Summary of Consolidated Financial Results for the Fiscal Year Ended March 2018 (Based on Japanese GAAP)

15 May 2018

Listed company name:	PERSOL HOLDINGS CO., LTD.			Stock Exchange Listing: Tokyo
Stock code:	2181	URL https://www.persol-group.co.jp/		
Representative	(Title)	President & Representative Director, CEO	Masamichi Mizuta	
Inquiries	(Title)	Director, Executive Officer (Chief Financial Officer)	Kiyoshi Seki	TEL +81 03-3375-2220
Scheduled date of ordinary general meeting of shareholders:	26 June 2018		Scheduled date to commence dividend payments:	27 June 2018
Scheduled date to file Securities Report:	27 June 2018			

Preparation of supplementary explanatory material accompanying the financial results yes/no: yes

Holding a results briefing session yes/no: yes (Analyst/Institutional investor oriented)

(Amounts less than JPY 1 million rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended March 2018 (April 1, 2017 - March 31, 2018)

(1) Consolidated Operating Results (% indicates ratio of year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Current net profit Attributable to Parent	
	JPY Million	%	JPY Million	%	JPY Million	%	JPY Million	%
FY ended Mar 2018	722,183	22.0	36,068	8.0	35,108	2.8	7,769	△56.4
FY ended Mar 2017	591,995	14.4	33,409	19.1	34,136	21.1	17,820	2.7

Note: Comprehensive income FY ended Mar 2018 11,796 Million (△39.7%) FY ended Mar 2017 19,550 Million (5.3%)

	Current period net profit per share Current period net profit per share	Quarterly net profit per share after adjustment for dilution Current net income per share	Equity capital Net profit ratio	Total assets Ordinary profit ratio	Sales Operating profit ratio
	JPY	JPY	%	%	%
FY ended Mar 2018	33.28	33.27	5.5	10.5	5.0
FY ended Mar 2017	75.94	75.77	13.4	13.5	5.6

Ref: Equity method investment gain & loss FY ended Mar 2018 13 Million FY ended Mar 2017 21 Million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	JPY Million	JPY Million	%	JPY
FY ended Mar 2018	403,465	159,992	36.1	623.90
FY ended Mar 2017	268,364	153,816	51.8	594.95

Reference: Equity capital FY ended Mar 2018 145,537 Million FY ended Mar 2017 139,119 Million

(3) Consolidated Cash Flow Status

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Balance of cash & cash equivalents at end of period
	JPY Million	JPY Million	JPY Million	JPY Million
FY ended Mar 2018	35,003	△66,732	50,186	89,566
FY ended Mar 2017	39,617	△9,708	△11,655	69,382

2. Dividend Status

	Annual Dividend					Total amount of dividend (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End Q1	End Q2	End Q3	End of FY	Total			
	JPY	JPY	JPY	JPY	JPY	JPY Million	%	%
FY ended Mar 2017	－	8.00	－	9.00	17.00	3,985	22.4	2.8
FY ended Mar 2018	－	9.00	－	10.00	19.00	4,443	57.1	3.1
FY ending Mar 2019 (Forecast)	－	10.00	－	10.00	20.00		21.5	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 2019 (April 1, 2018 - March 31, 2019)
(% indicates ratio of change from: the previous full FY, same quarter in the previous FY)

	Sales		Operating profit		Ordinary profit		Current period net profit attributable to parent company shareholders		Current period net profit per share Current period net profit per share
	JPY Million	%	JPY Million	%	JPY Million	%	JPY Million	%	JPY
2nd Q (cumulative)	456,000	40.4	18,000	12.4	17,500	5.0	8,700	△5.7	37.20
Full Year	940,000	30.2	42,500	17.8	41,500	18.2	21,800	180.6	93.21

※ Explanatory Notes
(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): yes
4 new companies (company names): Programmed Maintenance Services Limited, Programmed Health Professionals Pty Ltd, Programmed Integrated Workforce Limited, Programmed Skilled Workforce Limited. Excluded － Co.s) Co. name)

(2) Changes in accounting policies/changes in accounting estimates/restatement of prior period financial statements
① Changes in accounting policies due to revisions to accounting standards etc.: no
② Changes in accounting policies other than ①: no
③ Changes in accounting estimates: no
④ Restatement of revised statements: no

(3) Number of fully issued shares (ordinary shares)

① Number of fully issued shares at period end (including treasury stock)	FY ended Mar 2018	236,677,955 Shares	FY ended Mar 2017	236,673,651 Shares
② Treasury stock at period end	FY ended Mar 2018	3,406,634 Shares	FY ended Mar 2017	2,838,299 Shares
③ Average No. of shares during the period	FY ended Mar 2018	233,491,790 Shares	FY ended Mar 2017	234,673,884 Shares

Note: Number of treasury stock at the end of period: Includes PHD shares held in the "Director Compensation BIP (Board Incentive Plan) trust account", and the "Employee Stock Ownership Plan trust account" ("ESOP Trust") (Fiscal year ended March 2018: 589,571 shares). Furthermore, PHD shares held in the "Director Compensation BIP (Board Incentive Plan) trust account", and the "Employee Stock Ownership Plan trust account" ("ESOP Trust") are included in treasury stock which are deducted when calculating the average number of shares held in the period.

Reference: Outline of specific results

Specific Results for the Fiscal Year Ended March 2018 (April 1, 2017 - March 31, 2018)

(1) Specific Operating Results (% indicates ratio of year-on-year changes)

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	JPY Million	%	JPY Million	%	JPY Million	%	JPY Million	%
FY ended Mar 2018	30,499	135.6	22,214	200.0	20,661	203.4	14,278	125.9
FY ended Mar 2017	12,946	46.1	7,404	30.6	6,809	21.8	6,320	15.7

	Current period net profit per share	Current net profit per share after adjustment for dilution
	JPY	JPY
FY ended Mar 2018	61.15	61.14
FY ended Mar 2017	26.93	26.87

(2) Specific Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	JPY Million	JPY Million	%	JPY
FY ended Mar 2018	239,312	95,515	39.9	409.46
FY ended Mar 2017	151,145	87,095	57.6	372.47

Ref: Equity capital FY ended Mar 2018 95,515 JPY Million FY ended Mar 2017 87,095 JPY Million

※ Summary financial accounts are not subject to audits by Certified Public Accountants or audit firms.

※ Explanation of appropriate usage of financial results forecasts and other special explanatory notes:

Results forecasts etc. used in this material contain forward-looking statements which are based on a certain number of assumptions PHD deems rational, and the information at hand which are not meant in any way by PHD to be taken as assurances that will be realized. Actual results etc. may vary greatly due to various causes.

○ Contents of Attachments

1. Review of business performance etc.

(1) Review of business performance this period

① Analysis of business performance

The direction of Japan's economy continued to be unclear during this consolidated period due to changes in political conditions overseas, trends in financial policy, and rising geopolitical risk etc. With the government's economic policies and financial policies etc. as a backdrop, on the whole there was a shift to a trend of corporate earnings growth.

The employment situation: a condition close to full employment continued. The 2017 effective ratio of job offers to job seekers (seasonally adjusted) averaged at a multiple of 1.54 times; the highest recorded level the 44 years since Japan's period of high economic growth. Furthermore, Japan's annual overall unemployment rate during this period stood at 2.7%; the first time in 23 years that Japan has experienced full-employment. The basis underlying this type of market environment is a shortage of workers being pursued by much demand. The HR services related market overall transitioned towards an expansionary trend. PERSOL Group itself also experienced robust demand for talent from client companies. Business results grew steadily; an outcome of the core temporary staffing business experiencing high levels of temp worker deployments as well as the placement business enjoying substantial growth in the number of successfully placed candidates.

Based on this type of economic environment, the company changed its trading name to "PERSOL HOLDINGS" in July 2017. In addition, the trading names of major core subsidiaries were sequentially altered by using "PERSOL" as a prefix for each company name. The "PERSOL" branding is one endeavor to further spread and lift awareness of this Group. PERSOL Group being an integrated HR services group that encompasses a diverse range of HR solutions: the core temporary staffing business, placement/recruitment, part-time/casual work hiring support, outsourcing/design and development in the IT/engineering space, and BPO etc. PERSOL Group as a whole strives to offer solutions that resolve labor/hiring challenges.

Moreover, with a view to future growth in the HR services market in the Asia Pacific region, PERSOL acquired 100% of the fully issued shares of Programmed Maintenance Services Limited ("Programmed Ltd") and Programmed Ltd became a fully-owned PERSOL subsidiary in October 2017. The largest market in the APAC region (excluding Japan) is Australia, and with the acquisition of Programmed Ltd shares and its solid business platform, PERSOL becomes the largest HR services company (by scale) in the APAC region. Together with this development, PERSOL aims to leverage this know-how in future to further bolster its ability to compete.

On the other hand, efforts are being made to develop some PERSOL subsidiaries in the APAC region under the "PERSOLKELLY" brand. Also, progress is being made in endeavors to utilize the "an" brand to develop the job advertising business that targets the casual/part time work sector. Progress has not been made as was initially anticipated so and impairment loss (goodwill) will be booked during this consolidated fiscal year. In future, business strategy will be re-formulated to align with the business environments in each market. Also, the aim is for moves to be made to optimize the operational structures of each business so there is a switchover to businesses with a disposition to delivering steady profits.

As a result of the above, sales during the consolidated fiscal year under review were JPY 722,183 million (up 22.0% year-on-year (YOY)), operating profit was JPY 36,068 million (up 8.0% YOY), ordinary profit was JPY 35,108 million (up 2.8% YOY), and current net profit attributable to the parent company was JPY 7,769 million (down 56.4% YOY).

