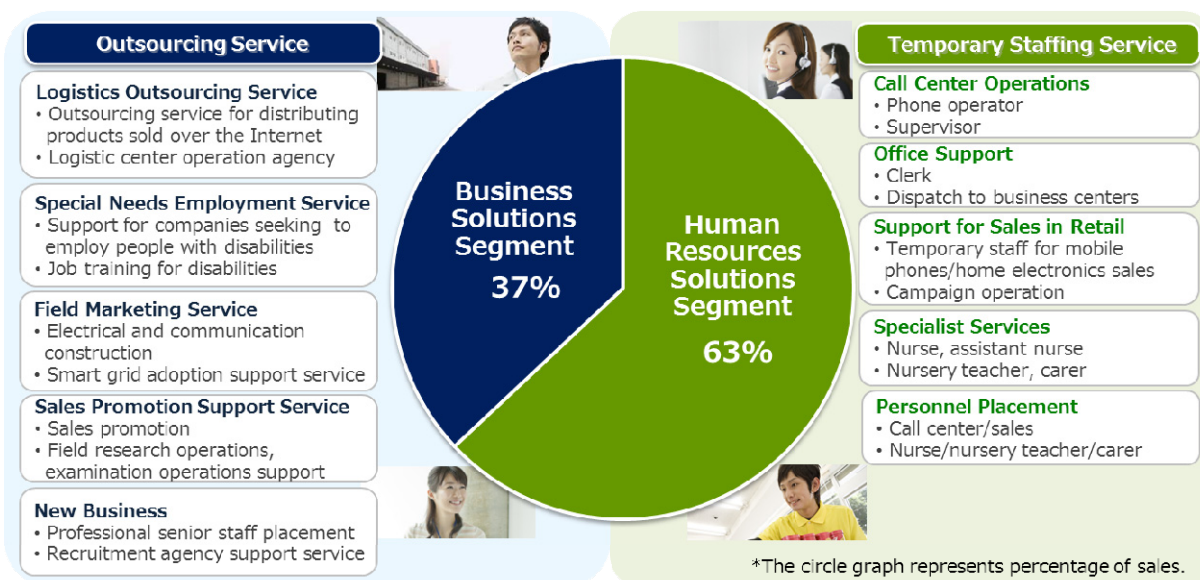
In the fiscal year ending November 30, 2017, we expect not only to achieve our plan for the fiscal year, but to ensure our medium- to long-term growth. The rapid advance of IT and AI as well as the appearance of new technologies and so forth driving change in the external environment faster than ever before. To respond to these rapid changes, we believe it is necessary to transform ourselves flexibly and with a sense of urgency. Moreover, to capture new earning opportunities, we will aggressively engage with external growth opportunities as well. In addition, we will strengthen our organization framework for the next stage while proceeding to delegate authority to promote speedy management. Based on these initiatives, we aim to achieve record levels of sales and profit. Specifically, we forecast net sales of ¥10,824 million, up 13.1% from the previous fiscal year; operating income of ¥270 million, up 14.8%; ordinary income of ¥258 million, up 15.0%; and profit attributable to owners of parent of ¥334 million, down 18.0%.

We will also promote business development in areas that make strong contributions to society as we work to develop our company in a way that is even more positive for society. We ask shareholders and investors for your continued understanding and support of these endeavors.



### III. Business Segment Overview

The Company has two business segments: the business solutions segment, which provides outsourcing service; and the human resources solutions segment, offering temporary staffing service. We generate 84% of consolidated net sales from three core services—temporary staffing service, logistics outsourcing service and special needs employment service.



#### Business Solutions Segment

In this segment, S-Pool Logistics, Inc. provides logistics outsourcing services, S-Pool Plus, Inc. provides special needs employment services and associated farm operation services, S-Pool Engineering, Inc. provides field marketing services for smart meter installation operations, and S-Pool Sales Support Inc. provides merchandising, sales promotion, and other services. In the fiscal year ended November 30, 2016, sales declined in logistics outsourcing services as logistic center operation services were heavily scaled back. However, the smart meter installation operation, sales support operations, and special needs employment service all expanded, helping to absorb the decline in sales of logistics outsourcing services. In the special needs employment service, we opened two new farms and sold around 1.5 times more farm equipment than in the previous fiscal year. Meanwhile, on the profit front, operating income increased markedly, reflecting the impact of increased sales in the special needs employment service, improved sales in smart meter installation operations due to operational improvements, and the achievement of profitability in contracts received for ad hoc services following the liberalization of retail electricity sales to households. Consequently, this segment achieved increases in both sales and profit, with sales of ¥3,440 million, up 14.6% year on year, and operating income of ¥583 million, up 256.7%.

