



Summary of Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 2019 (Based on Japanese GAAP)

10 August 2018

Listed
company name: PERSOL HOLDINGS CO., LTD. Stock Exchange Listing: Tokyo

Stock code: 2181 URL <https://www.persol-group.co.jp/>

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Scheduled date to file quarterly report: 13 August 2018

Scheduled date to commence dividend payments: -

Preparation of supplementary quarterly results explanatory material yes/no : Yes

Quarterly results briefing session yes/no: No

(Amounts less than JPY 1 million rounded down)

1. Consolidated Results for the 1st Quarter of the Fiscal Year Ending March 2019 (April 1, 2018 - June 30, 2018)

(1) Consolidated Operating Results (cumulative) (% indicates ratio of change from same quarter last year)

	Sales		Operating Profit		Ordinary Profit		Quarterly net profit attributable to owners of parent	
	JPY Million	%	JPY Million	%	JPY Million	%	JPY Million	%
1 st Quarter of the Fiscal Year Ending March 2019	225,929	39.6	11,530	26.5	11,219	18.5	6,631	22.2
1 st Quarter of the Fiscal Year Ended March 2018	161,897	17.8	9,114	Δ1.5	9,471	Δ0.0	5,425	Δ12.6

Note: Comprehensive income 1st Quarter of the Fiscal Year Ending March 2019 1,123 JPY Million (Δ79.9%) 1st Quarter of the Fiscal Year Ended March 2018 5,583 JPY Million (Δ2.6%)

	Quarterly net profit per share	Quarterly net profit per share after adjustment for dilution
1 st Quarter of the Fiscal Year Ending March 2019	JPY 28.43	JPY 28.43
1 st Quarter of the Fiscal Year Ended March 2018	23.20	23.20

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	JPY Million	JPY Million	%
1 st Quarter of the Fiscal Year Ending March 2019	359,986	158,286	40.1
FY ended Mar 2018	402,336	159,992	36.2

Reference: Equity capital 1st Quarter of the Fiscal Year Ending March 2019 144,299 JPY Million FY ended Mar 2017 145,537 JPY Million

Note: "Partial revision of 'Accounting standards pertaining to Tax Effective Accounting'" (Japan Corporate Accounting Standard No. 28 of 16 Feb 2018) etc. have been applied since the beginning of this consolidated accounting 1st quarter period. The indicators of said accounting standard etc. were retroactively applied to main management indicators etc. relating to the previous consolidated fiscal year.

2. Dividend Status

	Annual Dividend				
	End Q1	End Q2	End Q3	End of FY	Total
	JPY	JPY	JPY	JPY	JPY
FY ended Mar 2018	—	9.00	—	10.00	19.00
FY ending Mar 2019	—				
FY ending Mar 2019 (Forecast)		10.00	—	10.00	20.00

Note: Revision of most recently announced dividend forecast yes/no: No

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
	JPY Million	%	JPY Million	%	JPY Million	%	JPY Million	%	JPY
2 nd 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

Note: Revision of most recently announced financial results forecast: No

※ Explanatory Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): No

New: - Ltd. (company name); Excluded: - Ltd. (company name)

(2) Application of special accounting treatment when preparing quarterly consolidated financial statements: No

(3) 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. : Yes

② Changes in accounting policies other than ① : No

③ Changes in accounting estimates : No

④ Restatement of revised statements : No

Note: For details please refer to P.9 in the attached material: "2. Quarterly consolidated financial statements & main explanatory notes (3) Explanatory notes regarding quarterly consolidated financial statements".