② Status of each business

Business results by segment (before inter-segment/company write-offs) are as follows:

Reporting segment categories changed from the 1st and the 3rd quarter (Q3) accounting period onwards. The following year-on-year (YoY) comparisons are made after altering previous year figures in line with the new segment categories.

a. Temporary Staffing/BPO Segment

In the consolidated fiscal year under review, sales in this segment amounted to JPY 481,071 million (up 9.2% year-on-year (YOY)), and operating profit increased to JPY 22,122 million (up 6.6% YOY).

Employment related indicators during this period continued to hover at high levels; a continuation from the previous consolidated fiscal year, and structural labor shortages were accompanied by high levels of demand. Various types of supply-side measures were successfully implementing to address pressing demand challenges. Sales grew to JPY 481,071 million. On the profit side, there was an increase in labor costs together with an expansion in operations. IT systems investments (core HRIS systems) were made aimed at future growth. PERSOL Group's share of the burden of social insurance costs etc. for temps and employees increased further. However, sales increased greatly, resulting in operating profit of JPY 22,122 million.

b. Recruiting Segment

In the consolidated fiscal year under review, sales in this segment amounted to JPY 72,841 million (up 10.1% year-on-year (YOY)), and operating profit was JPY 10,810 million (up 15.5% YOY).

In the consolidated fiscal year under review, sales expanded substantially as a result of plans made to bolster the headcount of representatives dedicated to handle bullish demand primarily in the talent placement business. On the profit side, accompanying the increase in scale and activities of the business was an increase in costs (e.g. labor/promotional) together with expenditures made to implement structural reforms in the for-hire advertising business. However, this was exceeded by the growth in sales, and operating profit was JPY 10,810 million.

c. PROGRAMMED Segment

In the consolidated fiscal year under review, sales in this segment amounted to JPY 54,512 million, and operating losses were JPY 507 million.

This segment followed the acquisition in October 2017 of the integrated HR services, and maintenance businesses operated in Australia by Programmed Maintenance Services Limited which was newly set-up in the consolidated 3rd quarter accounting period, and the results have been included in the consolidated 4th quarter accounting period. In this current consolidated accounting period sales centered on the maintenance business where the market has bottomed-out. Costs that were associated with the acquisition etc. of Programmed Maintenance Services Limited shares led to an operating loss of JPY 507 million.

d. PERSOLKELLY Segment

Results for this segment in the consolidated fiscal year under review were: sales of JPY 65,774 million (up 77.3% YOY), and operating losses of JPY 190 million (operating loss in the same period last year was JPY 868 million).

The name of this segment was newly established as the "Overseas Segment" and changed its name to "PERSOLKELLY" during the consolidated 1st quarter accounting period due to the set-up of the new "PROGRAMMED Segment" during the consolidated 3rd quarter accounting period.

In the consolidated fiscal year under review, sales grew underpinned by an enlarged scope of the joint venture business resulting from an expansion of operations coupled with steady demand emanating from its APAC region area of operations. On the profit side, the focus was to ensure medium-term operational growth, set in place planned regional control functions and strengthen sales structures which resulted in an operating loss of JPY 190 million.

e. ITO Segment

In the consolidated fiscal year under review, sales in this segment amounted to JPY 28,988 million (up 8.8% YOY), and operating profit was JPY 2,263 million (up 8.0% YOY).

In the consolidated fiscal year under review, sales grew steadily due to high levels of system development investment related to client firms and SI related service inquiries as well as THD Group in-house systems development etc. On the profit side, the increase in costs associated with retention and new hires aimed at improving the deployment of engineers as well as substantial cost increases associated with expansion in HQ office space/work environment improvements etc. resulted in operating profit of JPY 2,263 million.

f. Engineering Segment

In the consolidated fiscal year under review, sales in this segment amounted to JPY 27,795 million (up 4.2% YOY), and operating profit was JPY 2,365 million (up 19.5% YOY).

Sales grew steadily during the consolidated fiscal year under review due to continued strong demand for talent primarily centered on electronics and automotive industries etc. On the profit side, deployment rates of existing technical talent were at high levels etc. which resulted in operating profit of JPY 2,365 million.

③ Future Outlook

Currently the Japanese economy has been undergoing an underlying long-term recovery and the bellwether 'job-offers to job-seekers' ratio indicator continues to remain at an all-time record high. On the other hand, the decline in Japan's workforce continues to accelerate as the population ages, workforce participation rates of women and senior citizens is increasing and labor shortages are becoming the norm in Japan's labor market. The human resources services market in which the PERSOL Group operates does not just revolve around the demand for talent. Clients are approaching PERSOL demanding consulting support in utilizing IT as a labor saving measure, and ways to establish new schemes to utilize labor that focus on the medium-term. The Japanese government is promoting "work-style reform" and employment mobility are boosting market expansion yet on the other hand, the underlying labor shortages and changes to lifestyles etc. is leading to client companies/end-user needs becoming more diverse/sophisticated as time goes by. HR service companies are extending and going outside their usual business boundaries, and are being sought after to provide integral as well as services that generate value-add.

It is within this sort of market environment that PERSOL Group puts its Group Vision ('Creating a social infrastructure for people and organizations that catalyzes growth and innovation') into practice. PERSOL HOLDINGS and its core Group subsidiaries have updated company names to incorporate the "PERSOL" Group brand as a company name prefix as well as various types of promotions as a means to enhance awareness of the Group.　Also, PERSOL is incorporating the APAC region into a major future focus by: enhancing its presence in the APAC region, factoring in the active reinforcement of business platforms, expanding business offerings to ensure stable earnings, and by working at enhancing profitability. Irrespective of whether the business is located in domestic Japan or overseas; PERSOL Group acts in unison to sincerely tackle the needs of client companies, job-seekers, and end-users. On the other hand, endeavors are being made to strengthen the Group management team centered on the segment level as a means to continue the optimization of business operational structures. Furthermore, continual growth is progressing via plans that are afoot to invest in growth-oriented business structures and activity to enhance branding.

Given the activity outlined above, it is anticipated that results for the consolidated fiscal year ending March 2019 will be: sales JPY 940,000 million, operating profit JPPY 42,500 million, and ordinary profit JPY 41,500 million, and current net profit attributable to the parent company of JPY 21,800 million.

(2) Review of financial position this period

① Status of assets, liabilities, and net asset

Total assets as at the end of this consolidated fiscal year under review were JPY 403,465 million; an increase of JPY 135,101 million in comparison with the end of the previous consolidated fiscal year. Current assets increased by JPY 70,252 million to JPY 235,492 million. This was mainly due to an increase in cash and deposits of JPY 20,185 million, and an increase in notes and accounts receivable of JPY 36,994 million.

Non-current assets increased by JPY 64,849 million to JPY 167,972 million. This was mainly due to increases in goodwill of JPY 33,552 million, and increases in trademark rights of JPY 6,156 million.

Total liabilities as at the end of this consolidated fiscal year under review were JPY 243,472 million; an increase of JPY 128,925 million in comparison with the end of the previous consolidated fiscal year. Current liabilities increased by JPY 129,193 million, to JPY 217,106 million. This was mainly due to increases in: accounts payable of JPY 19,782 million, and increases in income taxes payable of JPY 4,176 million.

Non-current liabilities decreased by JPY 268 million to JPY 26,366 million. This was mainly due to decreases in long-term loans payable of JPY 4,713 million, and increases in deferred tax liabilities of JPY 3,540 million.

Total net assets as at the end of this consolidated fiscal year under review were JPY 159,992 million; an increase of JPY 6,175 million in comparison with the end of the previous consolidated fiscal year. This was mainly due to JPY 4,209 million in dividends of surplus of taking place, JPY 1,247 million increase of treasury shares, and profit attributable to owners of parent of JPY 7,769 million was booked.

As a result of the above, the financial indicators showed that compared to the end of the previous consolidated accounting period the liquidity ration dropped from 188.0% to 108.5%, and that the equity ratio dropped from 51.8% to 36.1%.

	(FY End Mar 2017)	(FY End Mar 2018)
Return on Assets (ROA)	7.6%	2.2%
Return on equity (ROE)	13.4%	5.5%
Ratio of operating income to sales	5.6%	5.0%
Ratio of ordinary profit to sales	5.8%	4.9%
Current ratio	188.0%	108.5%
Fixed assets ratio	74.1%	115.4%
Equity ratio	51.8%	36.1%
Total assets	JPY 268,364 million	JPY 403,465 million
Equity capital	JPY 139,119 million	JPY 145,537 million
Cash & cash equivalents etc. at end of period	JPY 69,382 million	JPY 89,566 million

② Cash flow

Cash and cash equivalents (hereinafter "capital") at end of the consolidated fiscal year under review. Liabilities increased by JPY 20,184 million compared to the end of the previous consolidated accounting period to JPY 89,566 million.

Following is an outline of cash flow status and causal factors arising in the consolidated fiscal year under review.

(Net cash provided by (used in) operating activities)

Capital utilized as a result of financing activities decreased by JPY 4,614 million to JPY 35,003 million compared to the end of the previous consolidated accounting period. This was mainly due to payment of JPY 18,789 million in corporate taxes, and an increase in notes and accounts receivable (trade) of JPY 10,851 million. On the other hand, net profit before taxes was JPY 20,578 million, impairment loss was JPY 14,280 million, and goodwill amortization was JPY 7,050 million.

