

**For the Fiscal Year Ended November 30, 2017**

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**Annual Select<sup>®</sup> 2017**

**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]**

S-POOL was established in December 1999 with the goal of forming a social business enterprise for resolving social and corporate issues through outsourcing services.

In every age, the world faces various social issues occurring in different areas. Companies are expected to resolve the management issues associated with these problems. These issues are growing more diverse and complex with the rapid changes of the times, and many are too difficult to be tackled independently. Our mission at S-POOL Group is to help such companies facing management issues to find solutions through strategic outsourcing, and to connect these to solutions for the underlying social issues.

Since its foundation, S-POOL has aimed to be beneficial to society and to play an essential role in the world by expanding its social business. S-POOL will continue taking on the challenge of creating new value with a view to achieving this goal.

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

	14 <sup>th</sup> term Fiscal year ended November 30, 2013	15 <sup>th</sup> term Fiscal year ended November 30, 2014	16 <sup>th</sup> term Fiscal year ended November 30, 2015	17 <sup>th</sup> term Fiscal year ended November 30, 2016	18 <sup>th</sup> term Fiscal year ended November 30, 2017
Net sales (Thousand yen)	5,365,787	6,604,945	7,267,934	9,236,016	11,696,248
Ordinary profit (Thousand yen)	49,008	191,868	49,551	496,623	687,548
Profit (loss) attributable to owners of parent (Thousand yen)	44,819	165,434	(68,663)	408,007	423,383
Comprehensive income (loss) (Thousand yen)	45,258	165,805	(68,835)	407,771	422,981
Net assets (Thousand yen)	188,285	756,284	663,892	1,041,602	1,473,745
Total assets (Thousand yen)	1,508,514	2,155,525	2,664,460	3,717,275	4,493,679
Net assets per share (Yen)	72.70	251.66	218.74	344.52	462.71
Basic earnings (loss) per share (Yen)	17.35	58.89	(22.86)	135.85	136.60
Diluted earnings per share (Yen)	–	–	–	130.24	134.14
Equity ratio (%)	12.4	35.1	24.7	27.8	32.5
Return on equity (ROE) (%)	27.1	35.1	–	48.2	34.0
Price earnings ratio (PER) (Times)	51.6	18.6	–	11.1	22.7
Net cash provided by (used in) operating activities (Thousand yen)	64,223	291,978	(253,546)	725,792	801,467
Net cash provided by (used in) investing activities (Thousand yen)	(130,795)	(188,814)	(388,130)	(480,153)	(577,287)
Net cash provided by (used in) financing activities (Thousand yen)	(6,730)	229,698	513,433	138,079	(58,607)
Cash and cash equivalents at end of period (Thousand yen)	486,426	819,288	691,045	1,074,764	1,240,337
Number of employees	105	116	151	205	312
[Separately, number of contract employees]	[77]	[127]	[190]	[206]	[234]
{Separately, average number of temporary employees} (Persons)	{50}	{85}	{118}	{103}	{86}

- Notes:
1. Net sales do not include consumption taxes.
  2. 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 16th term are not presented because the Company reported loss attributable to owners of parent.

## II. Message from the President



I would like to start by thanking our shareholders and investors. We sincerely appreciate your constant understanding and support.

It is my privilege to give an overview of our financial results for the fiscal year ended November 30, 2017, and our outlook for the future.

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

### **Fiscal Year Ended November 30, 2017**

During the fiscal year ended November 30, 2017, we achieved record high sales and profits again, as we continued our strong performance from the previous fiscal year. In net sales especially, we passed a milestone by exceeding ¥10,000 million for the first time since our foundation. Looking at individual businesses, our core temporary staffing service and special needs employment service were the main drivers of the Group's operating results. In temporary staffing service, net sales increased by 32% year on year atop growth in staffing services at call centers. The special needs employment service also achieved dramatic growth, with sales increasing 47% year on year supported by strong orders. In new businesses, we are nurturing businesses with future growth potential, such as the border-crossing e-commerce service (mail-order services to overseas destinations) and recruitment support service.