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

(Unit: shares)

① Number of fully issued shares at period end (including treasury shares)	1Q of fiscal year ending March 2019	236,683,336	Fiscal year ended March 2018	236,677,955
② Treasury shares at period end	1Q of fiscal year ending March 2019	3,402,327	Fiscal year ended March 2018	3,406,634
③ Average number of shares during the period (cumulative quarter)	1Q of fiscal year ending March 2019	233,275,125	1Q of fiscal year ended March 2018	233,842,046

Note: Number of treasury shares at the end of period: Includes PHD shares held in the "Director Compensation BIP (Board Incentive Plan) trust account", and the "Employee Share Ownership Plan trust account" ("ESOP Trust") (1Q of fiscal year ending March 2019: 585,237 shares). Furthermore, PHD shares held in the "Director Compensation BIP (Board Incentive Plan) trust account", and the "Employee Share Ownership Plan trust account" ("ESOP Trust") are included in treasury shares which are deducted when calculating the average number of shares held in the period.

※ Summaries of quarterly consolidated financial accounts are not subject to quarterly review by Certified Public Accountants or audit firms.

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

Note regarding forward looking statements etc.:

The financial results outlook etc. and forward looking statements noted in this material are based on certain assumptions PHD deems rational and information currently at hand, which are not meant to be taken as an assurance by PHD that outcomes will be realized. Furthermore, actual financial results etc. may vary greatly due to various factors.

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1. Qualitative information regarding the financial results for this quarter

(1) Explanation regarding business performance

The direction of Japan's economy continued to be unclear during this consolidated cumulative 1st quarter period due to economic movements and changes in political conditions in foreign countries. In this context, there was a transition to moderate economic recovery with the Japanese government and Bank of Japan's economic and financial policies etc. forming a backdrop to an overall continuation of increases in corporate income and profit.

The employment situation: In June 2018 the average ratio of job offers to job seekers (seasonally adjusted) was a multiple of 1.62 times; the highest level recorded in 44 years. In addition, Japan's overall unemployment rate (seasonally adjusted) of 2.4% continued to trend at low levels. In this type of environment, the HR services market is faced with labor shortages and numbers of requests for talent remains robust. PERSOL HOLDINGS itself is also experiencing a steady trend in demand from client companies. Headcount deployment figures for the core temporary labor business, and the number of users of placement services etc. continues to remain at high levels and as a result, business performance by and large tended to be strong.

In light of this environment, in April 2018 trading names of 10 major PERSOL Group core companies etc. were altered to identically prefix each company's trading name with 'PERSOL' etc. As such, further progress has been made in expanding the level of awareness of PERSOL Group since the inception of the new 'PERSOL' Group branding in June 2016. PERSOL Group is an integrated HR services group that encompasses a diverse range of HR solutions: the core temporary staffing business and placement/recruitment businesses, along with; part-time/casual work hiring support, outsourcing/design and development in the IT/engineering space, and BPO etc. The Group is forging ahead in unison aiming to further expand the level of awareness of the PERSOL brand and Group offerings as a means to resolve labor/hiring challenges.

In addition, progress was made in implementing common systems at each branch in the overseas 'PERSOLKELLY' business (former 'Overseas Segment'), and efforts are being made to expand market share in each region by improving productivity. On the other hand, progress is being made with the PROGRAMMED business (focused on advancing the business in Australia). The existing PROGRAMMED business framework is being utilized as a base to establish internal controls required to create more robust business structures. PERSOL intends to expand the business and enhance its presence in the Asia Pacific region in the medium to long-term by aiming to continue to strengthen competitiveness.

As a result of the above, sales during this 1st quarter accounting period were JPY 225,929 million (up 39.6% year-on-year (YOY)), operating profit was JPY 11,530 million (up 26.5% YOY), ordinary profit was JPY 11,219 million (up 18.5% YOY), and quarterly net profit attributable to parent company shareholders was JPY 6,631 million (up 22.2% YOY).

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

Reporting segment categories changed in both the 1st quarter (Q1) accounting period, as well as 3rd quarter (Q3) accounting period. The following year-on-year (YoY) comparisons are made after amending previous year figures and substituting with the amending segment category figures.

① Temporary Staffing/BPO Segment

In the consolidated cumulative 1st quarter under review, sales in this segment amounted to JPY 124,940 million (up 6.4% year-on-year (YOY)), and operating profit was JPY 6,897 million (up 16.4% YOY).

