



Summary of Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 2019 (Based on Japanese GAAP)

9 November 2018

Listed

company name: PERSOL HOLDINGS CO., LTD.

Stock Exchange Listing: Tokyo

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

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Scheduled date to file quarterly report: 12 November 2018
Scheduled date to commence dividend payments: 5 December 2018

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

Quarterly results briefing session yes/no: Yes (Analyst/Institutional investor oriented)

(Amounts less than JPY 1 million rounded down)

1. Consolidated Results for the 2nd Quarter of the Fiscal Year Ending March 2019 (April 1, 2018 - September 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	%
2 nd Quarter of the Fiscal Year Ending March 2019	452,260	39.3	20,453	27.7	20,660	24.0	11,987	30.0
2 nd Quarter of the Fiscal Year Ended March 2018	324,780	17.3	16,017	Δ3.9	16,668	Δ1.6	9,223	Δ6.5

Note: 2nd Quarter of the Fiscal Year Ending March 2019
Comprehensive income 6,029 JPY Million (Δ42.8%)
2nd Quarter of the Fiscal Year Ended March 2018 10,548 JPY Million (17.5%)

	Quarterly net profit per share	Current net profit per share after adjustment for dilution
	JPY	JPY
2 nd Quarter of the Fiscal Year Ending March 2019	51.39	51.38
2 nd Quarter of the Fiscal Year Ended March 2018	39.47	39.47

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	JPY Million	JPY Million	%
2 nd Quarter of the Fiscal Year Ending March 2019	365,251	163,222	40.7
FY Mar 2018	402,336	159,992	36.2

Reference: Equity capital 2nd Quarter of the Fiscal Year Ending March 2019 148,572 JPY Million
FY Mar 2018 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. was 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 Mar 2018	-	9.00	-	10.00	19.00
FY Mar 2019	-	10.00			
FY Mar 2019 (Forecast)			-	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 same quarter last year)

	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
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.12 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)	2Q FY Mar 2019	236,704,861	FY Mar 2018	236,677,955
② Treasury shares at period end	2Q FY Mar 2019	3,397,979	FY Mar 2018	3,406,634
③ Average number of shares during the period (cumulative quarter)	2Q FY Mar 2019	233,282,286	2Q FY Mar 2018	233,681,111

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") (2Q of the fiscal year ending March 2019: 580,889 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:

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.

(Change to method of presenting dates)

From the "Summary of Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 2019" onwards, the method of presenting dates will change from use of the Japanese calendar to the Western-style calendar.

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1. Qualitative information regarding the financial results for this quarter

(1) Explanation regarding business performance

While the outlook for the Japanese economy for the consolidated cumulative second quarter under review remains unclear due to trade friction between China and the U.S. etc., corporate results were supported by various economic policies resulting in progress being made with the underlying theme of increased income and profit. The Japanese economy grew modestly and was generally steady.

The employment situation is steadily recovering with Japan's September 2018 job-to-applicant ratio experiencing high levels (multiple of 1.64 times) for the first time in 44 years. On the other hand, trends shifted; the number of completely unemployed individuals decreased, whereas the number of employed persons increased. In an employment environment where Japan is approaching full-employment, various human resources related companies find themselves confronted with labor force shortages coupled with abundant demand for talent. The human resources related market in Japan tended to be sound overall. PERSOL Group business results grew due to: the addition of the PROGRAMMED segment, steady growth within the PERSOLKELLY segment (formerly known as the "Overseas" segment), and progress made towards strengthening the sales structures in the recruitment business which led to an increase in the number of hire contracts that were successfully closed etc.

In light of this environment, PERSOL Group amended the trading names of core companies within each business to reflect the "PERSOL" nomenclature. PERSOL aims to resolve challenges relating to labor/employment in various sectors by leveraging the integrated strengths within PERSOL Group that extend beyond sectoral boundaries.

One manifestation of this aim was the merger of 10 subsidiaries within the Temporary staffing/BPO segment with effect 1 October 2018. The information held by each of these subsidiaries (staff/candidate registrations, customer information, and market information etc.) will be aggregated, and IT technology utilized to enhance the precision and speed when matching job opportunities with candidates.

