

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FY2015 (June 1, 2015 to May 31, 2016)
Three Months Ended August 31, 2015

Listing stock exchange: The First Section of the Tokyo Stock Exchange
 Securities code number: 2168
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Scheduled filing date of quarterly report: October 13, 2015
 Supplementary materials prepared for quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(All amounts are in millions of yen rounded down unless otherwise stated)

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results

Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.

	Net Sales		Operating Income		Ordinary Income		Profit (Loss) attributable to owners of parent	
		%		%		%		%
Three months ended August 31, 2015	63,891	8.8	350	9.5	256	(10.2)	(323)	—
Three months ended August 31, 2014	58,727	14.7	320	(61.6)	286	(64.2)	(253)	—

(Note) Comprehensive income 3M FY2015: ¥(147) million 3M FY2014: ¥(114) million

	Net Income (Loss) per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended August 31, 2015	(8.79)	—
Three months ended August 31, 2014	(6.87)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
August 31, 2015	82,150	27,620	24.5
May 31, 2015	88,641	29,620	24.1

(Reference) Equity As of August 31, 2015: ¥20,137 million As of May 31, 2015: ¥21,333 million

2. DIVIDENDS PER SHARE

Record Date	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2014	—	0.00	—	12.00	12.00
FY2015	—	—	—	—	—
FY2015(Forecast)	—	0.00	—	12.00	12.00

(Note) Revision to dividend forecast in the current quarter: None

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2016

Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.

	Net Sales		Operating Income		Ordinary Income		Profit (Loss) attributable to owners of parent		Net Income (Loss) per Shares
		%		%		%		%	Yen
FY2015 First Half	129,000	13.4	1,300	8.7	1,230	9.9	(300)	—	(8.15)
FY2015 Full Fiscal Year	268,000	18.5	4,700	34.7	4,600	37.6	750	250.2	20.38

(Note) Revision to forecast of results in the current quarter: None

4. NOTES

- (1) Changes in important subsidiaries during the current period : None
(Changes in specified subsidiaries that caused changes in the scope of consolidation)
- (2) Application of the special accounting practices in the preparation of quarterly consolidated financial statements:
None
- (3) Changes of accounting principles, changes in accounting estimates and retrospective restatement
 - 1) Changes of accounting principles in line with revisions to accounting and other standards: Yes
 - 2) Changes of accounting principles other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None

(Note)
Please refer to “2. Matters Relating to Summary Information (notes)” on page 5 for details.
- (4) Number of shares issued and outstanding (Common shares)
 - 1) The number of shares issued and outstanding as of the period-end (including treasury stock)
August 31, 2015: 41,690,300 shares May 31, 2015: 41,690,300 shares
 - 2) The number of treasury stock as of the period-end
August 31, 2015: 4,893,138 shares May 31, 2015: 4,893,100 shares
 - 3) Average number of shares for the period (Quarterly cumulative period)
Three Months ended August 31, 2015: 36,797,184 shares
Three Months ended August 31, 2014: 36,880,119 shares

Information regarding the implementation of quarterly review procedures

As of the date of disclosure of this report, a review of the quarterly financial statements has completed in accordance with the Financial Instruments and Exchange Act.

Cautionary statement and other explanatory notes

The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results may differ materially from forecasts for a variety of reasons. Please refer to “Qualitative Information Concerning Consolidated Forecasts” on page 5 with regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2016.

Method to obtain supplementary materials for quarterly financial results

Supplementary materials for the quarterly financial results under review have been posted on the Company’s website on October 9, 2015.

As for FY2014 (June 1, 2014 – May 31, 2015), some of domestic consolidated subsidiaries changed their fiscal year end from March 31 to May 31, following adoption of consolidated taxation system. Therefore, business term for these subsidiaries was an irregular period of 14 months and five-month results combined in the first quarter of FY2014.