For the fiscal year ending November 30, 2017, we are forecasting continued increases in sales and profit, with segment sales to rise 15.9% to ¥3,986 million year on year, and operating income to grow 13.5% to ¥662 million.

### **Human Resources Solutions Segment**

In this segment, S-Pool Human Solutions, Inc. provides human resource-related services such as temporary staffing and personnel placement services. In the fiscal year ended November 30, 2016, companies continued to experience personnel shortages, and there was buoyant demand for the core call center operations, particularly for call centers in Hokkaido and other regional areas. On the profit front, our gross profit ratio declined slightly due to an increase in the burden of social insurance and employment insurance payments; however, we succeeded in suppressing the increase in selling, general and administrative expenses by making efforts to ensure efficient operations at our offices. This resulted in increases in both sales and profit for the segment, with segment sales of ¥5,832 million, up 35.6% year on year, and operating income of ¥529 million, up 46.6%.

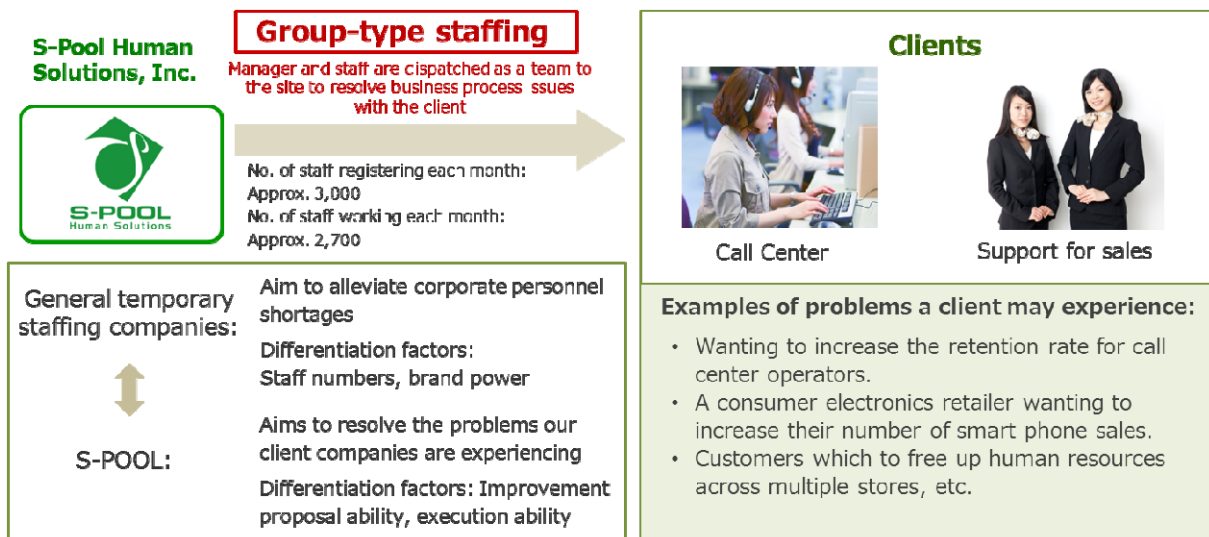
For the fiscal year ending November 30, 2017, we forecast consecutive increases in sales and profit, with segment sales to rise 19.3% to ¥6,958 million year on year, and operating income to increase 13.1% to ¥598 million.

## IV. Three Core Businesses

### (1) Temporary Staffing Service (Human Resources Solutions Segment)

[Net sales for the fiscal year ended November 30, 2016] 5,832 million yen (up 36% year on year)