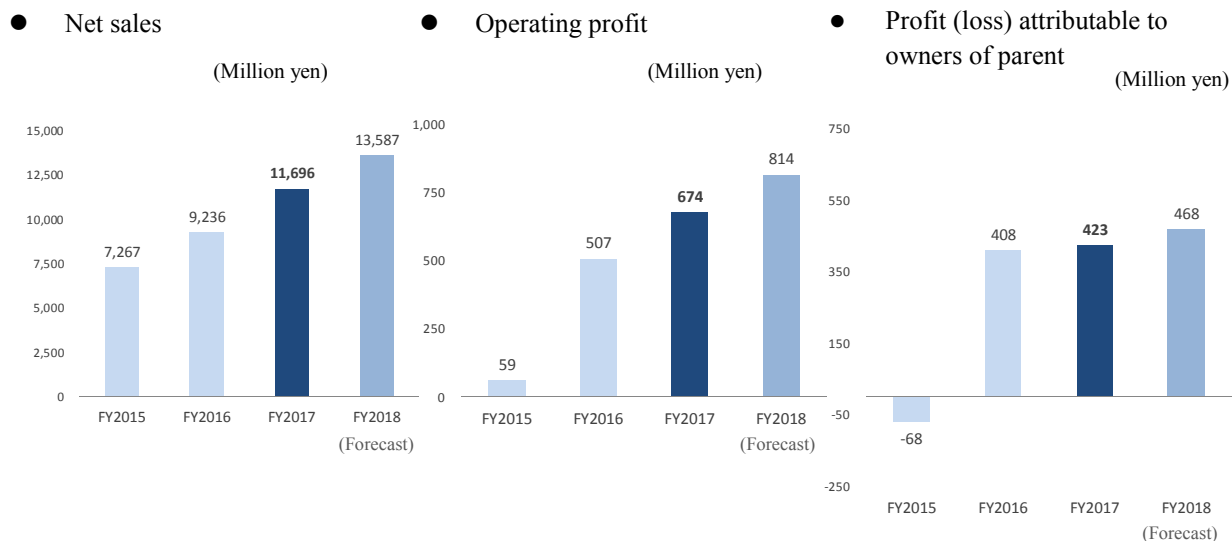
As a result, net sales increased 26.6% year on year, to ¥11,696 million; operating profit rose 32.8% year on year, to ¥674 million; ordinary profit increased 38.4% year on year, to ¥687 million; and profit attributable to owners of parent increased 3.8% year on year, to ¥423 million.

### **Outlook for the Fiscal Year Ending November 30, 2018**

In the fiscal year ending November 30, 2018, we will work to secure short-term profits, mainly from our existing businesses, while establishing a foundation for realizing medium- to long-term growth. In our core temporary staffing service and special needs employment service, we will strive to further consolidate our customer base by refining our services and making them even more competitive. Furthermore, we will look to capture new earnings opportunities by working proactively to develop new businesses that aren't bound by our traditional models and accelerating the Group's growth. The rapid advance of IT and AI as well as the appearance of new technologies and so forth is driving change in the external environment faster than ever before. To respond to these rapid changes, we will transform ourselves flexibly and with a sense of urgency and achieve sustainable corporate growth.

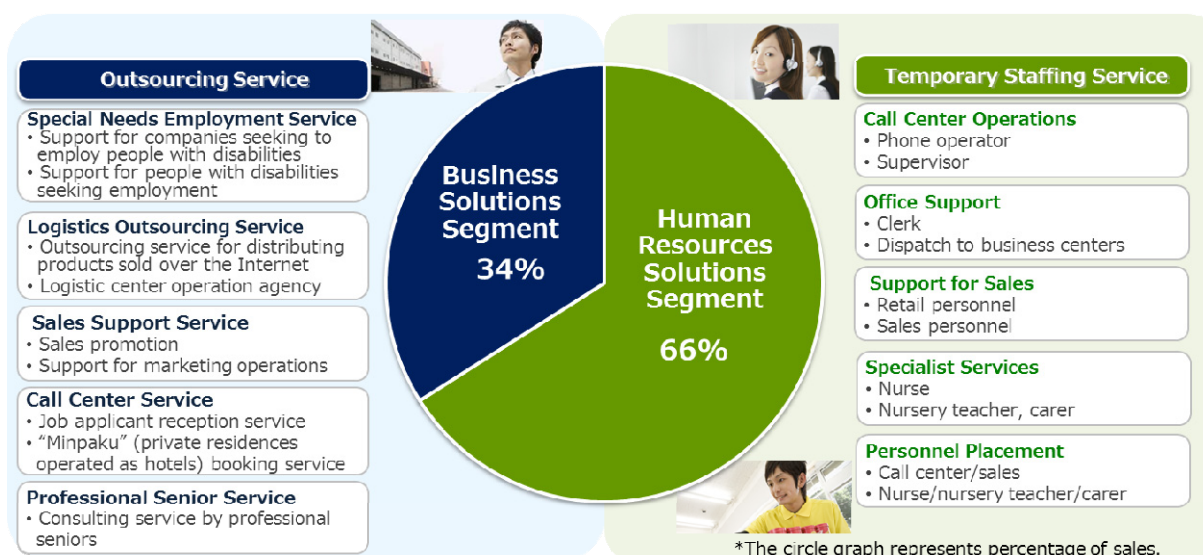
Based on these initiatives, for the fiscal year ending November 30, 2018, we aim to achieve net sales of ¥13,587 million, up 16.2% year on year; and operating profit of ¥814 million, up 20.7%. Also, according to the plan, dividends are expected to increase significantly from the ¥18 for the fiscal year ended November 30, 2017 to ¥25 (¥5 following the split on March 1, 2018).