Consolidated Financial Report

Three Months Ended August 31, 2015

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3M FY2015 Consolidated Financial Report

(June 1, 2015 - August 31, 2015)

1. Qualitative Information Concerning Quarterly Consolidated Business Results

(1) Information Concerning Consolidated Business Results

Consolidated Business Results

	3M FY2014	3M FY2015	YoY
Net sales	58,727	63,891	8.8%
Operating income	320	350	9.5%
Ordinary income	286	256	(10.2)%
Profit (loss) attributable to owners of parent	(253)	(323)	—

(Millions of yen)

Segment Information (Figures include intersegment sales)

Effective from the first quarter of FY2015, the classification of the reporting segments has been revised. Comparison (YoY) is based on the new classification.

Consolidated Sales by Segment

	3M FY2014	3M FY2015	YoY
HR Solutions	57,266	63,074	10.1%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	49,028	53,070	8.2%
Expert Services (Temporary staffing)	35,211	33,221	(5.7)%
Insourcing (Contracting)	11,372	16,925	48.8%
HR Consulting, Education & Training, Others	1,356	1,504	10.9%
Global Sourcing (Overseas)	1,088	1,420	30.4%
Career Solutions (Placement / Recruiting, Outplacement)	3,386	4,032	19.1%
Outsourcing	4,852	5,971	23.1%
Life Solutions, Public Solutions	1,926	1,342	(23.0)%
Eliminations and Corporate	(465)	(524)	—
Total	58,727	63,891	8.8%

(Millions of yen)

Consolidated Operating Income (Loss) by Segment

	3M FY2014	3M FY2015	YoY
HR Solutions	1,380	1,761	27.6%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	472	325	(31.1)%
Expert Services (Temporary staffing)			
Insourcing (Contracting)			
HR Consulting, Education & Training, Others	472	325	(31.1)%
Global Sourcing (Overseas)			
Career Solutions (Placement / Recruiting, Outplacement)	335	794	137.1%
Outsourcing	572	641	12.0%
Life Solutions, Public Solutions	(58)	(192)	—
Eliminations and Corporate	(1,001)	(1,218)	—
Total	320	350	9.5%

(Millions of yen)

(2) Qualitative Information Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

1) Assets

Total assets as of August 31, 2015 stood at ¥82,150 million, a decrease of ¥6,491 million or 7.3%, compared with May 31, 2015. This was mainly attributable to certain factors including a decrease of ¥4,086 million in cash and deposits as well as a decrease of ¥1,982 million in notes and accounts receivable—trade.

2) Liabilities

Total liabilities as of August 31, 2015 decreased ¥4,491 million or 7.6%, compared with May 31, 2015 totaling ¥54,530 million. The principal decreases in total liabilities were accounts payable—trade of ¥2,407 million, accrued consumption taxes of ¥2,429 million, income taxes payable of ¥850 million and provision for bonuses of ¥563 million. They were partly offset by an increase in long-term loans payable of ¥2,045 million.

3) Net Assets

Net assets as of August 31, 2015 stood at ¥27,620 million, a decline of ¥1,999 million or 6.8%, compared with May 31, 2015. This was mainly attributable to the net loss of ¥323 million, a decrease of ¥411 million in capital surplus, the payment of cash dividends totaling ¥441 million and a decrease of ¥803 million in non-controlling interests.

Accounting for the aforementioned, the equity ratio as of August 31, 2015 raised 0.4 percentage points to 24.5% compared with the end of the previous fiscal year.

(3) Qualitative Information Concerning Consolidated Forecasts

Consolidated business results for the first quarter of the fiscal year ending May 31, 2016 are essentially in line with initial plans. Accordingly, there is no change to the consolidated forecasts of business results previously announced on July 15, 2015.