(Cash flows from investing activities)

Capital utilized as a result of investment activities increased by JPY 57,024 million to JPY 66,732 million compared to the end of the previous consolidated accounting period. This was mainly due to spending of JPY 61,818 million on acquisition of subsidiary company shares and the change of the scope of the consolidation, and spending of JPY 4,350 million on intangible fixed asset.

(Cash flows from financing activities)

Capital utilized as a result of financing activities increased by JPY 61,842 million to JPY 50,186 million compared to the end of the previous consolidated accounting period. This was mainly due to net change in short-term debt of JPY 69,323 million. On the other hand, dividend payments was JPY 4,209 million, spending of JPY 13,533 million to repay long-term debts, and outgoings of JPY 1,276 million to acquire own shares.

(3) Risks to the business etc.

The main items that may potentially be sources of risk relating to the operations of PERSOL Group business are noted below. Also, even those matters that may not necessarily correspond to business risks but is information that is thought to be significant in relation to investment decisions, or pertaining to understanding of PERSOL Group's business activities will be published and released from an investor or shareholder viewpoint. Plans are in place to avoid such occurrences, and to handle incidents when PERSOL Group becomes aware of the potential of such risks arising however, it is believed that investment decisions pertaining to PERSOL HOLDINGS shares require careful consideration of the matters noted below. Furthermore, future oriented matters appearing within these documents were deemed by PERSOL Group to be current as of the day the Summary of Consolidated Financial Results were released (15 May 2018), and the matters noted below do not entirely encompass all risks relating to investment in PERSOL HOLDINGS shares.

① Movements within the human resources industry

The human resources business industry which PERSOL Group is affiliated with is influenced by changes to industrial structures, social conditions, and business fluctuations which in turn affect changes in the employment situation etc. Demand is currently proving to be strong however, in future, it is possible that various factors may impact the employment situation which in turn leads to a deterioration in the market environment which then may influence the financial condition and business results of PERSOL Group. The business operations of PERSOL Group may be substantially influenced if due to a recession there is a decline for new orders, and existing corporate customers scale-back operations/cut costs etc. leading to a substantial decline in demand for talent. In such circumstances, the number of temp deployment related temporary 'dispatch' worker ('temps') contracts may suddenly decline, for-hire demand in the placement market may substantially fall leading to a contraction in the related placement businesses, and for-hire media management business etc. Potentially having a major impact on the business operations of PERSOL Group. Furthermore, in cases where the speed of decline in demand exceeds expectations, the ITO and Engineering businesses that utilize regular employees may experience a sudden increase in costs and sales/general administrative expenses due to reduced number and scale of outsourcing contracts.

② Legal regulations & corporate reputation risks

For PERSOL Group it is a matter of course that PERSOL must comply with the laws of those countries and regions where it engages in business. A Compliance Control Department has been set up to accompany the enlargement of the PERSOL Group business. Compliance related regulations have been established, and ongoing education/training is taking place. Compliance systems have been created within the Group such as; setting in place an internal whistle-blower system etc. However, the damage to society's trust in, and brand image of PERSOL Group could be injured, and sales decline etc. potentially leading to a negative impact on corporate results.

a. Temporary staffing business

Temporary staffing is PERSOL Groups main line of business, where to engage in this business, a worker dispatch permit is obtained in accordance with Japan's "Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers" (hereinafter "Japan's temp worker Act").

PERSOL Group's understanding is that based on Japan's temp worker Act, there are no material facts that would give rise to revoking PERSOL's worker dispatch permits at this current point in time. However, if in future due to some sort of reason or other one of the PERSOL Group companies, or a PERSOL officer/employee contravene Japan's temp worker Act, it is assumed that PERSOL Group's principal business activity may potentially be disrupted in general which in turn could potentially have a major impact on the financial situation and business results of PERSOL Group.

Furthermore, in response to changes in Japan's working environment to date, apt amendments are taking place in respect to Japan's temp worker Act and various related laws such as: revisions and changes etc. to regulations relating to tasks that temps are permitted to perform, and length of temp worker deployment periods etc. PERSOL Group for its part, is adopting a range of measures to address such amendments to various laws whenever they occur. In future, in cases where further amendments take place that lead to major operational changes arising, the future business strategy of PERSOL Group along with business results may potentially be affected to no small extent.

b. Job placement business

PERSOL Group job-placement businesses have received permits to engage in the for-fee employment placement business in accordance with Japan's Employment Security Act.

Japan's Employment Security Act stipulates that when individuals engaged in placement activity (which includes officers/employees in the case of entities) are by virtue of being placement business operators are subject to disqualification or have permits revoked, the permit to engage in the business itself is canceled, and in addition, for a stipulated period of time the business can in effect be ordered to halt operations in full or in part. if in future due to some sort of reason or other one of the PERSOL Group companies, or a PERSOL officer/employee contravene Japan's Employment Security Act, it is assumed that PERSOL Group's principal business activity may potentially be disrupted in general which in turn could potentially have a major impact on the financial situation and business results of PERSOL Group.

③ Impact on business results related to alterations to the social insurance system

Social insurance rates/calculation methods are subject to change due to various conditions and external factors. Social insurance system changes relating to rates/calculation method will take place in future for those PERSOL Group employees as well as temp workers who are enrolled in the system. Substantial change in the social insurance provider ratio of burden, and the social insurance provider monetary amount of burden could potentially have a major impact on the financial situation and business results of PERSOL Group.

④ Risks associated with expansion of the overseas business

PERSOL Group is endeavoring to enlarge its business in overseas markets by primarily focusing on markets the Asia Pacific (APAC) region. To this end, in October 2017 shares of Capita. Pte. Ltd., and First Alliances Co., Ltd., then a joint venture was established with Kelly Services Inc. in 2017, and then in October 2017 the shares of Programmed Maintenance Services Limited were acquired. PERSOL Group has rapidly expanded its business in the APAC region. Expansion of the business overseas has been accompanied by moves to strengthen support structures and management control functions. However, due to sudden changes in political/social situations in each country, amendments to laws, unanticipated foreign currency fluctuations etc., and significant swings in business environments etc., in some cases it has not been possible to solidly entrench competitive advantage in the APAC region. As such, there have been instances that have had a negative impact on PERSOL Group business results.

⑤ Foreign currency fluctuation risks

Overseas transactions of PERSOL Group are in the first instance mainly in Australian dollar (AUD) based forex rates. In the PERSOL Group consolidated financial statements, and quarterly consolidated financial statements, the assets and liabilities of overseas subsidiaries are in local currency units and foreign currency rates on the day of the tabulation are used in calculations. Accordingly, income and expenses use Japanese yen (JPY) rates that are calculated by using an average exchange rate during each consolidated accounting period. For these reasons, PERSOL Group is exposed to exchange rate fluctuation risk which potentially may have a negative impact on PERSOL Group business results.

⑥ Technological innovation related risks

Operation of many businesses in PERSOL Group involve providing online services that use internet media to solicit candidates/introduce job opportunities to registered candidates of the temp business and placement business, and for listing of for-hire job opportunities with the media operations businesses. Technical innovation in the internet market is remarkable. Changes to specifications associated with development of new services and new technologies constantly arise, and so-called "industry standard" services evolve from day to day. PERSOL Group's challenge in relation to corporate clients as well as job-seekers is to achieve a balance between serving a purpose safely/securely for each business while also delivering superior "usability" while endeavoring to provide technical solutions that are both timely, and replete with new functionalities. That said, implementation of upgrades and new technologies can involve incurring substantial amounts of expense. Also, in some cases for some reason or other it can prove difficult to secure the quality of service that was initially conceived and there have been cases where expected benefits of a roll-out have not been obtained etc. As such, there may be instances that potentially have a negative impact on the PERSOL Group financial situation and business results.

⑦ New business development risks

Based on the Medium-term Management Plan, there is a desire for PERSOL Group strategy to being linked, so that thought is given to corporate acquisitions and the establishment of new companies etc. Based on these and related policies, PERSOL Group operates 177 consolidated subsidiaries and 10 affiliated companies (besides PERSOL HOLDINGS Co. Ltd.) as at 31 March 2018.

a. Progress with new businesses etc.

Establishment of new companies related to the development of new businesses, and enlarging the boundaries of service offerings can require incurring substantial amounts of expense. Besides this, due to changes to and the competitive nature of the market environment and labor markets, it is not always the case that revenues can be guaranteed to trend as conceived in initial plans, it is possible that the assumed scale of earnings may not be secured. Depending on movements in the market environment, growth rates for each company and each business sector, the situation of trends in business results etc. there may be cases that deviate substantially from initially assumed revenue projections. As such, this may affect PERSOL Group business development and business results.

b. Corporate acquisitions, business alliances

Detailed due diligence is performed on contractual arrangements and financial details etc. of those corporations that are targeted for corporate acquisition, and business alliances. Endeavors are made to mitigate risk however, depending on limitations surrounding the nature and timing etc. of the opportunity, there may be cases where sufficient due diligence cannot be performed, and incidental liabilities arise, or unknown obligations come to light after the acquisition takes place.

c. Fund raising

The aim to implement new business developments, corporate acquisitions, and business alliances in a timely manner. PERSOL Group is moving towards efficiency of fund management by implementing cash management systems at consolidated subsidiaries. Besides this, provision of funds for individual borrowings is taking place to meet the scale of demand for funds. In future, there may be situations where fund raising may not be possible as required to expand the scale of the business due to changes in financial circumstances (financial system instability, loss of credit, and liquidity constrictions etc.) potentially impact the financial situation of PERSOL Group.