Also, the PERSOL Career entity within the Recruiting segment re-branded its 8-year-old "DODA" job change support service brand to "doda" in October 2018. PERSOL is evolving its brands to express its respect of the value of a diverse range of working people, and the notion of supporting "work" that suits the individual.

Meanwhile, in overseas segment, the PERSOLKELLY segment grew sales by successfully expanding its sales structures above and beyond that seen in the previous platform. Also, the PROGRAMMED segment (focused primarily on the Australian market), made progress with its business. The previous structures were used as a foundation which have been strengthened by moves made to augment the business structures with "must-have" internal controls. It is through these 2 overseas focused segments; the PERSOLKELLY and PROGRAMMED segments that PERSOL aims to continue to strengthen its competitiveness and expand the business by enhancing its presence in the Asia Pacific (APAC) region over the medium to long-term.

As a result of the above, sales during this consolidated cumulative 2nd quarter under review were JPY 452,260 million (up 39.3% year-on-year (YOY)), operating profit was JPY 20,453 million (up 27.7% YOY), ordinary profit was JPY 20,660 million (up 1.5% YOY), and quarterly net profit attributable to parent company shareholders was JPY 11,987 million (up 30.0% YOY).

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

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

① Temporary Staffing/BPO Segment

Sales in this segment during this consolidated cumulative 2nd quarter period amounted to JPY 248,508 million (up 5.5% year-on-year (YOY)), and operating profit was JPY 11,111 million (up 4.1% YOY).

With favorable corporate results and structural shortages of labor as a backdrop to this consolidated cumulative 2nd quarter period, demand was strong leading to sales of JPY 248,508 million. In addition, there was an increase in costs related to the merger of subsidiaries, but on the other hand, there was an increase in placement fee revenues with corporate clients hiring workers directly associated with effects of revisions to Japanese laws.

② Recruiting Segment

Sales in this segment during this consolidated cumulative 2nd quarter period amounted to JPY 41,042 million (up 16.1% year-on-year (YOY)), and operating profit was JPY 7,560 million (up 60.7% YOY).

Sales in this segment during this consolidated cumulative 2nd quarter period amounted to JPY 41,042 million which were underpinned by a healthy demand for HR resources and was mainly reflected in an increase in the number of hire contracts that were successfully closed etc. On the profit side, marketing costs declined, and the aim was to bolster sales structures by investing in headcount. On the other hand, the HR placement business played a leading role in expanding sales which resulted in earnings growth and operating profit of JPY 7,560 million.

③ PROGRAMMED Segment

Sales in this segment amounted to JPY 102,464 million during this consolidated cumulative 2nd quarter period, and operating profit was JPY 218 million.

Sales in this Segment during this consolidated cumulative 2nd quarter period amounted to JPY 102,464 million characterized by a strengthening of client relationships, and a changing competitive environment where there was a decline in orders from existing clients in staffing business. On the profit side, operating profit was JPY 218 million as a result of reductions to operating costs.

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

④ PERSOLKELLY Segment

Sales in this segment during this consolidated cumulative 2nd quarter period were JPY 36,122 million (up 13.6% YOY), and operating profit was JPY 357 million (operating loss in the same period last year was JPY 285 million).

Sales in this segment during this consolidated cumulative 2nd quarter period amounted to JPY 36,122 million which was the result of expansion in proactive sales structures in the buoyant APAC market environment. On the profit side, operating profit was JPY 357 million as a result of increased labor costs associated with structural alignments, but on the other hand, there was an expansion of services focusing on temporary labor/placement services.

Furthermore, there was a change in title of this segment to "PERSOLKELLY" segment due to the PROGRAMMED segment being newly established in the previous consolidated fiscal year.

⑤ ITO Segment

Sales in this segment during this consolidated cumulative 2nd quarter period amounted to JPY 15,372 million (up 13.6% year-on-year (YOY)), and operating profit was JPY 456 million (down 5.7% YOY).

