

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2017 (Based on Japanese GAAP)

May 15, 2017

Company name: Temp Holdings Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 2181 URL <https://www.persol-group.co.jp/>
 Representative: President, Chief Executive Officer, and Representative Director Masamichi Mizuta
 Executive Vice President, Chief Financial Officer, and Director Kiyoshi Seki
 Inquiries: TEL 03-3375-2220
 Scheduled date of ordinary general meeting of shareholders: June 27, 2017
 Scheduled date to file Securities Report: June 28, 2017
 Scheduled date to commence dividend payments: June 28, 2017
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	591,995	14.4	33,409	19.1	34,136	21.1	17,820	2.7
Year ended March 31, 2016	517,597	29.1	28,052	19.5	28,190	18.6	17,356	29.3

Note: Comprehensive income Year ended March 31, 2017 ¥19,550 million [5.3%]
 Year ended March 31, 2016 ¥18,558 million [37.4%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	75.94	75.77	13.4	13.5	5.6
Year ended March 31, 2016	75.76	73.73	15.4	12.1	5.4

Reference: Investment profit (loss) on equity method Year ended March 31, 2017 ¥21 million
 Year ended March 31, 2016 ¥(70) million

Note: The Company conducted a stock split at a ratio of 1:3 of common shares on October 29, 2015. Earnings per share and diluted earnings per share have been calculated on the basis that the stock split had been effective at the beginning of the year ended March 31, 2016.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	268,364	153,816	51.8	594.95
As of March 31, 2016	236,238	133,501	53.8	542.45

Reference: Equity As of March 31, 2017 ¥139,119 million
 As of March 31, 2016 ¥127,205 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	39,617	(9,708)	(11,655)	69,382
Year ended March 31, 2016	13,279	(15,065)	(7,213)	51,138

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2016	—	18.00	—	7.00	—	3,046	17.2	2.6
Year ended March 31, 2017	—	8.00	—	9.00	17.00	3,985	22.4	2.8
Year ending March 31, 2018 (Forecast)	—	9.00	—	9.00	18.00		19.0	

Notes:

- (1) The Company conducted a stock split at a ratio of 1:3 of common shares on October 29, 2015. Year-end dividends for the year ended March 31, 2016 and dividends paid thereafter are provided after taking into consideration of the above stock split.
- (2) If the above stock split is not considered, year-end dividends and total of dividends for the year ended March 31, 2016 is 21 yen and 39 yen respectively.

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2017	324,000	17.1	15,800	(5.2)	16,000	(5.6)	9,900	0.4	42.34
Full year	677,300	14.4	36,000	7.8	36,500	6.9	22,200	24.6	94.94

4. Notes

- (1) Changes in significant subsidiaries during the year ended March 31, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation):

Yes

Newly included: 1 company

Kelly Services (Singapore) Pte. Ltd.

Excluded: -

- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:

Yes

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

- (3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2017	236,673,651 shares	As of March 31, 2016	235,791,100 shares
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Number of treasury shares at the end of the period

As of March 31, 2017	2,838,299 shares	As of March 31, 2016	1,288,875 shares
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Average number of shares during the period

Year ended March 31, 2017	234,673,884 shares	Year ended March 31, 2016	229,094,130 shares
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Note: The Company conducted a stock split at a ratio of 1:3 of common shares on October 29, 2015. Number of issued shares (common shares) has been calculated on the basis that the stock split had been effective at the beginning of the year ended March 31, 2016.

Reference: Summary of non-consolidated financial results

Non-consolidated financial results for the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	12,946	46.1	7,404	30.6	6,809	21.8	6,320	15.7
Year ended March 31, 2016	8,862	1.6	5,670	(4.7)	5,588	(6.2)	5,463	(10.3)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended March 31, 2017	26.93	26.87
Year ended March 31, 2016	23.85	23.21

Note: The Company conducted a stock split at a ratio of 1:3 of common shares on October 29, 2015. Earnings per share and diluted earnings per share have been calculated on the basis that the stock split had been effective at the beginning of the year ended March 31, 2016.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	151,145	87,095	57.6	372.47
As of March 31, 2016	124,321	86,151	69.3	367.38

Reference: Equity As of March 31, 2017 ¥87,095 million

As of March 31, 2016 ¥86,151 million

Note: The Company conducted a stock split at a ratio of 1:3 of common shares on October 29, 2015. Net assets per share has been calculated on the basis that the stock split had been effective at the beginning of the year ended March 31, 2016.

* Financial results reports are not required to be audited.

* Proper use of earnings forecasts, and other special matters

The above forecasts of consolidated financial results are based on information currently available to the Company and on certain assumptions deemed to be reasonable. However, the Company makes no guarantee that these forecasts will be achieved. Consequently, actual business and other results may differ substantially due to various factors.