⑧ "Goodwill" in relation to share acquisitions

PERSOL Group booked a substantial amount of "Goodwill" in relation to acquiring the shares of: Intelligence Holdings, Ltd. (Present: PERSOL CAREER CO., LTD.), Excel Staff Ltd. (Present: PERSOL Panasonic HR Partners), and Programmed Maintenance Services Limited. It was decided that each exhibited brand power and a computability with the Group which would potentially create extremely beneficial synergies. However, subsequently the business environment and situations of these businesses changed significantly. Furthermore, for some reason or other there were cases where business results did not proceed as anticipated. Impairment loss accounting was applied to these assets and losses were the upshot which may potentially impact the business results of PERSOL Group.

⑨ Risks related to the handling of personal information and confidential information

Each company in PERSOL Group holds large volumes of personal information and confidential information of job-seekers, corporate clients, employees etc. and other related individuals that is used in business operations.

PERSOL Group has stipulated regulations relating to the handling of personal information and confidential information. A department has been set up to ensure the thorough control of information, and training etc. about information control takes place regularly. PERSOL Group is endeavoring to establish/maintain structures that appropriately control information. In spite of this, if personal information and confidential information leaks and misuse occur in PERSOL Group, social trust is lost in the Group and claims for damages etc. can arise which may have a substantial impact on the Group's business operations as well as potentially having an impact on the Group's financial situation and business results.

⑩ Impact of major disasters & system outages etc.

PERSOL Group recognizes that natural disasters (earthquakes, typhoons, floods etc.) may potentially occur, and as far as possible endeavors to prepare for and mitigate the effects of disasters. Furthermore, when disasters do occur, swift and appropriate handling is intended however, cases of disasters occurring of a magnitude that exceeds expectations may have an impact on the Group's business operations, financial situation and business results. Furthermore, as part of the qualitative nature of the provision of human resources services, it is conceivable that there may be a substantial burden of tasks for clients to perform when disasters occur such as confirming the safety at client corporations and safety of employees, as well as reorganizing contract arrangements etc. which may potentially have an impact on the Group's business operations as well as financial situation and business results.

Numerous computer systems and networks exist amongst PERSOL Group businesses. For that reason, various measures have been put in place as a contingency: systems have been set up in case of disasters (systems security strengthened, hardware augmented etc.). However, in spite of such measures, if human error or major natural disasters etc. lead to issues arising with computer systems and network facilities etc. such situations may cause direct damage to business operations in regions affected by such events. In addition, it is possible that damage may occur to PERSOL Group business operations in other regions. In addition, if this continues for long periods, the provision of labor to client corporations may in fact become impossible leading to a decline in trust of the services provided by PERSOL Group etc., and may potentially have a substantial impact on the Group.

2. Status of the corporate group

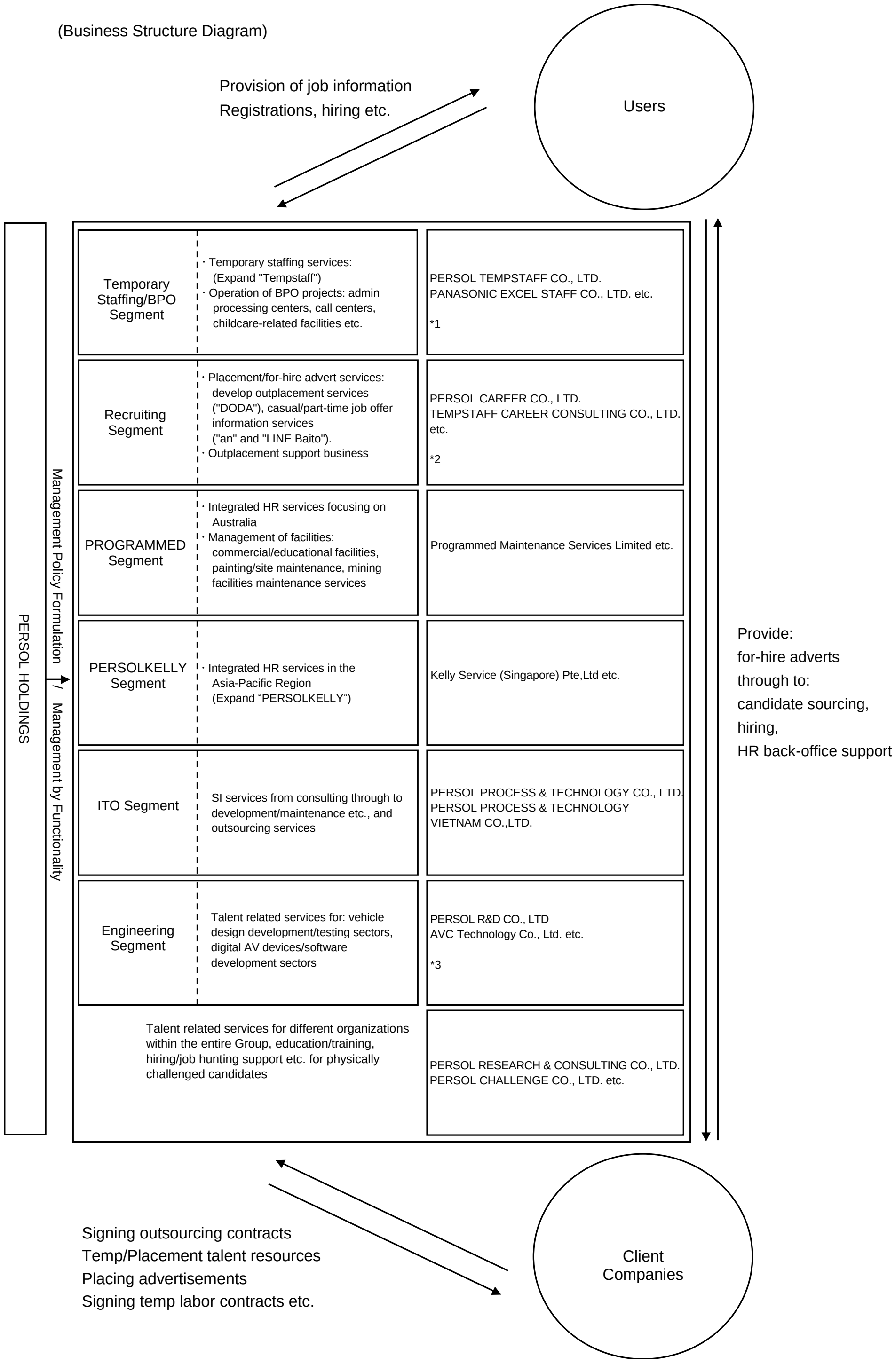
PERSOL Group's (this company and associates) main business is comprehensive human resource services which involves providing various HR-related business services. Setting a Group Vision to "create a social infrastructure for people and organizations that catalyzes growth and innovation," PERSOL aspires to provide working people with settings for growth, and wide-ranging services that contribute to the growth of organizations. PERSOL also aims to achieve Group-wide business growth by building a management that adapts to the times and meets changing user needs through segment changes, functional enhancements, and coordinating Group-wide control functions.

Based on these and related policies, PERSOL Group operated 177 consolidated subsidiaries and 10 affiliated companies (besides PERSOL HOLDINGS Co. Ltd.) as at 31 March 2018. Together with the acquisition of shares in Programmed Maintenance Services Limited on 27 October 2017, the "PROGRAMMED" segment was established anew in the 3rd quarter consolidated accounting period, and the name of the former "Overseas" segment was changed to the "PERSOLKELLY" segment.

The following is an organizational chart based on the main segments.

As of 31 March 2018

(Business Structure Diagram)



※1. Company name was changed to PERSOL Panasonic HR Partners Ltd. with effect 1 April 2018.

※2. Company name was changed to PERSOL CAREER Ltd. with effect 1 April 2018.

※3. Company name was changed to PERSOL AVC Technologies Ltd. with effect 1 April 2018.

3. Basic approach towards adoption of accounting standards

This Group's policy for the time being is to create consolidated financial statements in accordance with Japanese standards being mindful of the ability to compare periods and compare companies.

In the future, our policy is to consider the application of international accounting standards according to shifts in the ratio of foreign shareholders and trends by domestic competitors to apply international accounting standards.