Sales in this segment during this consolidated cumulative 2nd quarter period amounted to JPY 15,372 million which was the result of progress made in securing engineers in response to healthy demand. On the profit side, operating profit was JPY 456 million as a result of additional costs etc. due to work environment improvements and proactive hiring related costs.

⑥ Engineering Segment

Sales in this segment during this consolidated cumulative 2nd quarter period amounted to JPY 13,651 million (up 4.5% year-on-year (YOY)), and operating profit was JPY 878 million (up 23.8% YOY).

Sales in this segment during this consolidated cumulative 2nd quarter period amounted to JPY 13,651 million which was the result of healthy volumes of orders, and the impact of partial changes made to sub-contract project review sign-off timings. On the profit side, operating profit was JPY 878 million as a result of strong levels of inquiries for engineers (which had the effect of increasing unit prices), as well as cost control measures: handling order opportunities in-house etc.

(2) Explanation regarding the financial position

① Assets, liabilities, and net asset

Total assets decreased by JPY 37,084 million compared with the end of the previous consolidated accounting fiscal year. Current assets decreased by JPY 27,652 million, and fixed assets decreased by JPY 9,431 million. The main reason for the decrease in current assets was a decrease in cash and deposits by JPY 15,488 million etc. The main reason for the decrease in current assets was a decrease in goodwill by JPY 8,346 million etc.

Liabilities decreased by JPY 40,315 million compared to the end of the previous consolidated fiscal year. Current liabilities decreased by JPY 79,552 million, and non-current liabilities increased by JPY 39,236 million. The main reason for the decrease in current liabilities was a decrease in short-term loans payable by JPY 66,341 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 increased by JPY 3,230 million compared to the end of the previous consolidated accounting fiscal year. This was mainly caused by: payment of dividends of surplus of JPY 2,338 million, and posting 11,987 million in quarterly net profit attributable to parent company shareholders etc. which resulted in increased retained earnings of JPY 9,648 million and on the other hand, Foreign currency translation adjustments decreased by JPY 6,221 million etc.

	FY Mar 2019 Consolidated cumulative 2 nd quarter period	FY Mar 2018
Return on Assets (ROA)	3.4%	2.2%
Return on Equity (ROE)	8.2%	5.5%
Ratio of operating income to sales	4.5%	5.0%
Ratio of ordinary profit to sales	4.6%	4.9%
Current ratio	147.5%	106.2%
Fixed assets ratio	109.3%	118.0%
Equity ratio	40.7%	36.2%
Total assets	JPY 365,251 million	JPY 402,336 million
Equity capital	JPY 148,572 million	JPY 145,537 million
Cash and cash equivalents etc. at end of period	JPY 74,072 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 Cash flow

Cash and cash equivalents (hereinafter "capital") at end of this consolidated cumulative 2nd quarter period was JPY 74,072 million; a decrease of JPY 7,181 million compared to the end of the previous consolidated cumulative 2nd quarter period.

Following is an outline of each cash flow status and causal factors that arose in the consolidated cumulative 2nd quarter period.

(Cash flows from operating activities)

Capital acquired from operating activities was JPY 20,025 million (JPY 22,524 million was acquired the same period previous year). This was mainly due to reductions to operating debt of JPY 7,396 million, and payment of JPY 7,012 million in corporate taxes. On the other hand, Net profit before tax was JPY 20,758 million, corporate tax refunds were JPY 4,543 million, goodwill amortization was JPY 4,285 million, and depreciation costs were JPY 3,457 million.

(Cash flows from investment activities)

Capital spent on investment activities was JPY 6,203 million (JPY 4,290 million was used during the same period last year). This was mainly due to spending of JPY 3,132 million on acquisition of intangible fixed assets, JPY 1,321 million spent on acquisition of tangible fixed assets, and spending of JPY 1,082 million on guaranty money deposits.

(Cash flows from financial activities)

Capital spent on financial activities was JPY 29,470 million (JPY 6,247 million was spent during the same period last year). This was mainly related to a net decrease of JPY 64,471 million in short-term loans payable but on the other hand, proceeds from long-term loans was JPY 20,000 million, and proceeds from issuing corporate bonds was JPY 19,897 million.