We ask shareholders for your continued understanding and support.



### 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. Business activities mainly involve inter-company transactions involving provision of human resource-related services. Through these business activities, the Group promotes its social business, which resolves social issues, and has strengths in utilizing the potential labor force or those without experience, such as young unemployed people, people with special needs, homemakers, and senior citizens.



#### Business Solutions Segment

For the fiscal year ended November 30, 2017  
 Segment sales: ¥3,998 million (up 16.2% year on year)  
 Operating profit: ¥728 million (up 24.7% year on year)

The business solutions segment provides services that support utilization of potential labor forces, such as senior citizens and people with disabilities, and outsourcing services that undertake certain work for companies. For the first type of service, S-Pool Plus, Inc. lends farms that it manages to companies that seek to employ people with disabilities. These companies directly employ people, primarily with intellectual disabilities, and supply the harvested products to health and welfare programs set up to promote employee health. S-Pool, Inc. provides a professional staffing service using seniors who have various experience and expertise to assist in resolving corporate management issues and operational issues. In the outsourcing service, S-Pool Logistics, Inc. provides outsourcing services for distributing products sold by mail-order companies, as well as border-crossing e-commerce services to support overseas sales. S-Pool Sales Support Inc. conducts sales promotion services including face-to-face recruitment drives for members and subscribers, and promotional

marketing services including promotional campaigns and on-site marketing support. In other services, S-Pool, Inc. provides recruitment outsourcing support services handling job applicants, mainly for part-time positions advertised.

### **Human Resources Solutions Segment**

For the fiscal year ended November 30, 2017

Segment sales: ¥7,722 million (up 32.4% year on year)

Operating profit: ¥680 million (up 28.6% year on year)

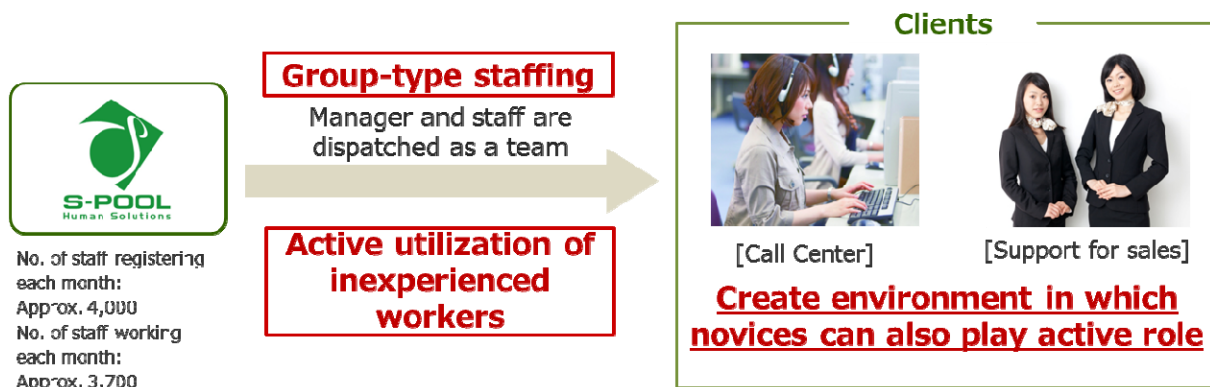
The human resources solutions segment provides office support services such as call centers and business centers, and human resource services related to in-store sales support for smartphones and home electronics through S-Pool Human Solutions, Inc., whose core operations are temporary staffing and personnel placement services. In 2017, the Group launched a new staffing service, “One+” to address acute shortages in the nursing care, nursing, and childcare sectors.