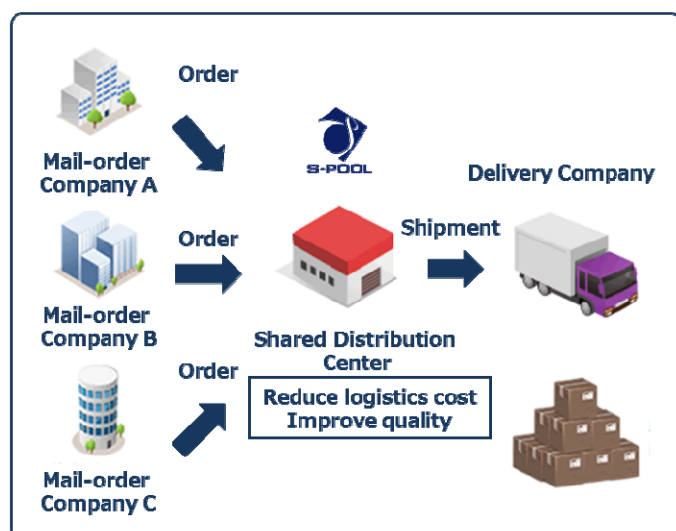
Our temporary staffing services are different from general temporary staffing services that seek to alleviate corporate personnel shortages in that we work to resolve the problems our client companies are experiencing. When selecting organizations to which personnel will be dispatched, we conduct a character analysis and employ a proprietary matching system to prevent quick turnover. We also typically employ a group-type staffing approach and assign certain employees at organizations to which personnel will be dispatched as leaders, who handle staff follow-up, education and training. This method effectively boosts retention rates and increases skills. By providing a temporary staffing service targeting their successes, we create solid partnerships with our client companies and endeavor to obtain long-term agreements.



### (2) Logistics Outsourcing Service (Business Solutions Segment)

[Net sales for the fiscal year ended November 30, 2016] 1,046 million yen (down 39% year on year)

Logistics outsourcing service specializes in distribution of products sold over the Internet. We currently operate three logistics centers serving approximately 80 customers. Our dispatch service has strengths in curtailing transport costs as well as high quality dispatches that help to enhance purchaser satisfaction. We have strengths in handling small products that require care, such as cosmetics, health foods, and sundries, and our client companies are mainly small-scale start-up companies that

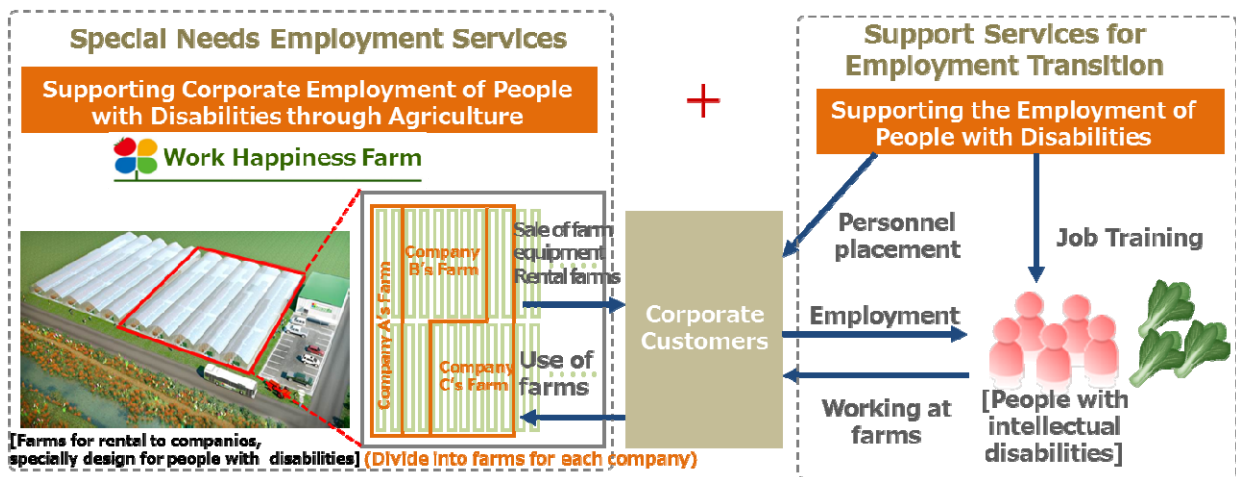


find it difficult to compete with large companies. Recently, we have been focusing on offering support in response to the rapidly expanding market for border-crossing e-commerce (mail-order services to overseas destinations).



### (3) Special Needs Employment Service (Business Solutions Segment)

[Net sales for the fiscal year ended November 30, 2016] 1,217 million yen (up 56% year on year)



**Build a unique business model in Japan for providing total support for people with disabilities from employment location creation through to recruitment, training, and settling in**

For companies seeking to employ people with disabilities, we operate the Work Happiness Farm, which rents out farms to companies to employ people with disabilities. We also offer a work support service that provides job training to facilitate the transition of job-seekers with disabilities to jobs at companies using our farms. Our farms provide an environment where people with disabilities can enjoy stable, long-term employment. We provide excellent support to enable even companies that have no agricultural experience to employ people with disabilities on the farms. In the six years since we started the service, the number of people with disabilities that have been employed on farms has increased to 450, and the turnover rate has been exceptionally low at under 5%. The scheme has been well-received, with the number of companies using the farms rising to 100, mainly listed companies, with only one company discontinuing its contract. This business model is not only unique in Japan, it also provides an extremely high level of social contribution.