③ Business related and financial challenges that must be addressed

There were no new business and financial challenges requiring attention during this consolidated cumulative 2nd quarter period.

(3) Explanation of future forecast information (consolidated results forecast etc.)

Current consolidated cumulative 2nd quarter period business results were in general largely as anticipated. For this reason, the consolidated results forecast has not been changed since being released on 15 May 2017.

2. Quarterly consolidated financial statements & main explanatory notes

(1) Quarterly consolidated balance sheet

(Unit: JPY million)

	Previous consolidated fiscal year (March 31, 2018)	This 2 nd quarter consolidated accounting period (September 30, 2018)
Assets		
Current Assets		
Cash and deposits	89,624	74,136
Notes and accounts receivable-trade	120,254	112,157
Work in process	8,049	8,311
Other	13,251	8,932
Allowance for doubtful accounts	△627	△638
Total current assets	230,552	202,899
Non-Current Assets		
Fixed assets		
Buildings and structures, net	3,237	3,192
Tools, furniture and fixtures, net	1,234	1,169
Land	802	799
Other, net	2,718	2,399
Tangible fixed assets total	7,993	7,560
Intangible assets		
Trademark rights	11,152	10,443
Goodwill	102,113	93,767
Other	20,629	20,596
Intangible assets total	133,894	124,807
Investments and other assets		
Investment securities	12,542	12,424
Deferred tax assets	4,636	4,616
Other	12,732	12,957
Allowance for doubtful accounts	△16	△14
Total investments and other assets	29,895	29,983
Total Fixed assets	171,783	162,351
Total Assets	402,336	365,251

(Unit: JPY million)

	Previous consolidated fiscal year (March 31, 2018)	This 2 nd quarter consolidated accounting period (September 30, 2018)
Liabilities		
Current Liabilities		
Accounts payable – trade	1,597	670
Short-term loans payable	85,288	18,947
Current portion of long-term loans payable	4,640	2,320
Accounts payable	67,409	64,273
Accrued income taxes	8,905	9,336
Accrued consumption taxes	13,796	12,141
Provision for bonuses	9,931	10,381
Reserve for bonuses for Directors	6	14
Provisions - other	736	717
Other	24,788	18,748
Total Current Liabilities	217,102	137,550
Non-Current Liabilities		
Bonds payable	—	20,000
Long-term loans payable	15,713	35,713
Deferred tax liabilities	5,209	4,697
Liabilities related to retirement benefits	1,174	353
Provision for share benefits	126	193
Provision for Directors' share benefits	115	182
Provisions - other	268	210
Other	2,634	3,126
Total Non-current liabilities	25,241	64,478
Total Liabilities	242,343	202,028
Net assets		
Shareholders' equity		
Capital	17,467	17,479
Capital surplus	20,182	20,195
Retained earnings	105,993	115,642
Treasury shares	△4,576	△4,557
Total Shareholders' Equity	139,066	148,759
Accumulated other comprehensive income		
Valuation difference on marketable securities	3,179	2,743
Foreign currency translation adjustment	3,291	△2,930
Re-measurements of defined benefit plans	—	△0
Total accumulated other comprehensive income	6,470	△186
Non-controlling interests	14,455	14,650
Total net assets	159,992	163,222
Total Liabilities and shareholders' equity	402,336	365,251

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

(Unit: JPY million)