4. Consolidated financial statements & main explanatory notes

(1) Consolidated Balance Sheet

(Unit: JPY millions)

	Previous consolidated fiscal year (March 31, 2017)	(Consolidated fiscal year under review) (March 31, 2018)
Assets		
Current assets		
Cash and deposits	69,439	89,624
Notes and accounts receivable-trade	83,260	120,254
Deferred tax assets	4,597	4,940
Work in process	677	8,049
Other	7,885	13,251
Allowance for doubtful accounts	△619	△627
Total current assets	165,240	235,492
Non-current assets		
Tangible fixed assets		
Buildings and structures	※1 6,206	※1 7,332
Accumulated depreciation	△3,880	△4,006
Accumulated impairment loss	△94	△89
Buildings and structures, net	2,231	3,237
Tools, furniture and fixtures	5,112	5,411
Accumulated depreciation	△3,835	△4,152
Accumulated impairment loss	△13	△24
Tools, furniture and fixtures, net	1,263	1,234
Land	803	802
Other	1,376	3,794
Accumulated depreciation	△802	△1,061
Accumulated impairment loss	△33	△14
Other, net	541	2,718
Tangible fixed assets total	4,840	7,993
Intangible assets		
Trademark rights	4,995	11,152
Goodwill	68,561	102,113
Other	9,310	20,629
Intangible assets total	82,867	133,894
Investments and other assets		
Investment securities	※2 7,782	※2 12,542
Deferred tax assets	1,371	825
Other	6,313	12,732
Allowance for doubtful accounts	△51	△16
Investments and other assets total	15,415	26,084
Non-current assets total	103,123	167,972
Total Assets	268,364	403,465

(Unit: JPY millions)

	Previous consolidated fiscal year (March 31, 2017)	(Consolidated fiscal year under review) (March 31, 2018)
Liabilities		
Current liabilities		
Accounts payable – trade	1,490	1,597
Short-term loans payable	413	85,288
Current portion of long-term loans payable	4,640	4,640
Accounts payable - other	47,627	67,409
Income taxes payable	8,315	8,905
Accrued consumption taxes	9,619	13,796
Provision for bonuses	9,063	9,931
Provision for directors' bonuses	173	6
Provisions – other	—	736
Other	6,569	24,793
Total current liabilities	87,913	217,106
Non-current liabilities		
Convertible bonds with subscription rights to shares	31	—
Long-term loans payable	20,426	15,713
Deferred tax liabilities	2,793	6,333
Net defined benefit liability	1,093	1,174
Provision for share benefits	—	126
Provision for Directors' share benefits	—	115
Provisions – other	—	268
Other	2,289	2,634
Non-current liabilities total	26,634	26,366
Total liabilities	114,547	243,472
Net assets		
Shareholders' equity		
Capital stock	17,465	17,467
Capital surplus	20,156	20,182
Retained earnings	102,432	105,993
Treasury shares	△3,328	△4,576
Total shareholders' equity	136,725	139,066
Accumulated other comprehensive income		
Valuation difference on marketable securities	2,203	3,179
Foreign currency translation adjustment	190	3,291
Total accumulated other comprehensive income	2,394	6,470
Non-controlling interests	14,696	14,455
Total net assets	153,816	159,992
Total liabilities and net assets	268,364	403,465

(2) Consolidated statements of income and consolidated statements of comprehensive income

(Consolidated statements of income)

(Unit: JPY millions)

	Previous fiscal year (From April 1, 2016 to Mar 31, 2017)	(Consolidated fiscal year under review) (From April 1, 2017 to Mar 31, 2018)
Sales	591,995	722,183
Cost of sales	449,188	554,745
Gross profit on sales	142,806	167,438
Selling, general and administrative expenses (SGA)	※1 109,397	※1 131,369
Operating profit	33,409	36,068
Non-operating income		
Interest income	31	58
Dividends income	101	134
Subsidy income	361	701
Share of profit of entities accounted for using equity method	21	13
Foreign exchange gains	22	—
Other	416	120
Total non-operating income	955	1,028
Non-operating expenses		
Interest expenses	154	356
Foreign exchange losses	—	1,523
Commission fee	17	4
Other	56	104
Total non-operating expenses	229	1,988
Ordinary profit	34,136	35,108
Extraordinary income		
Gain on sales of fixed assets	※2 0	※2 35
Gain on sales of subsidiaries and affiliates' stocks	2	2
Gain on sales of investment securities	—	65
Gain on revision of retirement benefit plan	187	—
Reversal of long-term accounts payable for directors' retirement benefits	553	—
Compensation income	318	—
Extraordinary income total	1,062	103
Extraordinary losses		
Loss on disposal of non-current assets	※3 0	※3 1
Impairment loss	※4 4,760	※4 14,280
Loss on sales of subsidiaries and affiliates' stocks	—	23
Loss on valuation of investment securities	—	49
Loss on sale of investment securities	1	—
Early extra retirement payments	※5 236	※5 17
Loss on revision of retirement benefit plan	—	261
Total extraordinary losses	4,998	14,633
Profit before income taxes	30,200	20,578
Corporate tax, resident tax, and business tax	12,548	14,104
Corporate tax etc.-deferred	△1,429	△951
Total corporate taxes etc.	11,119	13,152
Net profit	19,080	7,425
Profit attributable to non-controlling interests	1,260	△343
Profit attributable to owners of parent	17,820	7,769

(Consolidated comprehensive income statement)

(Unit: JPY millions)

	Previous fiscal year (From April 1, 2016 to Mar 31, 2017)	(Consolidated fiscal year under review) (From April 1, 2017 to Mar 31, 2018)
Net profit	19,080	7,425
Other comprehensive income		
Valuation difference on marketable securities	257	975
Foreign currency translation adjustment	17	3,402
Retirement benefit adjustment funds	194	—
Equity interest in affiliated companies accounted for by the equity-method	—	△7
Total other comprehensive income	※469	※4,370
Comprehensive income	19,550	11,796
(Breakdown)		
Comprehensive income attributable to owners of parent	17,898	11,845
Comprehensive income attributable to non-controlling interests	1,651	△49

(3) Consolidated statements of changes in equity

Previous consolidated accounting period (from April 1, 2016 to March 31, 2017)

(Unit: JPY millions)

	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
Acquisition of treasury shares				△3,001	△3,001
Disposal of treasury stock					
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 period	17,465	20,156	102,432	△3,328	136,725

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on marketable securities	Foreign currency translation adjustment	Reassessment of defined benefit plans	Total of other accumulated 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
Acquisition of treasury shares						△3,001
Disposal of treasury stock						
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 period	2,203	190	―	2,394	14,696	153,816

Current Consolidated fiscal year ended (from April 1, 2017 to March 31, 2018)

(Unit: JPY millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	17,465	20,156	102,432	△3,328	136,725
Changes of items during period					
New share issues	2	2			4
Dividends of surplus			△4,209		△4,209
Profit attributable to owners of parent			7,769		7,769
Acquisition of treasury shares				△1,276	△1,276
Disposal of treasury stock		24		29	54
Change in ownership interest of parent due to transactions with non-controlling interests		△0			△0
Net changes of items other than shareholders' equity					
Total changes of items during period	2	26	3,560	△1,247	2,341
Balance at end of period	17,467	20,182	105,993	△4,576	139,066

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on marketable securities	Foreign currency translation adjustment	Reassessment of defined benefit plans	Total of other accumulated comprehensive income		
Balance at beginning of current period	2,203	190	―	2,394	14,696	153,816
Changes of items during period						
New shares issues						4
Dividends of surplus						△4,209
Profit attributable to owners of parent						7,769
Acquisition of treasury shares						△1,276
Disposal of treasury stock						54
Change in ownership interest of parent due to transactions with non-controlling interests						△0
Net changes of items other than shareholders' equity	975	3,100		4,076	△241	3,834
Total changes of items during period	975	3,100		4,076	△241	6,175
Balance at end of period	3,179	3,291	―	6,470	14,455	159,992

(4) Consolidated statements of cash flows

(Unit: JPY millions)

	Previous fiscal year (From April 1, 2016 to Mar 31, 2017)	(Consolidated fiscal year under review) (From April 1, 2017 to Mar 31, 2018)
Net cash provided by (used in) operating activities		
Profit before income taxes	30,200	20,578
Depreciation	3,988	4,907
Impairment loss	4,760	14,280
Amortization of goodwill	6,035	7,050
Increase (decrease) in net defined benefit liability	△1,576	98
Increase (decrease) in provision for directors' bonuses	—	126
Increase (decrease) in provision for directors' bonuses	—	115
Increase (decrease) in provision for bonuses	569	782
Increase (decrease) in provision for directors' bonuses	34	△166
Increase (decrease) in allowance for doubtful accounts	82	△47
Increase (decrease) in other liabilities	—	△110
Interest and dividend income	△132	△192
Interest expenses	154	356
Share of (profit) loss of entities accounted for using equity method	△21	△13
Foreign exchange losses	—	△1,158
Loss (gain) on sales of shares of subsidiaries and associates	△0	21
Loss (gain) on sales of investment securities	△1	△65
Loss (gain) on valuation of investment securities	—	49
Loss (gain) on disposal of non-current assets	0	△33
Compensation income	△64	—
Subsidy income	△361	△701
Decrease (increase) in notes and accounts receivable – trade	△7,017	△10,851
Increase (decrease) in operating debt	13,371	10,755
Increase (decrease) in accrued consumption taxes	1,375	3,404
Increase (decrease) in long-term accounts payable – other	△820	△747
Decrease (increase) in other assets	△1,269	3,758
Increase (decrease) in other liabilities	135	△535
Subtotal	49,441	51,660
Proceeds from compensation	64	—
Interest and dividend income received	141	205
Interest expenses paid	△155	△456
Proceeds from subsidy income	—	40
Proceeds from subsidy income	361	701
Income taxes paid	△11,576	△18,789
Income taxes refund	1,340	1,641
Net cash provided by (used in) operating activities	39,617	35,003

(Unit: JPY millions)

	Previous fiscal year (From April 1, 2016 to Mar 31, 2017)	(Consolidated fiscal year under review) (From April 1, 2017 to Mar 31, 2018)
Cash flows from investing activities		
Payments into time deposits	△1	△0
Proceeds from withdrawal of time deposits	31	6
Purchase of property, plant and equipment	△1,285	△1,949
Proceeds from sales of property, plant and equipment	3	148
Purchase of intangible assets	△5,640	△4,350
Proceeds from sales of intangible assets	6	6
Proceeds from sales of associates	—	29
Purchase of investment securities	△201	△1,288
Proceeds from sales of investment securities	1	80
Purchase of shares of subsidiaries resulting in change in scope of consolidation	※2 △2,518	※2 △61,818
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	15	131
Payments for transfer of business	△43	△78
Proceeds from transfer of business	—	909
Payments of loans receivable	△19	△3
Collection of loans receivable	46	779
Payments for guarantee deposits	△574	△939
Proceeds from collection of guarantee deposits	379	348
Foreign currency contract settlement net income and expenditure	—	1,158
Other	93	96
Cash flows from investing activities	△9,708	△66,732
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△297	69,323
Repayments of long-term loans payable	△4,640	△13,533
Purchase of treasury shares	△3,001	△1,276
Proceeds from sales of of treasury shares	—	49
Cash dividends paid	△3,522	△4,209
Dividends paid to non-controlling interests	△118	△128
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△53	△0
Other	△22	△38
Cash flows from financing activities	△11,655	50,186
Effect of exchange rate change on cash and cash equivalents	△10	1,727
Net increase (decrease) in cash and cash equivalents	18,243	20,184
Cash and cash equivalents at beginning of period	51,138	69,382
Cash and cash equivalents etc. at end of period	※1 69,382	※1 89,566

(5) Explanatory notes regarding consolidated financial statements
(Explanatory notes regarding assumptions about the ongoing concern:)
No applicable matters.