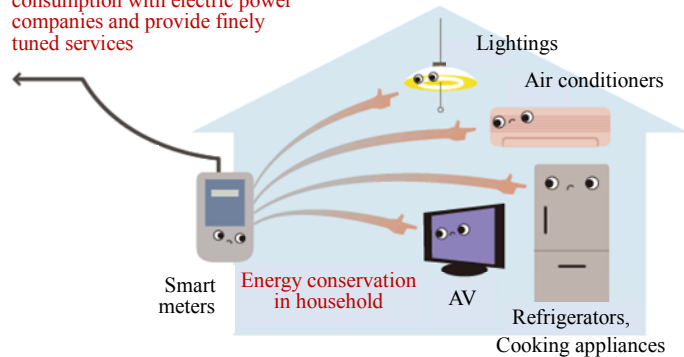
## V. Businesses Slated for Future Growth

### Field Marketing Service (Business Solutions Segment)

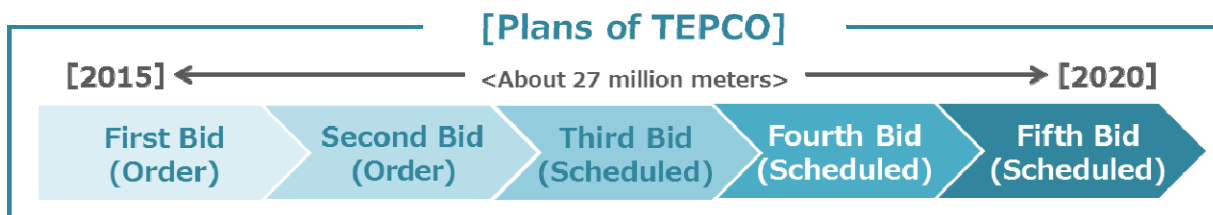
Introduce smart meters...

The introduction of electronic electric power meters is being seen as an essential means of preparing society as a whole for a shift to energy conservation. Plans are in place to convert some 82 million electric power meters across Japan to smart meters by the end of fiscal 2024. Of this figure, around 27 million meters are scheduled for

Understand the status of electricity consumption with electric power companies and provide finely tuned services



installation in the area served by Tokyo Electric Power Company, and we have the high share of the market for providing these installations. As the regular changing of electric power meters is mandated by law, we expect business in this field to remain constant. A shift to smart meters on infrastructure other than electricity, such as gas and water, is also being planned, and we see this as a significantly potential market. By joining the public infrastructure business, we aim to create a new pillar of earnings.



## VI. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousand yen)

	As of November 30, 2015	As of November 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	691,045	1,074,764
Notes and accounts receivable - trade	1,031,995	1,265,106
Merchandise	9,294	23,653
Deferred tax assets	71,846	112,132
Other	111,622	68,241
Allowance for doubtful accounts	(4,204)	(1,460)
<b>Total current assets</b>	<b>1,911,599</b>	<b>2,542,437</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	464,582	916,672
Accumulated depreciation	(79,730)	(161,829)
Buildings and structures, net	384,852	754,843
Vehicles	43,227	104,967
Accumulated depreciation	(17,144)	(41,566)
Vehicles, net	26,082	63,400
Land	26,522	55,422
Construction in progress	45,545	28,694
Other	143,324	155,892
Accumulated depreciation	(70,747)	(99,728)
Other, net	72,576	56,164
<b>Total property, plant and equipment</b>	<b>555,579</b>	<b>958,526</b>
Intangible assets		
Software	50,164	56,520
Other	257	257
<b>Total intangible assets</b>	<b>50,421</b>	<b>56,777</b>
Investments and other assets		
Investment securities	535	16,910
Lease and guarantee deposits	145,471	140,748
Other	27,085	29,027
Allowance for doubtful accounts	(26,232)	(27,151)
<b>Total investments and other assets</b>	<b>146,860</b>	<b>159,534</b>
<b>Total non-current assets</b>	<b>752,861</b>	<b>1,174,838</b>
<b>Total assets</b>	<b>2,664,460</b>	<b>3,717,275</b>

(Thousand yen)