Profits of client companies remained solid and structural shortage of workforce continuing from previous consolidated accounting period. As a result, sales grew to JPY 124.940 million. On the profit side, operating profit grew to JPY 6,897 million due to effect on increase in productivity even though preparation for law change and rising social insurance premiums occurred.

② Recruiting Segment

In the consolidated cumulative 1st quarter under review, sales in this segment amounted to JPY 20,738 million (up 13.7% YOY), and operating profit was JPY 4,222 million (up 38.0% YOY).

As with the previous year, 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 labor and promotion related costs but, this was exceeded by the growth in sales which resulted in operating profit of JPY 4,222 million.

③ PROGRAMMED Segment

In the consolidated cumulative 1st quarter under review, performance in this segment was: sales JPY 51,495 million, and operating profit of JPY 234 million.

In the consolidated cumulative 1st quarter, even orders from main clients in some sectors decreased, the core business in maintenance business remained solid. As a result, sales grew to JPY 51,495 million. On the profit side, operating profit grew to JPY 234 million due to cost reduction effect.

Furthermore, there are no comparisons with the same quarter in the previous year as this segment was a newly established reporting segment in the previous consolidated cumulative 3rd quarter period.

④ PERSOLKELLY Segment

Results for this segment in the consolidated cumulative 1st quarter under review were: sales of JPY 17,254 million (up 10.7% YOY), and operating losses of JPY 76 million (operating loss in the same period last year was JPY 261 million).

In the consolidated cumulative 1st quarter,, sales grew to JPY 17,254 million as a result of favorable market trend in APAC countries. On the profit side, operating losses of JPY 76 million was recorded due to increase in workforce for business expansion even though placement business was favorable.

Furthermore, there was a change in title from 'Overseas Segment' to 'PERSOLKELLY Segment' due to the PROGRAMMED Segment being newly established in the previous consolidated fiscal year.

⑤ ITO Segment

Results for this segment in the consolidated cumulative 1st quarter under review were: sales of JPY 7,181 million (up 16.2% YOY), and operating losses of JPY 65 million (operating profit in the same period last year was JPY 116 million).

In the consolidated cumulative 1st quarter, SI related business and sales of own product remain solid. As a result, sales grew to JPY 7,181 million. On the profit side, operating loss of JPY 65 million was recorded due to labor and hiring cost for business expansion.

⑥ Engineering Segment

In the consolidated cumulative 1st quarter under review, sales in this segment amounted to JPY 6,439 million (up 1.1% YOY), and operating profit was JPY 146 million (down 23.5% YOY).

In the consolidated cumulative 1st quarter, demand in development for technical engineers in construction machinery and medical sector remained solid in addition to automobile and electrical machinery. On the profit side, operating profit grew to JPY 146 million due to influence in changes in acceptance of contracting projects even though the sales price per unit raised as a result of hiring new employees and price revisions.

(2) Explanation regarding the financial position

① Assets, liabilities, and net assets

Total assets decreased by JPY 42,349 million compared with the end of the previous consolidated accounting period. Current assets decreased by JPY 33,731 million, and fixed assets decreased by JPY 8,618 million. The main reason for the decrease in current assets was a decrease in cash and deposits by JPY 29,470 million etc. The main reasons for the decrease in fixed assets were: a decrease in goodwill by JPY 5,925 million, and a decrease in deferred tax assets by JPY 1,101 million etc.

Liabilities decreased by JPY 40,643 million compared to the end of the previous consolidated fiscal year. Current liabilities decreased by JPY 80,615 million, and non-current liabilities increased by JPY 39,972 million. The main causes of the decrease in non-current liabilities were: decrease in short-term loans payable (down by JPY 63,949 million) and decrease in income taxes payable (down by JPY 5,344 million) etc. The main causes of the increase in non-current liabilities were: an increase in corporate bonds (up by JPY 20,000 million), and an increase in long-term loans payable (up by JPY 20,000 million) etc.