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	51,227	69,439
Notes and accounts receivable - trade	69,524	83,260
Deferred tax assets	3,987	4,597
Other	6,006	8,562
Allowance for doubtful accounts	(134)	(619)
Total current assets	130,611	165,240
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,320	6,206
Accumulated depreciation	(3,141)	(3,880)
Accumulated impairment loss	(72)	(94)
Buildings and structures, net	2,106	2,231
Tools, furniture and fixtures	4,401	5,112
Accumulated depreciation	(3,259)	(3,835)
Accumulated impairment loss	(17)	(13)
Tools, furniture and fixtures, net	1,123	1,263
Land	803	803
Other	1,116	1,376
Accumulated depreciation	(607)	(802)
Accumulated impairment loss	(33)	(33)
Other, net	476	541
Total property, plant and equipment	4,510	4,840
Intangible assets		
Trademark right	10,110	4,995
Goodwill	70,302	68,561
Other	5,774	9,310
Total intangible assets	86,187	82,867
Investments and other assets		
Investment securities	7,228	7,782
Guarantee deposits	5,597	5,765
Deferred tax assets	1,534	1,371
Other	716	547
Allowance for doubtful accounts	(146)	(51)
Total investments and other assets	14,929	15,415
Total non-current assets	105,627	103,123
Total assets	236,238	268,364

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	902	1,490
Short-term loans payable	787	413
Current portion of long-term loans payable	4,640	4,640
Accounts payable - other	33,152	47,627
Income taxes payable	5,321	8,315
Accrued consumption taxes	7,664	9,619
Provision for bonuses	8,242	9,063
Provision for directors' bonuses	139	173
Other	6,632	6,569
Total current liabilities	67,482	87,913
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	851	31
Long-term loans payable	24,993	20,426
Deferred tax liabilities	3,638	2,793
Net defined benefit liability	2,657	1,093
Long-term accounts payable - other	3,017	2,197
Other	97	92
Total non-current liabilities	35,255	26,634
Total liabilities	102,737	114,547
Net assets		
Shareholders' equity		
Capital stock	17,055	17,465
Capital surplus	20,520	20,156
Retained earnings	88,134	102,432
Treasury shares	(327)	(3,328)
Total shareholders' equity	125,382	136,725
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,945	2,203
Foreign currency translation adjustment	72	190
Remeasurements of defined benefit plans	(194)	—
Total accumulated other comprehensive income	1,823	2,394
Non-controlling interests	6,295	14,696
Total net assets	133,501	153,816
Total liabilities and net assets	236,238	268,364

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	517,597	591,995
Cost of sales	394,949	449,188
Gross profit	122,647	142,806
Selling, general and administrative expenses	94,594	109,397
Operating profit	28,052	33,409
Non-operating income		
Interest income	14	31
Dividend income	84	101
Subsidy income	112	361
Share of profit of entities accounted for using equity method	—	21
Gain on bad debts recovered	78	—
Foreign exchange gains	—	22
Other	259	416
Total non-operating income	549	955
Non-operating expenses		
Interest expenses	148	154
Share of loss of entities accounted for using equity method	70	—
Foreign exchange losses	65	—
Commission fee	78	17
Other	48	56
Total non-operating expenses	411	229
Ordinary profit	28,190	34,136
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	158	2
Gain on sales of non-current assets	0	0
Reversal of loss on liquidation of subsidiaries and affiliates	89	—
Gain on transfer of business	157	—
Gain on revision of retirement benefit plan	460	187
Reversal of long-term accounts payable for directors' retirement benefits	—	553
Settlement received	240	—
Compensation income	—	318
Gain on change in equity	103	—
Total extraordinary income	1,209	1,062
Extraordinary losses		
Loss on disposal of non-current assets	—	0
Impairment loss	392	4,760
Loss on sales of investment securities	—	1
Loss on sales of shares of subsidiaries and associates	24	—
Early extra retirement payments	—	236
Total extraordinary losses	417	4,998
Profit before income taxes	28,982	30,200
Income taxes - current	9,954	12,548
Income taxes - deferred	717	(1,429)
Total income taxes	10,671	11,119
Profit	18,310	19,080
Profit attributable to non-controlling interests	954	1,260
Profit attributable to owners of parent	17,356	17,820

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	18,310	19,080
Other comprehensive income		
Valuation difference on available-for-sale securities	556	257
Foreign currency translation adjustment	(135)	17
Remeasurements of defined benefit plans, net of tax	(173)	194
Total other comprehensive income	247	469
Comprehensive income	18,558	19,550
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,630	17,898
Comprehensive income attributable to non-controlling interests	927	1,651

Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,081	13,673	73,499	(316)	96,938
Changes of items during period					
Issuance of new shares	6,973	6,973			13,947
Dividends of surplus			(2,721)		(2,721)
Profit attributable to owners of parent			17,356		17,356
Purchase of treasury shares				(11)	(11)
Change in ownership interest of parent due to transactions with non-controlling interests		(126)			(126)
Net changes of items other than shareholders' equity					
Total changes of items during period	6,973	6,846	14,634	(11)	28,443
Balance at end of current period	17,055	20,520	88,134	(327)	125,382