	As of November 30, 2015	As of November 30, 2016
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	110,589	132,632
Short-term loans payable	470,000	800,000
Current portion of long-term loans payable	162,176	159,836
Accounts payable - other	129,077	234,354
Income taxes payable	33,359	80,946
Accrued consumption taxes	131,480	213,373
Accrued expenses	436,405	552,822
Provision for bonuses	8,175	27,643
Provision for directors' bonuses	-	30,000
Other	34,729	45,864
<b>Total current liabilities</b>	<b>1,515,993</b>	<b>2,277,474</b>
Non-current liabilities		
Long-term loans payable	405,558	245,722
Deferred tax liabilities	16,325	20,009
Asset retirement obligations	62,692	132,467
<b>Total non-current liabilities</b>	<b>484,575</b>	<b>398,199</b>
<b>Total liabilities</b>	<b>2,000,568</b>	<b>2,675,673</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	351,138	351,138
Capital surplus	201,138	201,138
Retained earnings	104,101	482,075
Treasury shares	(53)	(53)
<b>Total shareholders' equity</b>	<b>656,324</b>	<b>1,034,297</b>
Accumulated other comprehensive income		
Foreign currency translation adjustment	638	402
<b>Total accumulated other comprehensive income</b>	<b>638</b>	<b>402</b>
Subscription rights to shares	6,930	6,901
<b>Total net assets</b>	<b>663,892</b>	<b>1,041,602</b>
<b>Total liabilities and net assets</b>	<b>2,664,460</b>	<b>3,717,275</b>

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### (Consolidated Statements of Income)

(Thousand yen)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Net sales	7,267,934	9,236,016
Cost of sales	5,431,197	6,550,520
Gross profit	1,836,736	2,685,495
Selling, general and administrative expenses	1,777,213	2,177,670
Operating income	59,523	507,825
Non-operating income		
Interest income	325	121
Share of profit of entities accounted for using equity method	–	810
Commission fee	1,125	1,671
Other	112	326
Total non-operating income	1,562	2,930
Non-operating expenses		
Interest expenses	9,888	9,119
Provision of allowance for doubtful accounts	–	3,533
Share of loss of entities accounted for using equity method	243	–
Commission fee	1,402	1,400
Other	–	79
Total non-operating expenses	11,533	14,132
Ordinary income	49,551	496,623
Extraordinary losses		
Loss on retirement of non-current assets	2,655	12,083
Head office transfer cost	40,071	–
Total extraordinary losses	42,726	12,083
Profit before income taxes	6,825	484,540
Income taxes - current	48,990	113,534
Income taxes - deferred	26,498	(37,001)
Total income taxes	75,488	76,533
Profit (loss)	(68,663)	408,007
Profit (loss) attributable to owners of parent	(68,663)	408,007

**(Consolidated Statements of Comprehensive Income)**

(Thousand yen)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Profit (loss)	(68,663)	408,007
Other comprehensive income		
Share of other comprehensive income of entities accounted for using equity method	(171)	(235)
Total other comprehensive income	(171)	(235)
Comprehensive income	(68,835)	407,771
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(68,835)	407,771
Comprehensive income attributable to non-controlling interests	—	—

### (3) Consolidated Statements of Changes in Equity

Fiscal year ended November 30, 2015

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income
Balance at beginning of current period	351,138	201,138	202,797	(53)	755,020	809	809
Changes of items during period							
Dividends of surplus			(30,033)		(30,033)		
Profit (loss) attributable to owners of parent			(68,663)		(68,663)		
Net changes of items other than shareholders' equity						(171)	(171)
Total changes of items during period	-	-	(98,696)	-	(98,696)	(171)	(171)
Balance at end of current period	351,138	201,138	104,101	(53)	656,324	638	638

	Subscription rights to shares	Total net assets
Balance at beginning of current period	454	756,284
Changes of items during period		
Dividends of surplus		(30,033)
Profit (loss) attributable to owners of parent		(68,663)
Net changes of items other than shareholders' equity	6,475	6,303
Total changes of items during period	6,475	(92,392)
Balance at end of current period	6,930	663,892

Fiscal year ended November 30, 2016

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income
Balance at beginning of current period	351,138	201,138	104,101	(53)	656,324	638	638
Changes of items during period							
Dividends of surplus			(30,033)		(30,033)		
Profit (loss) attributable to owners of parent			408,007		408,007		
Net changes of items other than shareholders' equity						(235)	(235)
Total changes of items during period	–	–	377,973	–	377,973	(235)	(235)
Balance at end of current period	351,138	201,138	482,075	(53)	1,034,297	402	402