## IV. Three Core Businesses

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

[Net sales for the fiscal year ended November 30, 2017] ¥7,722 million (up 32.4% year on year)

Our temporary staffing services differ from general temporary staffing services that dispatch skilled personnel with experience and qualifications. Instead, we provide a “group-type staffing” service that excels in utilizing inexperienced workers. The group-type staffing service dispatches a team comprising a team leader and multiple staff. The team leader educates and trains the staff directly on site instead of the corporate customer. This enables inexperienced employees to achieve full capability in a short time and also improves retention rates by allowing for detailed follow-up, ultimately resulting in improved customer satisfaction and market share growth.

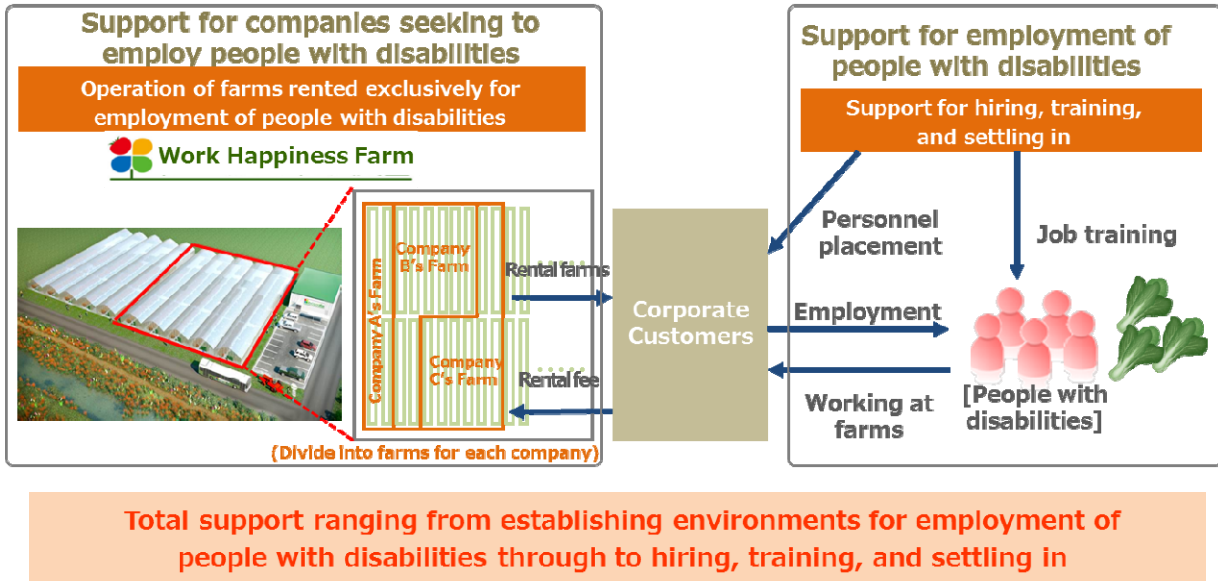


### (2) Special Needs Employment Service (Business Solutions Segment)

[Net sales for the fiscal year ended November 30, 2017] ¥1,305 million (up 47.4% year on year)

Japanese companies are obliged to by law achieve a 2% ratio of people with disabilities in their workforce. However, only around half of companies meet this standard. For companies who need to increase their ratio of employees with disabilities, we operate Work Happiness Farm, which rents out farms especially designed for people with disabilities to companies so they can employ them. We also provide a recruitment process outsourcing (RPO) service that provides comprehensive support for every step, from recruiting people to work on the farms to training and supporting retention after employment. Currently, about 160 companies use the farms, which employ about 800 people, mainly with intellectual or mental disabilities. The farms have an impressively high retention rate among workers of over 95%, and both the client companies and the workers are delighted. This service is growing rapidly as the only one of its kind in Japan and has also earned strong recognition from outside the company as a business that makes a large social contribution.