	Previous consolidated cumulative 2 nd quarter period (From April 1, 2017 to Sep 30, 2017)	This consolidated cumulative 2 nd quarter period (From April 1, 2018 to Sep 30, 2018)
Sales	324,780	452,260
Cost of sales	247,356	353,088
Gross profit	77,424	99,172
Selling, general and administrative expenses (SGA)	61,407	78,718
Operating Profit	16,017	20,453
Non-operating income		
Interest income	13	19
Dividends income	88	113
Subsidy income	467	121
Share of profit of entities accounted for using equity method	74	195
Gains on foreign currency exchange	3	383
Other	85	43
Total non-operating profit	733	874
Non-operating expenses		
Interest expenses	53	464
Bond issuance expenses	—	102
Other	29	101
Total non-operating expenses	82	667
Ordinary Profit	16,668	20,660
Extraordinary income		
Gain on sales of fixed assets	0	23
Gain on sales of subsidiaries and affiliates' shares	2	—
Gain on sales of investment securities	40	16
Gain on transfer of business	—	38
Gain on revision of retirement benefit plan	—	56
Extraordinary income total	42	135
Extraordinary losses		
Loss on disposal of non-current assets	—	18
Impairment loss	7	—
Loss on sales of subsidiaries and affiliates' shares	—	3
Loss on valuation of investment securities	28	14
Early extra retirement payments	17	—
Loss on revision of retirement benefit plan	261	—
Total extraordinary losses	314	37
Net quarterly profit before taxes etc.	16,395	20,758
Corporate tax, resident tax, and business tax	6,494	7,685
Corporate tax etc.-deferred	83	72
Total corporate taxes etc.	6,578	7,758
Quarterly net profit	9,817	13,000
Quarterly net profit attributable to non-controlling interests	593	1,012
Quarterly net profit attributable to parent company shareholders	9,223	11,987

(Quarterly consolidated comprehensive income statement)
(Consolidated cumulative 2nd quarter period)

(Unit: JPY million)

	Previous consolidated cumulative 2 nd quarter period (From April 1, 2017 to Sep 30, 2017)	This consolidated cumulative 2 nd quarter period (From April 1, 2018 to Sep 30, 2018)
Quarterly net profit	9,817	13,000
Other comprehensive income		
Valuation difference on marketable securities	470	△435
Deferred hedge loss/gain:	206	—
Foreign currency translation adjustment	54	△6,305
Remeasurements of defined benefit plans, net of tax	—	△0
Equity interest in affiliated companies accounted for by the equity-method	—	△229
Total other comprehensive income	730	△6,970
Quarterly comprehensive income	10,548	6,029
(Breakdown)		
Quarterly comprehensive income attributable to parent company shareholders	9,935	5,330
Quarterly comprehensive income attributable to non-controlling interests	612	698

(3) Consolidated quarterly cash-flow statement

(Unit: JPY million)

	Previous consolidated cumulative 2 nd quarter period (From April 1, 2017 to Sep 30, 2017)	This consolidated cumulative 2 nd quarter period (From April 1, 2018 to Sep 30, 2018)
Cash flow from operating activities		
Net quarterly profit before taxes etc.	16,395	20,758
Depreciation	1,859	3,457
Impairment loss	7	—
Amortization of goodwill	3,171	4,285
Increase (decrease) in net defined benefit liability	35	△796
Increase (decrease) in provision for directors' bonuses	63	80
Increase (decrease) in provision for directors' bonuses	39	74
Increase (decrease) in provision for bonuses	225	491
Increase (decrease) in provision for directors' bonuses	△168	7
Increase (decrease) in allowance for doubtful accounts	△120	41
Increase (decrease) in other liabilities	—	△83
Interest and dividend income	△102	△132
Interest expenses	53	464
Share of (profit) loss of entities accounted for using equity method	△74	△195
Loss (gain) on sales of shares of subsidiaries and associates	△2	3
Loss (gain) on sales of investment securities	△40	△16
Loss (gain) on valuation of investment securities	28	14
Loss (gain) on disposal of non-current assets	△0	△4
Subsidy income	△467	△121
Bond issuance expenses	—	102
Loss (gain) on transfer of business (△ is gain)	—	△38
Decrease (increase) in notes and accounts receivable - trade (△ is an increase)	2,334	4,210
Increase (decrease) in operating debt (△ is a decrease)	3,606	△7,396
Increase (decrease) in accrued consumption taxes (△ is a decrease)	1,034	△1,559
Increase (decrease) in long-term accounts payable – other	322	653
Decrease (increase) in other assets	△171	△1,515
Increase (decrease) in other liabilities	△237	△112
Subtotal	27,792	22,672
Interest and dividend income received	114	146
Interest expenses paid	△53	△444
Proceeds from subsidy income	40	—
Proceeds from subsidy income	467	121
Corporate tax etc. paid	△7,377	△7,012
Income taxes refund	1,540	4,543
Cash flow from operating activities	22,524	20,025