2. Matters Relating to Summary Information (notes)

(1) Changes of accounting principles, changes in accounting estimates and retrospective restatement

(Changes in Accounting Policies)

Effective from the first quarter of FY2015, the Company adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013, hereinafter, “Business Combinations Standard”), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter, “Consolidated Financial Statements Standard”) and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter, “Business Divestitures Standard”) and other related pronouncements. Accordingly, the Company’s accounting policies have been changed, whereby the differences arising from changes in the Company’s equity in a subsidiary over which the Company retains control is recorded as capital surplus and acquisition-related costs are expensed in the consolidated fiscal year of incurrence. In addition, for business combinations to be performed from the beginning of FY2015 onward, changes have been made whereby adjustments to the provisional amount arising from the finalization of the tentative accounting treatment relating to the allocation of acquisition cost are recognized in the quarterly consolidated financial statements during which the business combination occurred. In addition, the Company has changed the presentation of net income and other related items, and the presentation of “minority interests” to “non-controlling interests.” To reflect this change in presentation, a reclassification of accounts has been made to the consolidated financial statements for 3M and full-year of FY2014.

The Business Combinations Standard and other related pronouncements were adopted in accordance with transitional treatments stipulated in Paragraph 58-2(4) of the Business Combinations Standard, Paragraph 44-5(4) of the Consolidated Financial Statements Standard and Paragraph 57-4(4) of the Business Divestitures Standard, and they have been prospectively adopted from the beginning of FY2015.

As a result, capital surplus as of August 31, 2015 decreased by ¥411 million. The impact on operating income, ordinary income and income before income taxes for 3M FY2015 is immaterial.

3. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2015	As of August 31, 2015
ASSETS		
Current assets		
Cash and deposits	21,123	17,037
Notes and accounts receivable—trade	29,531	27,548
Inventories	1,007	1,016
Other	6,531	6,737
Allowance for doubtful accounts	(64)	(58)
Total current assets	58,129	52,282
Non-current assets		
Property, plant and equipment	9,770	9,051
Intangible assets		
Goodwill	4,884	4,873
Other	4,916	4,855
Total intangible assets	9,801	9,728
Investments and other assets		
Other	10,986	11,133
Allowance for doubtful accounts	(45)	(45)
Total investments and other assets	10,940	11,087
Total non-current assets	30,512	29,868
Total assets	88,641	82,150

(Millions of yen)

	As of May 31, 2015	As of August 31, 2015
LIABILITIES		
Current liabilities		
Accounts payable—trade	5,217	2,809
Short-term loans payable	3,972	4,227
Accrued expenses	12,576	12,316
Income taxes payable	1,425	575
Provision for bonuses	2,814	2,250
Provision for directors' bonuses	25	17
Asset retirement obligations	50	22
Other	20,184	17,427
Total current liabilities	46,267	39,647
Non-current liabilities		
Long-term loans payable	7,419	9,464
Net defined benefit liability	1,692	1,785
Asset retirement obligations	842	884
Other	2,799	2,747
Total non-current liabilities	12,753	14,882
Total liabilities	59,021	54,530
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	6,068	5,657
Retained earnings	13,370	12,605
Treasury stock	(3,899)	(3,899)
Total shareholders' equity	20,539	19,363
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	206	227
Foreign currency translation adjustment	271	308
Remeasurements of defined benefit plans	316	237
Total accumulated other comprehensive income	794	774
Non-controlling interests	8,286	7,483
Total net assets	29,620	27,620
Total liabilities and net assets	88,641	82,150

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended August 31, 2014	Three months ended August 31, 2015
Net sales	58,727	63,891
Cost of sales	47,277	50,479
Gross profit	11,450	13,412
Selling, general and administrative expenses	11,130	13,061
Operating income	320	350
Non-operating income		
Interest income	6	9
Subsidy	17	10
Rent expenses on real estates	16	12
Other	23	24
Total non-operating income	63	57
Non-operating expenses		
Interest expenses	43	37
Commitment fee	6	9
Equity in losses of affiliates	14	68
Other	33	34
Total non-operating expenses	98	151
Ordinary income	286	256
Extraordinary income		
Gain on sales of non-current assets	—	5
Gain on donation of non-current assets	—	17
Total extraordinary income	—	22
Extraordinary loss		
Loss on sales and retirement of non-current assets	9	21
Impairment loss	2	—
Loss on valuation of investment securities	2	—
Total extraordinary loss	13	21
Income before income taxes	272	258
Income taxes—current	359	479
Income taxes—deferred	(14)	(61)
Income taxes	344	417
Net income (loss)	(72)	(159)
Profit attributable to non-controlling interests	180	163
Profit (loss) attributable to owners of parent	(253)	(323)