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,388	255	(20)	1,624	5,406	103,969
Changes of items during period						
Issuance of new shares						13,947
Dividends of surplus						(2,721)
Profit attributable to owners of parent						17,356
Purchase of treasury shares						(11)
Change in ownership interest of parent due to transactions with non-controlling interests						(126)
Net changes of items other than shareholders' equity	556	(183)	(173)	199	888	1,088
Total changes of items during period	556	(183)	(173)	199	888	29,531
Balance at end of current period	1,945	72	(194)	1,823	6,295	133,501

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	17,055	20,520	88,134	(327)	125,382
Changes of items during period					
Issuance of new shares	410	410			820
Dividends of surplus			(3,522)		(3,522)
Profit attributable to owners of parent			17,820		17,820
Purchase of treasury shares				(3,001)	(3,001)
Change in ownership interest of parent due to transactions with non-controlling interests		(774)			(774)
Net changes of items other than shareholders' equity					
Total changes of items during period	410	(364)	14,298	(3,001)	11,342
Balance at end of current period	17,465	20,156	102,432	(3,328)	136,725

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,945	72	(194)	1,823	6,295	133,501
Changes of items during period						
Issuance of new shares						820
Dividends of surplus						(3,522)
Profit attributable to owners of parent						17,820
Purchase of treasury shares						(3,001)
Change in ownership interest of parent due to transactions with non-controlling interests						(774)
Net changes of items other than shareholders' equity	258	118	194	571	8,401	8,972
Total changes of items during period	258	118	194	571	8,401	20,315
Balance at end of current period	2,203	190	—	2,394	14,696	153,816

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	28,982	30,200
Depreciation	3,061	3,988
Impairment loss	392	4,760
Amortization of goodwill	5,294	6,035
Increase (decrease) in net defined benefit liability	(1,580)	(1,576)
Increase (decrease) in provision for bonuses	831	569
Increase (decrease) in provision for directors' bonuses	25	34
Increase (decrease) in allowance for doubtful accounts	(218)	82
Interest and dividend income	(98)	(132)
Interest expenses	148	154
Share of (profit) loss of entities accounted for using equity method	70	(21)
Loss (gain) on change in equity	(103)	—
Loss (gain) on sales of shares of subsidiaries and associates	(133)	(0)
Loss (gain) on sales of investment securities	—	(1)
Loss (gain) on disposal of non-current assets	0	0
Compensation income	—	(64)
Loss (gain) on transfer of business	(157)	—
Subsidy income	(112)	(361)
Decrease (increase) in notes and accounts receivable - trade	(5,864)	(7,017)
Increase (decrease) in operating debt	2,370	13,371
Increase (decrease) in accrued consumption taxes	(9,407)	1,375
Increase (decrease) in long-term accounts payable - other	1,300	(820)
Decrease (increase) in other assets	188	(1,269)
Increase (decrease) in other liabilities	(392)	135
Subtotal	24,595	49,441
Proceeds from compensation	—	64
Interest and dividend income received	108	141
Interest expenses paid	(143)	(155)
Proceeds from subsidy income	131	—
Proceeds from subsidy income	112	361
Income taxes paid	(11,756)	(11,576)
Income taxes refund	231	1,340
Net cash provided by (used in) operating activities	13,279	39,617

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from investing activities		
Payments into time deposits	(146)	(1)
Proceeds from withdrawal of time deposits	350	31
Purchase of property, plant and equipment	(1,491)	(1,285)
Proceeds from sales of property, plant and equipment	0	3
Purchase of intangible assets	(2,791)	(5,640)
Proceeds from sales of intangible assets	–	6
Purchase of investment securities	(568)	(201)
Proceeds from sales of investment securities	3	1
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(10,457)	(2,518)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	54	15
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(32)	–
Payments for transfer of business	–	(43)
Proceeds from transfer of business	162	–
Payments of loans receivable	(9)	(19)
Collection of loans receivable	107	46
Payments for guarantee deposits	(1,016)	(574)
Proceeds from collection of guarantee deposits	482	379
Other, net	288	93
Net cash provided by (used in) investing activities	(15,065)	(9,708)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(15,000)	(297)
Proceeds from long-term loans payable	15,713	–
Repayments of long-term loans payable	(4,860)	(4,640)
Purchase of treasury shares	(11)	(3,001)
Proceeds from share issuance to non-controlling shareholders	60	–
Cash dividends paid	(2,721)	(3,522)
Dividends paid to non-controlling interests	(21)	(118)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(279)	(53)
Other, net	(93)	(22)
Net cash provided by (used in) financing activities	(7,213)	(11,655)
Effect of exchange rate change on cash and cash equivalents	(67)	(10)
Net increase (decrease) in cash and cash equivalents	(9,066)	18,243
Cash and cash equivalents at beginning of period	60,205	51,138
Cash and cash equivalents at end of period	51,138	69,382