(Basic substantial matters relating to preparing the consolidated financial statements)
Matters relating to scope of consolidation
a. Change in scope of consolidation:
Together with share acquisition, Programmed Maintenance Services Limited and its 89 subsidiaries have been included within the scope of consolidation.

b. No. of consolidated subsidiaries after changes:
177 companies

(Additional information)
1. Share-based remuneration scheme (BIP Trust ①) for PHD Directors and Executive Officers.
Based on a resolution passed at the Annual General Meeting of Shareholders convened in June 2017, PHD has introduced from August 2017 a performance-linked share remuneration scheme (hereinafter, "this scheme") by utilizing a trust for PHD Directors (except Directors who are Audit etc. Committee members, and External Directors) and for PHD Executive Officers (hereinafter, "Directors etc.") for the purpose of providing an incentive to raise PERSOL Group's mid- and long-term corporate results and corporate value.

(1) Outline of this scheme
This Director etc. remuneration scheme will employ a scheme called a Board Incentive Plan (BIP) Trust ("BIP Trust"). The scheme allocates and provides (“Allocates etc.”) Directors etc. depending on executive rank, and degree to which corporate plan budgets are achieved with PERSOL HOLDINGS shares and PERSOL HOLDINGS shares convertible into cash at separation. This BIP Trust system is identical to US/European schemes of corporate performance linked share compensation (Performance Shares) and compensation by shares with restrictions on transfer (Restricted Shares). As mentioned later, PERSOL HOLDINGS has introduced a BIP trust arrangement to allocate shares to Directors of Group subsidiaries. However, trusts will be managed separately: PERSOL HOLDINGS Directors will be eligible for BIP Trust system ① whereas BIP Trust ② will be used for Directors of Group subsidiary companies.

(2) Treasury shares held in trust
PHD shares held in trust will be recorded as treasury shares in the net asset section according to the trust book value (except the cost for ancillary expenses). The book value of the treasury shares and number of shares held in BIP Trust ① at the end of the current consolidated accounting period was JPY 647 million consisting of 300,072 shares.

2. Share allocation scheme (BIP Trust ② and ESOP Trust) for Directors of PHD Group subsidiaries and executives of PHD and PHD Group subsidiaries
From August 2017, PHD implemented a scheme of allocating PHD shares through a trust (hereinafter, "this scheme") to Directors of PHD Group subsidiaries and executives of PHD and PHD Group subsidiaries (hereinafter, "Group Management etc.") aimed to provide incentives to raise this Group's mid- and long-term business results and corporate value.

(1) Outline of this scheme
For individuals who are part of the Group Management etc. cohort, this scheme applies to Directors of PHD Group subsidiaries and utilizes a scheme called a BIP Trust, similar to that mentioned in point 1. This arrangement (which applies to executives of PHD, and PERSOL Group subsidiaries) adopts a scheme called the Employee Stock Ownership Plan (hereinafter, "ESOP Trust"). In both these schemes, PHD shares and PHD shares converted into cash (hereinafter, “PHD shares etc.") shall in principle be allocated to Group Management etc. after separation/retirement.

(2) Treasury shares held in trust

PHD shares held in trust will be recorded as treasury stock in the net asset section according to the trust book value (except the cost for ancillary expenses). At the end of the current consolidated accounting period, the book value of the treasury shares and number of shares held in BIP Trust ② was JPY 150 million consisting of 69,838 shares, and the ESOP Trust was JPY 473 million consisting of 219,661 shares.

(Changes to method of presentation)

Consolidated Balance Sheet

"Work in Process" which had until the previous consolidated accounting period been included in the "Other" section under "Current Assets" will from the current consolidated accounting period be shown as an independent item. We are revising the consolidated financial statement of the previous consolidated accounting period to reflect these changes in presentation method.

Consequently, the JPY 8,562 million included in the "Other" section under "Current Assets" in the consolidated balance sheet of the previous consolidated accounting period will be revised as JPY 677 million in "Work in Process" and JPY 7,885 million in "Other."

"Guarantee Deposits" which had until the previous consolidated accounting period been independently shown under "Investments and Other Assets" from the current consolidated accounting period will be recorded in the "Other" section under "Investments and Other Assets" as it has decreased in financial importance. We are revising the consolidated financial statement of the previous consolidated accounting period to reflect these changes in presentation method.

Consequently, the "Guarantee Deposits" JPY 5,765 million independently shown in "Investments and Other Assets" in the consolidated balance sheet of the previous consolidated accounting period will included in "Other" in the "Investments and Other Assets" section.

"Long-term Accounts Payable" which had until the previous consolidated accounting period been independently shown under "Non-Current Liabilities" from the current consolidated accounting period will be recorded under "Other" in the "Long-term Accounts Payable" section as it has decreased in financial importance. The consolidated financial statement of the previous consolidated accounting period are being revised to reflect these changes in presentation method.

Consequently, the "Long-term Accounts Payable" JPY 2,197 million independently presented under "Non-Current Liabilities" in the consolidated balance sheet of the previous consolidated accounting period is reorganized as "Other" in the "Investments and Non-Current Liabilities" section.

(Consolidated Balance Sheet)

※１ Advanced depreciation amounts

Direct reductions to acquisition prices of tangible fixed assets due to receipt of federal government subsidies are as follows:

	Previous consolidated fiscal year (March 31, 2017)	Consolidated fiscal year under review (31 March 2018)
Buildings and structures	JPY 131 million	JPY 172 million

※ Related company matters occurring amongst investment securities are as follows:

	Previous consolidated fiscal year (March 31, 2017)	Consolidated fiscal year under review (31 March 2018)
Investment securities	JPY 661 million	JPY 2,811 million

3. Guarantee liabilities

Loan guarantees & security pledges relating to borrowings from financial institutions pertaining to companies other than consolidated companies.

Loan guarantees

	Previous consolidated fiscal year (March 31, 2017)	Consolidated fiscal year under review (31 March 2018)
Tempstaff Life Advisory Co., Ltd.	JPY 5 million	―

(Consolidated profit and loss statement)

※１ Main cost items & amounts amongst Selling, general and administrative expenses (SGA) are as follows:

	Previous consolidated fiscal year (From April 1, 2016 to Mar 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 to Mar 31, 2018)
Employee salaries, allowances, and bonuses.	JPY 46,356 million	JPY 56,162 million
Provision of reserve for bonuses	4,740	5,291

Provision of reserve for directors' bonuses	174	6
Provision of reserve for share allocations	—	128
Provision of reserve for directors' share allocations	—	117
Retirement benefit expenses	816	874
Rents	8,155	9,371

※ 2: Breakdown of Gain on sales of non-current assets is as follows:

	Previous consolidated fiscal year (From April 1, 2016 to Mar 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 to Mar 31, 2018)
Tools, furniture and fixtures	JPY 0 million	JPY 0 million
Other	—	35
Total amount	0	35

※ 3: Breakdown of Loss on disposal of non-current assets is as follows:

	Previous consolidated fiscal year (From April 1, 2016 to Mar 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 to Mar 31, 2018)
Buildings and structures	JPY - million	JPY 1 million
Tools, furniture and fixtures	0	0
Other	0	-
Total amount	0	1

※４ Impairment loss

Previous consolidated accounting period (from April 1, 2016 to March 31, 2017)

The following asset groups of PERSOL GROUP booked Impairment losses in the current consolidated accounting period:

Purpose	Place:	Type	Impairment loss (JPY million)
Engineering related temporary staffing of consolidated subsidiary Intelligence Ltd. (Now: PERSOLCAREER LTD.) .	—	Trademark rights	280
Operational assets of consolidated subsidiary Intelligence Ltd. (Now: PERSOLCAREER LTD.)	—	Trademark rights	3,427
Operational assets of consolidated subsidiary Intelligence Business Solutions Ltd. (Now: PERSOL Process & Technology Co., Ltd.)	—	Trademark rights	854
—	—	Goodwill	141
Other (3 items)	—	—	56

PERSOL Group's method of grouping assets involves grouping operational assets into management accounting categories, and idle assets are grouped according to individual assets.

At a PERSOL Management Committee meeting held on 2 September 2016, a resolution was passed for an absorption-type company split of the engineer temporary staffing business of consolidated subsidiary Intelligence, Co., Ltd. into consolidated subsidiary Tempstaff Technology Co., Ltd. (currently PERSOL TECHNOLOGY STAFF CO., LTD.) on January 1, 2017. To maximize future business synergies, trademarks applied to the engineer temporary staffing sector will be reduced in value because the "Intelligence" trademark will no longer be used in PERSOL's engineer temporary staffing sector, and these value reductions will be booked as impairment losses. The recoverable value from these asset groups are measured according to use value, and as future use is not expected, recoverable value is deemed to be zero.