Net assets decreased by JPY 1,706 million compared to the end of the previous consolidated fiscal year. This was mainly caused by a decrease of JPY 5,224 million in foreign currency translation adjustments, and on the other hand: payment of dividends of surplus of JPY 2,338 million, and posting 6,631 million in quarterly net profit attributable to parent company shareholders etc. which resulted in increased retained earnings of JPY 4,293 million etc.

	11 th term consolidated cumulative 1 st quarter period	10 th term
Return on Assets (ROA)	1.8%	2.2%
Return on equity (ROE)	4.6%	5.5%
Ratio of operating income to sales	5.1%	5.0%
Ratio of ordinary profit to sales	5.0%	4.9%
Current ratio	144.2%	106.2%
Fixed assets ratio	113.1%	118.0%
Equity ratio	40.1%	36.2%
Total assets	JPY 359,986 million	JPY 402,336 million
Equity capital	JPY 144,299 million	JPY 145,537 million
Cash & cash equivalents etc. at end of period	JPY 60,091 million	JPY 89,566 million

Note: "Partial revision of 'Accounting standards pertaining to Tax Effective Accounting'" (Japan Corporate Accounting Standard No. 28 of 16 Feb 2018) etc. have been applied since the beginning of this consolidated accounting 1st quarter period. Said accounting standard etc. was retroactively applied to subsequent indicators and the main management indicators etc. noted above that relate to the previous consolidated fiscal year.

② Business and financial challenges that must be dealt with

There were no significant changes in this consolidated cumulative 1st quarter period to the challenges that must be dealt with by PERSOL Group.

(3) Explanation regarding the future forecast information (consolidated results forecast etc.)

Business results in this consolidated cumulative 1st quarter period were on the whole largely as anticipated. For this reason, the consolidated results forecast has not been changed since being released on 15 May 2018.

2. Quarterly consolidated financial statements & main explanatory notes

(1) Quarterly consolidated balance sheet

(Unit: JPY millions)

	Previous consolidated fiscal year (March 31, 2018)	This consolidated accounting 1 st quarter period (June 30, 2018)
Assets		
Current Assets		
Cash and deposits	89,624	60,153
Notes and accounts receivable-trade	120,254	114,729
Work in process	8,049	8,362
Other	13,251	14,200
Allowance for doubtful accounts	△627	△625
Total current assets	230,552	196,821
Non-Current Assets		
Fixed assets		
Buildings and structures (net amount)	3,237	3,240
Tools, furniture and fixtures (net amount)	1,234	1,217
Land	802	802
Other (net amount)	2,718	2,559
Tangible fixed assets total	7,993	7,819
Intangible assets		
Trademark rights	11,152	10,550
Goodwill	102,113	96,187
Other	20,629	20,233
Intangible assets total	133,894	126,970
Investments and other assets		
Investment securities	12,542	12,453
Deferred tax assets	4,636	3,535
Other	12,732	12,400
Allowance for doubtful accounts	△16	△14
Total investments and other assets	29,895	28,375
Total Fixed assets	171,783	163,165
Total Assets	402,336	359,986

(Unit: JPY millions)

	Previous consolidated fiscal year (March 31, 2018)	This consolidated accounting 1 st quarter period (June 30, 2018)
Liabilities		
Current Liabilities		
Accounts payable – trade	1,597	733
Short-term loans payable	85,288	21,339
Current portion of long-term loans payable	4,640	4,640
Accounts payable	67,409	68,292
Accrued income taxes	8,905	3,561
Accrued consumption taxes	13,796	12,617
Provision for bonuses	9,931	5,298
Reserve for bonuses for Directors	6	8
Provisions – other	736	707
Other	24,788	19,287
Total Current Liabilities	217,102	136,487
Non-Current Liabilities		
Bonds payable	-	20,000
Long-term loans payable	15,713	35,713
Deferred tax liabilities	5,209	5,313
Liabilities related to retirement benefits	1,174	607
Provision for share benefits	126	163
Provision for Directors' share benefits	115	148
Provisions – other	268	240
Other	2,634	3,026
Total Non-current liabilities	25,241	65,213
Total Liabilities	242,343	201,700
Net assets		
Shareholders' equity		
Capital	17,467	17,469
Capital surplus	20,182	20,185
Retained earnings	105,993	110,286
Treasury shares	△4,576	△4,566
Total Shareholders' Equity	139,066	143,374
Accumulated other comprehensive income		
Valuation difference on marketable securities	3,179	2,858
Foreign currency translation adjustment	3,291	△1,932
Re-measurements of defined benefit plans	-	△0
Total accumulated other comprehensive income	6,470	925
Non-controlling interests	14,455	13,986
Total net assets	159,992	158,286
Total Liabilities and shareholders' equity	402,336	359,986