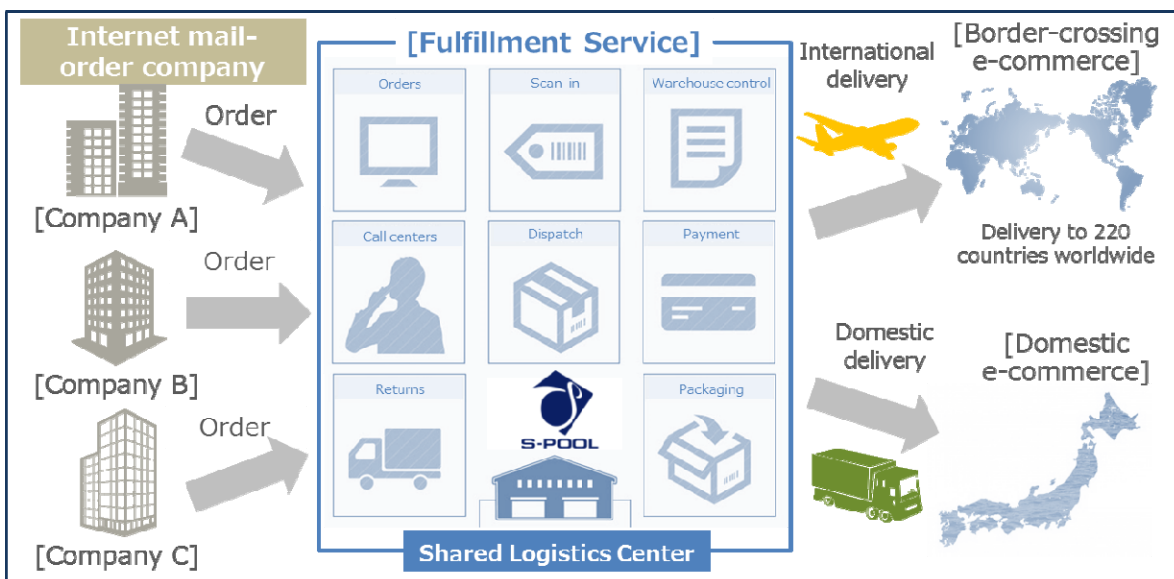




### (3) Logistics Outsourcing Service (Business Solutions Segment)

[Net sales for the fiscal year ended November 30, 2017] ¥1,185 million (up 13.2% year on year)

The logistics outsourcing service provides product distribution services for Internet mail-order companies. We operate logistics centers under a sharing system that allows multiple mail-order companies to use the center jointly, giving our client companies access to high quality logistics services at a low price. Currently, we operate three logistics centers, and customer numbers have grown to 170 companies. We also provide strong services in the growing market for border-crossing e-commerce services (mail-order services to overseas destinations). By making use of our logistics centers, corporate customers can easily sell products through Amazon.com in the United States or major shopping malls in China, and they can also dispatch products overseas to 220 countries, which has really helped to differentiate the service.





## V. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousand yen)

	As of November 30, 2016	As of November 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	1,074,764	1,240,337
Notes and accounts receivable - trade	1,265,106	1,565,669
Merchandise	23,653	18,807
Deferred tax assets	112,132	61,961
Other	68,241	82,687
Allowance for doubtful accounts	(1,460)	(436)
<b>Total current assets</b>	<b>2,542,437</b>	<b>2,969,027</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	916,672	1,295,293
Accumulated depreciation	(161,829)	(268,728)
Buildings and structures, net	754,843	1,026,564
Vehicles	104,967	174,985
Accumulated depreciation	(41,566)	(101,851)
Vehicles, net	63,400	73,133
Land	55,422	55,422
Construction in progress	28,694	23,599
Other	155,892	143,105
Accumulated depreciation	(99,728)	(86,166)
Other, net	56,164	56,938
<b>Total property, plant and equipment</b>	<b>958,526</b>	<b>1,235,658</b>
Intangible assets		
Software	56,520	59,829
Other	257	257
<b>Total intangible assets</b>	<b>56,777</b>	<b>60,086</b>
Investments and other assets		
Investment securities	16,910	15,799
Lease and guarantee deposits	140,748	199,669
Other	29,027	28,473
Allowance for doubtful accounts	(27,151)	(15,037)
<b>Total investments and other assets</b>	<b>159,534</b>	<b>228,906</b>
<b>Total non-current assets</b>	<b>1,174,838</b>	<b>1,524,651</b>
<b>Total assets</b>	<b>3,717,275</b>	<b>4,493,679</b>