A resolution was passed at the PHD Board of Directors Meeting (BOD) convened on 13 February 2017 to change the trading names of consolidated subsidiaries Intelligence Co., Ltd., and Intelligence Business Solutions Co., Ltd. into PERSOL Career Co., Ltd. and PERSOL Process & Technology Co., Ltd. in a move toward achieving unified Group management as a new Group brand "PERSOL" and to secure greater recognition of the "PERSOL" brand. As the "Intelligence" trademark will no longer be used, from 1 July 2017, the book value will be reduced to the recoverable value, and this reduction will be recorded as an impairment loss. The recoverable value from these asset groups are measured according to use value, and as future use is not expected, recoverable value is deemed to be zero.

Furthermore, the goodwill of consolidated subsidiary Medicross Co., Ltd. was booked at the time the shares were acquired however, due to a decline in profitability, the book value has been reduced to a recoverable amount. The recoverable value from these asset groups are measured according to use value, and cash flow will be negative in the future, recoverable value is deemed zero.

Current Consolidated fiscal year ended (from April 1, 2017 to March 31, 2018)

The following asset groups of PERSOL GROUP booked Impairment losses in the current fiscal year period:

Purpose	Place:	Type	Impairment loss (JPY million)
―	Singapore etc.	Goodwill (Note 1)	5,653
―	―	Goodwill (Note 2)	6,852
Investment for Consolidated Subsidiary PERSOL CAREER CO., LTD. business purposes.	―	Trademark rights (Note 2)	754
Investment for Consolidated Subsidiary PERSOL CAREER CO., LTD. business purposes.	Minato Tokyo	Software in progress (Note 2)	1,012
Other	―	―	7

PERSOL Group's method of grouping assets involves grouping operational assets into management accounting categories, and idle assets are grouped according to individual assets.

(Note 1) PERSOL HOLDINGS booked goodwill at time of acquiring shares of consolidated subsidiaries: Capita Pte. Ltd., First Alliances Co., Ltd., Kelly Services (Singapore) Pte. Ltd., and Kelly Services (India) Pvt. Ltd. However, anticipated profits can no longer be expected, so the book value has been reduced to the recoverable value, and this reduction has been booked as an impairment loss. The recoverable value from these asset groups are measured according to use value, and future cash flow has been discounted by 8.69～14.07%.

(Note 2) Non-current assets for consolidated subsidiary PERSOL Career Co., Ltd.'s part-time business: anticipated profits can no longer be expected, so the book value has been reduced to the recoverable value, and this reduction has been booked as an impairment loss. The recoverable value from these asset groups are measured according to use value. Future cash flow can no longer be expected, so recoverable value is deemed to be zero.

※5: Early extra retirement payments

This is a premium severance pay component associated with early retirements at some companies in the Recruiting Segment.

(Consolidated comprehensive income statement)

※ Other comprehensive income related conversion adjustment amounts and tax effect amounts:

	※ Previous consolidated fiscal year (From April 1, 2016 to Mar 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 to Mar 31, 2018)
Valuation difference on marketable securities		
Amounts arising in current period	JPY 339 million	JPY 1,383 million
Adjustment amount	—	—
Prior to tax adjustment	339	1,383
Tax adjustment effect	△81	△407
Valuation difference on marketable securities	257	975
Deferred hedge loss/gain:		
Amounts arising in current period	—	300
Adjustment amount	—	—
Adjustment to cost of acquired assets	—	△300
Prior to tax adjustment	—	—
Tax adjustment effect	—	—
Deferred hedge loss/gain:	—	—
Foreign currency translation adjustment		
Amounts arising in current period	25	3,412
Adjustment amount	△8	△10
Prior to tax adjustment	17	3,402
Tax adjustment effect	—	—
Foreign currency translation adjustment	17	3,402
Reassessment of defined benefit plans, net of tax		
Amounts arising in current period	—	—
Adjustment amount	—	—
Prior to tax adjustment	280	—
Tax adjustment effect	△85	—
Reassessment of defined benefit plans, net of tax	194	—
Equity interest in affiliated companies accounted for by the equity-method		—
Amounts arising in current period	—	△7
Adjustment amount	—	—
Equity interest in affiliated companies accounted for by the equity-method	—	△7
Total of other comprehensive income	469	4,370

(Consolidated statements of cash flows)

※ Relationship between Cash & cash equivalents at end of period, and amounts of items posted on the consolidated balance sheet.

	Previous consolidated accounting period (From April 1, 2016 to Mar 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 to Mar 31, 2018)
Cash and deposits	69,439 JPY Million	89,624 JPY Million
Term deposits with deposit periods in excess of 3 months.	△57	△58
Cash and cash equivalents	69,382	89,566

※ 2: Breakdown of main assets & liabilities of new consolidated subsidiaries arising due to acquisition of shares.

Breakdown of assets & liabilities at the time the consolidation commenced following a new consolidated subsidiary arising due to acquisition of shares. Also, price of the shares that were acquired, and revenue & outgoings related to the share acquisition are as follows:

Previous consolidated accounting period (from April 1, 2016 to March 31, 2017)
Kelly Services (Singapore) Pte. Ltd. and subsidiaries (16 companies)

(JPY million)

Current assets	10,673
Non-current assets	365
Goodwill	4,621
Current liabilities	△4,536
Non-current liabilities	△312
Non-controlling interests	△3,033
Share Acquisition Method	7,777
Cash and cash equivalents	△888
Revaluation of consolidated subsidiary shares where contribution in kind has taken place.	△4,370
Payments for acquisition	2,518

Current Consolidated fiscal year ended (from April 1, 2017 to March 31, 2018)
Programmed Maintenance Services Limited and 89 subsidiaries

(JPY million)

Current assets	43,848
Non-current assets	30,956
Goodwill	52,583
Current liabilities	△46,540
Non-current liabilities	△14,472
Foreign currency translation adjustment	△301
Share Acquisition Method	66,075
Cash and cash equivalents	△4,576
Payments for acquisition	61,499

3. Details of important non-capital transactions
Explanatory notes have been omitted as the values are insignificant.

(Business combination etc. related matters)
Current Consolidated fiscal year ended (from April 1, 2017 to March 31, 2018)
(Corporate mergers by acquisition)
Programmed Maintenance Services Limited Share Acquisition
1. Overview of the corporate merger & acquisition
(1) Name & business outline of the corporation subject to acquisition
Name of the corporation subject to acquisition: Programmed Maintenance Services Limited (hereinafter "Programmed Ltd.") and 89 subsidiaries
Business outline: Placement/recruitment, temporary staffing, equipment/facilities maintenance

(2) Main reasons for the corporate merger & acquisition
PHD's overseas business interests: In 2010 a strategic business alliance agreement was signed with Kelly Services Inc. (a major US-based HR services company), and in 2012, both firms launched a joint venture in North Asia. In addition, in 2016, the joint venture was expanded to cover the entire Asia Pacific region and currently focuses on temporary staffing, placement, and HR management consulting. The JV is currently developing business in 12 countries and regions: PRC, Hong Kong, South Korea, Taiwan, Singapore, Vietnam, Indonesia, Malaysia, Thailand, India, New Zealand, and Australia.
On the other hand, Programmed Ltd. was established as a painting services company in 1951, and after mergers with a major Australian HR services company etc., is presently a leading HR services and maintenance company. Programmed Ltd. HR services focus on temporary staffing and placement, and whereas Programmed Ltd. maintenance services focus on facilities management of commercial facilities/schools, painting, land development, and mine facility maintenance.
PERSOL decided to pursue this share acquisition seeking to further expand its business in future by combining the strong business foundations of both companies - the know-how and customer base cultivated in the Asia Pacific region by PERSOL together with the scale/results of Programmed Ltd. in Australia etc.

(3) Corporate merger & acquisition date
October 27, 2017

(4) Legal form of the corporate merger & acquisition, and corporate name post-acquisition
Legal form of the corporate merger & acquisition: Shares acquired for cash consideration.
Corporate name post-acquisition: There will be no change to the corporate name after the corporate merger & acquisition takes place.

(5) Ratio of voting rights acquired
100%

(6) Main basis for deciding to acquire the corporation
The acquisition of shares was effected by PERSOL HOLDINGS paying cash consideration via an Australian subsidiary company.

2. Performance period of the acquired company included in the consolidated financial statement
The accounting date of the acquired company differs with PHD Group by 3 months. As the deemed acquisition date pertaining to the corporate merger is 30 September 2017, the current consolidated accounting period includes the results from 1 October 2017 to 31 December 2017.

3. Itemized cost price of the corporation subject to acquisition, and kind of consideration

Cost price of the acquisition	Cash	JPY 66,075 million
Acquisition cost price		JPY 66,075 million

(Note) Amount converted at the reserved exchange rate.

4. Description and amount of main acquisition-related cost

Advisory costs etc.   JPY 838 million

5. Moneys occurring in relation to goodwill, causes for the occurrence, amortization method, and amortization period.

(1) Monetary amounts of goodwill that occurred:

JPY 52,583 million

In addition, allocation of the acquisition cost was not completed at the end of the current consolidated accounting period, so the goodwill amount is provisional.

(2) Causes of this occurrence:

The main causes were that it was judged that there was potential for mutual utilization of infrastructure, brand-power, owned by PERSOL Group and the corporation subject to acquisition, and potential for generation of beneficial business synergies and the anticipation of excess earnings.