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended August 31, 2014	Three months ended August 31, 2015
Net income (loss)	(72)	(159)
Other comprehensive income		
Valuation difference on available-for-sale securities	57	43
Foreign currency translation adjustment	(20)	45
Remeasurements of defined benefit plans	(80)	(79)
Share of other comprehensive income of entities accounted for using equity method	0	1
Total other comprehensive income	(42)	12
Comprehensive income	(114)	(147)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(305)	(343)
Comprehensive income attributable to non-controlling interests	190	195

(4) Notes to Going Concern Assumption

Not applicable

(5) Segment Information

i) Information regarding net sales and segment income (loss) by reporting segment

Three months ended August 31, 2014

(Millions of yen)

	Reporting segments				Others (Note 2)	Total	Adjustment (Note 3)	Figures in consolidated statements of income (Note 4)
	HR Solutions			Subtotal				
	Expert Services (Temporary staffing), Insourcing (Contracting), Others (Note 1)	Career Solutions (Placement / Recruiting, Outplacement)	Outsourcing					
Net sales								
(1) Sales to outside customers	48,827	3,375	4,791	56,995	1,732	58,727	—	58,727
(2) Intersegment sales and transfers	201	10	60	271	193	465	(465)	—
Total	49,028	3,386	4,852	57,266	1,926	59,192	(465)	58,727
Operating income (loss)	472	335	572	1,380	(58)	1,321	(1,001)	320

Notes:

1. The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting/Education & Training/Others and Global Sourcing (Overseas).
2. The “Others” segment is not included in reporting segments, and includes Life Solutions, Public Solutions, and Shared operations.
3. Adjustment is as follows: Operating income of ¥(1,001) million includes the elimination of intersegment transactions of ¥5 million and corporate expenses of ¥1,006 million. Corporate expenses are not allocated to reporting segments, and primarily consist of Group management costs relating to the Company.
4. Segment income is adjusted with operating income under consolidated statements of income.

Three months ended August 31, 2015

(Millions of yen)

	Reporting segments				Others (Note 2)	Total	Adjustment (Note 3)	Figures in consolidated statements of income (Note 4)
	HR Solutions			Subtotal				
	Expert Services (Temporary staffing), Insourcing (Contracting), Others (Note 1)	Career Solutions (Placement / Recruiting, Outplacement)	Outsourcing					
Net sales								
(1) Sales to outside customers	52,828	4,030	5,901	62,760	1,131	63,891	—	63,891
(2) Intersegment sales and transfers	241	2	70	313	210	524	(524)	—
Total	53,070	4,032	5,971	63,074	1,342	64,416	(524)	63,891
Operating income (loss)	325	794	641	1,761	(192)	1,569	(1,218)	350

Notes:

1. The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting/Education & Training/Others and Global Sourcing (Overseas).
2. The “Others” segment is not included in reporting segments, and includes Life Solutions as well as Public Solutions.
3. Adjustment is as follows: Operating income of ¥(1,218) million includes the elimination of intersegment transactions of ¥1 million and corporate expenses of ¥1,220 million. Corporate expenses are not allocated to reporting segments, and primarily consist of Group management costs relating to the Company.
4. Segment income is adjusted with operating income under consolidated statements of income.

ii) Information concerning changes to reporting segments, etc.

Effective from the first quarter of the fiscal year ending May 31, 2016, “Place & Search”, previously included in the “Expert Services (Temporary staffing), Insourcing (Contracting), Others”, has been integrated into newly established “Career Solutions (Placement / Recruiting, Outplacement)” segment.

In line with this change, the classification of the reporting segments has been revised.

Segment information for three months ended August 31, 2014 has been prepared based on the new reporting segments.

(6) Notes on Significant Changes in the Amount of Shareholders' Equity

Not applicable

(7) Important Subsequent Events

Not applicable