(2) Quarterly consolidated profit and loss statement & quarterly consolidated comprehensive income statement
(Quarterly consolidated profit and loss statement)
(Consolidated cumulative 1st quarter period)

(Unit: JPY millions)

	Previous consolidated cumulative 1 st quarter period (From April 1, 2017 to June 30, 2017)	This consolidated cumulative 1 st quarter period (From April 1, 2018 to June 30, 2018)
Sales	161,897	225,929
Cost of sales	122,278	175,325
Gross profit on sales	39,619	50,604
Selling, general and administrative expenses (SGA)	30,505	39,073
Operating Profit	9,114	11,530
Non-operating income		
Interest income	10	13
Dividends income	74	98
Subsidy income	220	60
Share of profit of entities accounted for using equity method	86	129
Other	19	23
Total non-operating profit	411	325
Non-operating expenses		
Interest expenses	30	244
Losses on foreign exchange	16	194
Bond issuance expenses	-	102
Other	6	95
Total non-operating expenses	54	637
Ordinary Profit	9,471	11,219
Extraordinary income		
Gain on sales of fixed assets	-	9
Gain on revision of retirement benefit plan	-	56
Extraordinary income total	-	65
Extraordinary losses		
Loss on sales of subsidiaries and affiliates' shares	-	3
Loss on valuation of investment securities	-	14
Early extra retirement payments	17	-
Loss on revision of retirement benefit plan	261	-
Total extraordinary losses	278	18
Net quarterly profit before taxes etc.	9,192	11,267
Corporate tax, resident tax, and business tax	2,701	2,877
Corporate tax etc.-deferred	911	1,427
Total corporate taxes etc.	3,612	4,305
Quarterly net profit	5,579	6,961
Quarterly net profit attributable to non-controlling interests	154	329
Quarterly net profit attributable to parent company shareholders	5,425	6,631

(Quarterly consolidated comprehensive income statement)
(Consolidated cumulative 1st quarter period)

(Unit: JPY millions)

	Previous consolidated cumulative 1 st quarter period (From April 1, 2017 to June 30, 2017)	This consolidated cumulative 1 st quarter period (From April 1, 2018 to June 30, 2018)
Quarterly net profit	5,579	6,961
Other comprehensive income		
Valuation difference on marketable securities	169	Δ320
Foreign currency translation adjustment	Δ165	Δ5,348
Remeasurements of defined benefit plans, net of tax	-	Δ0
Equity interest in affiliated companies accounted for by the equity-method	-	Δ168
Total other comprehensive income	3	Δ5,838
Quarterly comprehensive income	5,583	1,123
(Breakdown)		
Quarterly comprehensive income attributable to parent company shareholders	5,491	1,086
Quarterly comprehensive income attributable to non-controlling interests	91	37

(3) Explanatory notes regarding quarterly consolidated financial statements

Explanatory notes regarding ongoing concern assumptions:

No applicable matters.

Explanatory notes in the event of significant changes in the amount of shareholders' equity:

No applicable matters.

Application of special accounting treatment when preparing the quarterly consolidated financial statements:

No applicable matters.