	Subscription rights to shares	Total net assets
Balance at beginning of current period	6,930	663,892
Changes of items during period		
Dividends of surplus		(30,033)
Profit (loss) attributable to owners of parent		408,007
Net changes of items other than shareholders' equity	(28)	(263)
Total changes of items during period	(28)	377,710
Balance at end of current period	6,901	1,041,602

#### (4) Consolidated Statements of Cash Flows

(Thousand yen)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,825	484,540
Depreciation	86,850	168,065
Increase (decrease) in allowance for doubtful accounts	(11,338)	(1,823)
Increase (decrease) in provision for bonuses	26	19,468
Increase (decrease) in provision for directors' bonuses	(14,600)	30,000
Interest income	(325)	(121)
Interest expenses	9,888	9,119
Share of (profit) loss of entities accounted for using equity method	243	(810)
Loss on retirement of non-current assets	2,655	12,083
Impairment loss	22,413	–
Decrease (increase) in notes and accounts receivable - trade	(253,433)	(233,111)
Decrease (increase) in inventories	(1,849)	(14,358)
Increase (decrease) in notes and accounts payable - trade	4,969	22,043
Increase (decrease) in accrued expenses	97,612	116,417
Other, net	(93,477)	157,480
Subtotal	(143,540)	768,991
Interest and dividend income received	325	121
Interest expenses paid	(10,297)	(8,885)
Income taxes (paid) refund	(100,034)	(34,434)
Net cash provided by (used in) operating activities	(253,546)	725,792
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(304,764)	(441,686)
Purchase of intangible assets	(24,193)	(25,220)
Purchase of investment securities	–	(15,799)
Payments for lease and guarantee deposits	(69,824)	(27,703)
Proceeds from collection of lease and guarantee deposits	18,849	28,069
Collection of loans receivable	610	187
Other, net	(8,808)	2,000
Net cash provided by (used in) investing activities	(388,130)	(480,153)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans payable	160,000	330,000
Proceeds from long-term loans payable	500,000	–
Repayments of long-term loans payable	(116,966)	(162,176)
Cash dividends paid	(29,600)	(29,744)
Net cash provided by (used in) financing activities	513,433	138,079
Net increase (decrease) in cash and cash equivalents	(128,243)	383,718
Cash and cash equivalents at beginning of period	819,288	691,045
Cash and cash equivalents at end of period	691,045	1,074,764



## VII. Corporate Data (as of February 24, 2017)

### Basic Information

Trade name:	S-Pool, Inc.
Established:	December 1999
Listed market:	Tokyo Stock Exchange, JASDAQ (Standard) (Securities Code: 2471)
Listed:	February 2006
Business year:	From December 1 to November 30
Capital stock:	351,138 thousand yen
Number of employees:	205 persons (separately, 206 persons of contract employees and 103 persons of annual average temporary employees; on a consolidated basis)
Head office:	1-18-13, Sotokanda, Chiyoda-ku, Tokyo
Telephone:	+81-3-6859-5599
Consolidated subsidiaries:	S-Pool Human Solutions, Inc. S-Pool Logistics, Inc. S-Pool Plus, Inc. S-Pool Sales Support Inc. S-Pool Engineering, Inc. ecome-works, Inc. S-POOL BANGKOK CO., LTD.

### Directors and Corporate Auditors (as of February 24, 2017)

Chairman of the board, President, and Representative Director	Sohei Urakami
Director	Hideaki Sato
Director	Naoshi Arai
Director*	Toru Akaura
Director*	Somitsu Takehara
Standing Statutory Auditor**	Xu Jin
Statutory Auditor**	Hiroshi Hatanaka
Statutory Auditor**	Isamu Yoshioka

\* External Director    \*\* External Statutory Auditor

## Stock Status

Total number of shares authorized:	10,032,000 shares
Total number of shares issued:	3,003,400 shares
Number of shareholders:	1,380

### Major shareholders (Top 10)

Shareholder name	Number of shares held	Share-holding ratio (%)
Sohei Urakami	545,300	18.16
Shingo Yoshimura	415,300	13.83
S-POOL Employee Stock Ownership Association	135,000	4.49
Toru Akaura	114,300	3.81
Hideaki Sato	111,000	3.70
SBI SECURITIES Co.,Ltd.	78,700	2.62
Kazuya Yamazaki	74,100	2.47
Somitsu Takehara	73,700	2.45
MSIP CLIENT SECURITIES	67,400	2.24
Norio Shiraishi	66,000	2.20

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