(Thousand yen)

	As of November 30, 2016	As of November 30, 2017
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	132,632	106,781
Short-term loans payable	800,000	900,000
Current portion of long-term loans payable	159,836	141,936
Accounts payable - other	234,354	198,838
Income taxes payable	80,946	131,265
Accrued consumption taxes	213,373	276,419
Accrued expenses	552,822	764,897
Provision for bonuses	27,643	72,739
Provision for directors' bonuses	30,000	18,000
Other	45,864	84,947
<b>Total current liabilities</b>	<b>2,277,474</b>	<b>2,695,826</b>
Non-current liabilities		
Long-term loans payable	245,722	103,786
Deferred tax liabilities	20,009	23,995
Asset retirement obligations	132,467	196,324
<b>Total non-current liabilities</b>	<b>398,199</b>	<b>324,106</b>
<b>Total liabilities</b>	<b>2,675,673</b>	<b>3,019,933</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	351,138	366,951
Capital surplus	201,138	216,951
Retained earnings	482,075	875,425
Treasury shares	(53)	(264)
<b>Total shareholders' equity</b>	<b>1,034,297</b>	<b>1,459,063</b>
Accumulated other comprehensive income		
Foreign currency translation adjustment	402	-
<b>Total accumulated other comprehensive income</b>	<b>402</b>	<b>-</b>
Subscription rights to shares	6,901	14,682
<b>Total net assets</b>	<b>1,041,602</b>	<b>1,473,745</b>
<b>Total liabilities and net assets</b>	<b>3,717,275</b>	<b>4,493,679</b>

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

### (Consolidated Statements of Income)

(Thousand yen)

	Fiscal year ended November 30, 2016	Fiscal year ended November 30, 2017
Net sales	9,236,016	11,696,248
Cost of sales	6,550,520	8,353,434
Gross profit	2,685,495	3,342,814
Selling, general and administrative expenses	2,177,670	2,668,284
Operating profit	507,825	674,529
Non-operating income		
Interest income	121	9
Share of profit of entities accounted for using equity method	810	498
Subsidy income	–	19,817
Other	1,998	1,603
Total non-operating income	2,930	21,927
Non-operating expenses		
Interest expenses	9,119	6,905
Provision of allowance for doubtful accounts	3,533	–
Commission fee	1,400	2,002
Other	79	–
Total non-operating expenses	14,132	8,907
Ordinary profit	496,623	687,548
Extraordinary income		
Penalty income	–	27,300
Other	–	52
Total extraordinary income	–	27,352
Extraordinary losses		
Loss on retirement of non-current assets	12,083	11,201
Compensation for damage	–	41,755
Total extraordinary losses	12,083	52,957
Profit before income taxes	484,540	661,943
Income taxes - current	113,534	196,585
Income taxes - deferred	(37,001)	41,974
Total income taxes	76,533	238,559
Profit	408,007	423,383
Profit attributable to owners of parent	408,007	423,383

**(Consolidated Statements of Comprehensive Income)**

(Thousand yen)

	Fiscal year ended November 30, 2016	Fiscal year ended November 30, 2017
Profit	408,007	423,383
Other comprehensive income		
Share of other comprehensive income of entities accounted for using equity method	(235)	(402)
Total other comprehensive income	(235)	(402)
Comprehensive income	407,771	422,981
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	407,771	422,981
Comprehensive income attributable to non-controlling interests	—	—

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

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)		
Issuance of new shares - exercise of subscription rights to shares					-		
Profit attributable to owners of parent			408,007		408,007		
Purchase of treasury shares					-		
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)
Issuance of new shares - exercise of subscription rights to shares		-
Profit attributable to owners of parent		408,007
Purchase of treasury shares		-
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