Changes in accounting policies

In some foreign subsidiaries, PERSOL Group has applied International Financial Reporting Standards (hereinafter "IFRS") 9 and IFRS 15 from the 1st quarter of the current fiscal year. The effect of this change in the quarterly consolidated financial statement is immaterial.

Additional Information

Implementation of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.

The Company has implemented the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018), Deferred tax assets and deferred tax liabilities are shown under investments and other assets and non-current liabilities, respectively.

Segment information etc.:

Segment information:

1. Information regarding sales, profits or losses for each reporting segment

Previous consolidated cumulative 1st quarter period (from April 1, 2017 to June 30, 2017)

(Unit: JPY millions)

	Reporting Segment							Other (Note 1)	Total	Adjustment amount (Note 2)	Quarterly consolidated profit and loss statement (Note 3)
	Temp/BPO	Recruiting	PROGRAMMED	PERSOLKELLY	ITO	Engineering	Total amount				
Sales											
Sales to external clients	116,859	18,009	—	15,559	4,696	6,368	161,493	402	161,895	1	161,897
Internal sales or transfers between segments	538	229	—	21	1,485	—	2,275	532	2,808	Δ2,808	—
Total amount	117,397	18,238	—	15,581	6,182	6,368	163,768	935	164,704	Δ2,806	161,897
Segment profits or losses (Δ)	5,927	3,058	—	Δ261	116	191	9,031	Δ25	9,006	107	9,114

This consolidated cumulative 1st quarter period (from April 1, 2018 to June 30, 2018)

(Unit: JPY millions)

	Reporting Segment							Other (Note 1)	Total	Adjustment amount (Note 2)	Quarterly consolidated profit and loss statement (Note 3)
	Temp/BPO	Recruiting	PROGRAMMED	PERSOLKELLY	ITO	Engineering	Total amount				
Sales											
Sales to external clients	124,245	20,478	51,495	17,253	5,501	6,437	225,412	514	225,927	1	225,929
Internal sales or transfers between segments	694	259	—	1	1,680	1	2,637	903	3,541	Δ3,541	—
Total amount	124,940	20,738	51,495	17,254	7,181	6,439	228,049	1,418	229,468	Δ3,539	225,929
Segment profits or losses (Δ)	6,897	4,222	234	Δ76	Δ65	146	11,359	84	11,443	87	11,530

Note: 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 these revisions are as follows.

(Unit: JPY millions)

	Previous consolidated cumulative 1 st quarter period	This consolidated cumulative 1 st quarter period
Inter-segment write-offs	Δ54	Δ78
Company-wide revenues *1	2,010	2,299
Company-wide expenses *2	Δ1,848	Δ2,133
Total	107	87

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

*2. Company-wide expenses: Mainly expenses arising within PHD related to management of Group companies.

3. Segment profit and loss: Adjusted with operating profit calculated in the quarterly consolidated profit and loss statement.

2. Matters relating to reporting segment changes etc.

During the previous 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 formed the newly created "PROGRAMMED" Segment. Also, the segment demarcation formerly known as the "Overseas" Segment underwent a name change and became the "PERSOLKELLY" Segment. There was a transition to 6 reporting segments: Temporary Staffing/BPO, Recruiting, PROGRAMMED, PERSOLKELLY, ITO, and Engineering.

Furthermore, segment information pertaining to the previous consolidated cumulative 1st quarter that was disclosed as comparative information in the current consolidated cumulative 1st quarter period was prepared after changes were made to reporting segments. As such, some differences may be seen between reporting segments in the consolidated cumulative 1st quarter period disclosed in the previous consolidated fiscal year.

3. Information concerning impairment losses of non-current assets or amortization of goodwill etc. in each reporting segment

Previous consolidated cumulative 1st quarter period (from April 1, 2017 to June 30, 2017)

No applicable matters.

Current consolidated cumulative 1st quarter period (from April 1, 2018 to June 30, 2018)

No applicable matters.

NB: This document is a translation of the Japanese original and is provided for information purposes only.