(3) Amortization method & amortization period:

Straight-line method over 10 and 20 years

6. Assets accepted on corporate merger and acquisition date, amount of liabilities undertaken, and breakdown of main assets and liabilities

Current assets	JPY 43,848 million
Non-current assets	30,956
Total Assets	74,804
Current liabilities	46,540
Non-current liabilities	14,472
Total liabilities	61,012

7. Calculation method and estimated amount of impact on the consolidated income statement for the current consolidated accounting period assuming that the corporate merger and acquisition was concluded on the start date of the consolidated accounting period

Sales	JPY 176,705 million
Profit before income taxes	△4,876
Profit attributable to owners of parent	△3,832

(Estimated amount calculation method)

The estimated amount of impact is the difference between the sales and profit/loss information calculated assuming the corporate merger and acquisition was concluded on the start date of the consolidated accounting period and the sales and profit/loss information in the acquired company's consolidated income statement. The amount of goodwill amortization is calculated assuming that the goodwill and intangible non-current assets recognized at time of corporate merger and acquisition occurred on the start date of the current consolidated accounting period.

These explanatory notes have not been certified through audit.

(Segment information etc.)

1. Outline of reporting Segment

In our reporting segments, the financial statement could be obtained by each group units, which is a subject of investigation in board of directors and regularly consider for management resources and business results.

From the fiscal year ended March 2016, PERSOL Group began operating with the four reporting segments of Temporary Staffing/BPO, ITO, Engineering, and Recruiting. The aim was to achieve further growth through agile management decision-making in response to a rapidly changing market by strengthening strategy design and promotion capabilities and clarifying responsibilities.

Acknowledging the rising importance of the overseas business, from the fiscal year ended March 2018 the overseas business previously included in the Recruiting segment has been established as the “Overseas” segment. For the further enhancement of management lines hereafter, transition was made to five reporting segments of Temporary Staffing/BPO, Recruiting, Overseas, ITO, and Engineering.

During the consolidated cumulative 3rd quarter period, a new acquisition of Programmed Maintenance Services Limited shares took place, and its subsidiaries have been included in the scope of consolidation. Accordingly, companies in the

ambit of the Programmed Ltd group of companies will form the newly created "PROGRAMMED" Segment. Also, the segment demarcation formerly known as the "Overseas" Segment will undergo a name change and become the "PERSOLKELLY" Segment. This transition will be manifested into 6 reporting segments:
Temporary Staffing/BPO, Recruiting, PROGRAMMED, PERSOLKELLY, ITO, and Engineering.

Moreover, segment information relating to the previous consolidated accounting period that was compiled in accordance with reporting segment categories applied during this consolidated accounting period has been released.

2. Calculation method of sales, profit or loss, assets, liabilities, and other amounts for each reporting segment

The accounting method for reported business segments is roughly the same as "important items as the basis for creating consolidated financial statements."

The profit or loss for reporting segments are numbers based on operating profit (after amortization of goodwill).

The internal revenues and transfer amounts between segments are based on the prevailing market rate.

3. Information relating to: sales, profit & loss, assets & liabilities items for each reporting segment

Previous consolidated cumulative 3rd quarter period (from April 1, 2016 to March 31, 2017)

(Unit: JPY millions)

	Reporting segment							Other (Note 1)	Total	Adjustment amount (Note 2).	Consolidated Financial Statements Amount booked (Note 3)
	Temp/BPO	Recruiting	PROGRAMMED	PERSOL KELLY	ITO	Engineering	Total amount				
Sales											
Sales to external clients	439,022	65,540	—	37,105	19,462	26,655	587,785	4,127	591,913	82	591,995
Internal sales or transfers between segments	1,656	594	—	2	7,184	12	9,450	2,628	12,079	△12,079	—
Total amount	440,678	66,134	—	37,108	26,646	26,668	597,236	6,756	603,992	△11,997	591,995
Segment profits or losses (△)	20,747	9,363	—	△868	2,095	1,979	33,317	188	33,505	△96	33,409
Segment Assets	133,972	67,036	—	27,101	19,755	16,568	264,435	3,475	267,911	452	268,364
Other items											
Depreciation (Note 4)	799	1,855	—	233	159	213	3,261	54	3,316	672	3,988
Amount of assets in equity method companies	305	355	—	—	—	—	661	—	661	—	661
Increases in tangible fixed assets & intangible fixed assets: (Note 4)	2,879	1,998	—	254	346	418	5,898	308	6,206	1,274	7,481
Impairment loss	426	3,476	—	3	854	—	4,760	—	4,760	—	4,760
Amortization of goodwill	2,261	1,976	—	958	492	346	6,035	—	6,035	—	6,035
Balance of goodwill yet to be amortized	16,821	31,618	—	10,669	7,882	1,569	68,561	—	68,561	—	68,561

Current Consolidated fiscal year (from April 1, 2017 to March 31, 2018)

(Unit: JPY Millions)

	Reporting segment							Other (Note 1)	Total	Adjustment amount (Note 2)	Consolidated Financial Statements Amount booked (Note 3)
	Temp/BPO	Recruiting	PROGRAMMED	PERSOL KELLY	ITO	Engineering	Total amount				
Sales											
Sales to external clients	478,894	71,957	54,512	65,726	21,540	27,783	720,415	1,765	722,180	2	722,183
Internal sales or transfers between segments	2,177	883	―	48	7,447	12	10,569	2,573	13,143	△13,143	―
Total amount	481,071	72,841	54,512	65,774	28,988	27,795	730,984	4,339	735,324	△13,140	722,183
Segment profits or losses (△)	22,122	10,810	△507	△190	2,263	2,365	36,864	△322	36,541	△472	36,068
Segment Assets	142,969	67,808	125,117	22,651	22,474	16,723	397,745	2,867	400,612	2,852	403,465
Other items											
Depreciation (Note 4)	1,215	1,487	650	204	174	280	4,012	68	4,080	826	4,907
Amount of assets in equity method companies	284	288	2,238	―	―	―	2,811	―	2,811	―	2,811
Increases in tangible fixed assets & intangible fixed assets: (Note 4)	1,254	2,355	271	360	831	141	5,215	372	5,588	1,254	6,842
Impairment loss	7	8,619	―	5,653	―	―	14,280	―	14,280	―	14,280
Amortization of goodwill	2,252	1,976	911	1,079	492	336	7,050	―	7,050	―	7,050
Balance of goodwill yet to be amortized	14,647	22,789	51,824	4,229	7,389	1,232	102,113	―	102,113	―	102,113

Notes: 1. The "Other" category refers to business segments that are not included in reporting segments that include HR services which fulfill Group-wide functions such as: shared-services, education and training etc.

2. Details of adjustments are as follows.

(Segment profits)

(Unit: JPY millions)

	Previous consolidated fiscal year	Consolidated fiscal year under review
Inter-segment write-offs	△7,715	△22,757
Company-wide revenues ※1	12,948	30,502
Company-wide expenses ※2	△5,329	△8,218
Total	△96	△472

※1. Company-wide revenues: mainly business management fees from Group companies, and dividends received.

※2. Company-wide expenses: mainly expenses arising in PHD related to management of Group companies.

(Segment assets)

(Unit: JPY millions)

	Previous consolidated fiscal year	Consolidated fiscal year under review
Segment write-offs	△46,697	△107,064
All company assets ※3	47,149	109,917
Total	452	2,852

※3. All company assets consists mainly of: Cash and deposits, Investment securities, loans and management related assets.

3. Segment profit and loss: Adjusted with operating profit in the consolidated financial statements.

4. Increase in "Depreciation and amortization expenses" and "tangible fixed asset & intangible fixed asset" long-term prepaid expenses and similar expenses are included in depreciation and amortization amounts.

(Per share related information)

	Previous consolidated fiscal year (From April 1, 2016 to Mar 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 to Mar 31, 2018)
Net assets per share	JPY 594.95	JPY 623.90
Current net income per share	JPY 75.94	JPY 33.28
Net profit per share after making potential share adjustments	JPY 75.77	JPY 33.27

Note: The calculation basis this accounting period of net profit per share, and net profit per share after making potential share adjustments is as follows:

	Previous consolidated fiscal year (From April 1, 2016 to Mar 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 to Mar 31, 2018)
Current net income per share		
Profit attributable to owners of parent (JPY million)	17,820	7,769
Amounts not attributed to ordinary shareholders (JPY millions)	–	–
Net profits attributed to ordinary shares related to the parent company (JPY millions)	17,820	7,769
Average number of shares during the period ('000 shares)	234,673	233,491
Net profit per share after making potential share adjustments		
Adjusted net profit attributable to owners of parent (JPY million)	–	–
Increase in ordinary shares ('000 shares)	505	30
(including: Convertible bonds with subscription rights to shares)	(505)	(30)
Outline of adjustments made (including calculation of net profit per share after adjustments) to ensure that no dilution effect takes place.	–	–

Note: The "Director Compensation BIP (Board Incentive Plan) trust account" and "Employee Stock Ownership Plan trust account" ("ESOP Trust") were implemented from the consolidated cumulative 2nd quarter period onwards. Average number of ordinary shares during the period: Treasury shares are deducted from the calculations which include shares in the "Director Compensation BIP (Board Incentive Plan) trust account" and "Employee Stock Ownership Plan trust account" ("ESOP Trust") (589,571 shares as at the end of the current consolidated accounting period).
Furthermore, the average number of PERSOL HOLDINGS shares that were held in the trust account mentioned above during the cumulative consolidated period was 328,128 shares.