Fiscal year ended November 30, 2017

(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	482,075	(53)	1,034,297	402	402
Changes of items during period							
Dividends of surplus			(30,033)		(30,033)		
Issuance of new shares - exercise of subscription rights to shares	15,813	15,813			31,626		
Profit attributable to owners of parent			423,383		423,383		
Purchase of treasury shares				(211)	(211)		
Net changes of items other than shareholders' equity						(402)	(402)
Total changes of items during period	15,813	15,813	393,350	(211)	424,765	(402)	(402)
Balance at end of current period	366,951	216,951	875,425	(264)	1,459,063	-	-

	Subscription rights to shares	Total net assets
Balance at beginning of current period	6,901	1,041,602
Changes of items during period		
Dividends of surplus		(30,033)
Issuance of new shares - exercise of subscription rights to shares		31,626
Profit attributable to owners of parent		423,383
Purchase of treasury shares		(211)
Net changes of items other than shareholders' equity	7,780	7,378
Total changes of items during period	7,780	432,143
Balance at end of current period	14,682	1,473,745

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

(Thousand yen)

	Fiscal year ended November 30, 2016	Fiscal year ended November 30, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	484,540	661,943
Depreciation	168,065	220,547
Increase (decrease) in allowance for doubtful accounts	(1,823)	(13,139)
Increase (decrease) in provision for bonuses	19,468	45,096
Increase (decrease) in provision for directors' bonuses	30,000	(12,000)
Interest income	(121)	(9)
Interest expenses	9,119	6,905
Share of (profit) loss of entities accounted for using equity method	(810)	(498)
Loss on retirement of non-current assets	12,083	11,201
Penalty income	-	(27,300)
Compensation for damage	-	41,755
Decrease (increase) in notes and accounts receivable - trade	(233,111)	(300,562)
Decrease (increase) in inventories	(14,358)	4,845
Increase (decrease) in notes and accounts payable - trade	22,043	(25,850)
Increase (decrease) in accrued expenses	116,417	212,074
Other, net	157,480	127,544
Subtotal	768,991	952,554
Interest and dividend income received	121	9
Interest expenses paid	(8,885)	(6,771)
Proceeds from penalty income	-	27,300
Compensation for damage paid	-	(14,649)
Income taxes (paid) refund	(34,434)	(156,974)
Net cash provided by (used in) operating activities	725,792	801,467
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(441,686)	(489,596)
Purchase of intangible assets	(25,220)	(28,830)
Purchase of investment securities	(15,799)	-
Payments for lease and guarantee deposits	(27,703)	(70,483)
Proceeds from collection of lease and guarantee deposits	28,069	11,570
Collection of loans receivable	187	-
Other, net	2,000	52
Net cash provided by (used in) investing activities	(480,153)	(577,287)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans payable	330,000	100,000
Repayments of long-term loans payable	(162,176)	(159,836)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	-	31,200
Cash dividends paid	(29,744)	(29,971)
Net cash provided by (used in) financing activities	138,079	(58,607)
Net increase (decrease) in cash and cash equivalents	383,718	165,573
Cash and cash equivalents at beginning of period	691,045	1,074,764
Cash and cash equivalents at end of period	1,074,764	1,240,337



## VI. Corporate Data (as of February 28, 2018)

### 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:	366,951 thousand yen
Number of employees:	312 persons (separately, 234 persons of contract employees and 86 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.

### Directors and Corporate Auditors (as of February 28, 2018)

Chairman of the board, President, and Representative Director	Sohei Urakami
Director	Hideaki Sato
Director	Naoshi Arai
Director*	Toru Akaura
Director*	Somitsu Takehara
Director*	Nao Miyazawa
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:	3,153,400 shares
Number of shareholders:	1,105

### Major shareholders (Top 10)

Shareholder name	Number of shares held	Share-holding ratio (%)
Sohei Urakami	545,400	17.30
Japan Trustee Services Bank, Ltd. (Trust account)	476,500	15.11
BNYMSANV RE BNYMSANVDUB RE YUKI ASIA	132,400	4.20
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	131,300	4.16
Hideaki Sato	123,900	3.93
Toru Akaura	115,700	3.67
BNY GCM ACCOUNTS M NOM	115,400	3.66
The Master Trust Bank of Japan, Ltd. (Trust account)	100,000	3.17
S-POOL Employee Stock Ownership Association	92,200	2.92
Shingo Yoshimura	85,300	2.71

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