(Unit: JPY million)

	Previous consolidated cumulative 2 nd quarter period (From April 1, 2017 to Sep 30, 2017)	This consolidated cumulative 2 nd quarter period (From April 1, 2018 to Sep 30, 2018)
Cash flow from investing activities		
Payments into time deposits	Δ0	Δ9
Proceeds from withdrawal of time deposits	6	2
Purchase of property, plant and equipment	Δ1,175	Δ1,321
Proceeds from sales of property, plant and equipment	0	51
Purchase of intangible assets	Δ2,429	Δ3,132
Proceeds from sales of associates	29	—
Purchase of investment securities	Δ253	Δ284
Proceeds from sales of investment securities	50	71
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	Δ200
Expenditures on sales of shares of subsidiaries resulting in change in scope of consolidation	—	Δ672
Payments for transfer of business	Δ53	—
Proceeds from transfer of business	—	127
Payments of loans receivable	—	Δ14
Collection of loans receivable	20	1
Payments for guarantee deposits	Δ587	Δ1,082
Proceeds from collection of guarantee deposits	112	347
Other	Δ9	Δ85
Cash flow from investing activities	Δ4,290	Δ6,203
Cash flow from financing activities		
Net increase (Δ decrease) in short-term loans payable	Δ413	Δ64,471
Proceeds from long-term loans payable	—	20,000
Repayments of long-term loans payable	Δ2,320	Δ2,320
Proceeds from issuing corporate bonds	—	19,897
Repayments of corporate bonds	—	Δ2
Purchase of treasury shares	Δ1,276	Δ0
Proceeds from sales of treasury shares	49	—
Cash dividends paid	Δ2,104	Δ2,338
Dividends paid to non-controlling interests	Δ128	Δ142
Other	Δ53	Δ92
Cash flow from financing activities	Δ6,247	Δ29,470
Effect of exchange rate change on cash and cash equivalents	Δ114	154
Net increase (decrease) in cash and cash equivalents	11,872	Δ15,493
Cash and cash equivalents at beginning of period	69,382	89,566
Cash and cash equivalents at end of period	81,254	74,072

(4) Explanatory notes regarding quarterly consolidated financial statements

(Explanatory notes regarding ongoing concern assumptions)

No applicable matters.

(Explanatory notes in the event there are 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 policy)

For some of the subsidiaries that exist overseas, from the 1st quarter consolidated accounting period onwards, IFRS Article 9 (financial products) and, IFRS Article 15 (earnings arising from contracts with clients) were applied. The impact of the application of said accounting standard on the quarterly consolidated financial statements is deemed to be insignificant.

(Additional information)

Application of partial revisions to the "Accounting standards pertaining to Tax Effective Accounting" etc.

Application of partial revisions to the "Accounting standards pertaining to Tax Effective Accounting" etc. (Corporate Accounting Standards; Article 28 of 16 Feb 2018) etc. occurred at the beginning of the quarterly consolidated accounting period. Deferred tax assets were shown in the "Investments & other assets" classification, and Deferred tax liabilities were shown in the "Non-current liabilities" classification.

(Segment information etc.)

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

Previous consolidated cumulative 2nd quarter period (from April 1, 2017 to September 30, 2017)

(Unit: JPY million)

	Reporting segment							Other (Note 1)	TOTAL	Adjustments Note 2:	Quarterly consolidated profit and loss statement Note 3:
	Temp/BPO	Recruiting	PROGRAMMED	PERSOLKELLY	ITO	Engineering	Total amount				
Sales											
Sales to external clients	234,453	34,909	-	31,753	9,815	13,060	323,991	784	324,776	4	324,780
Internal sales or transfers between segments	1,036	426	-	38	3,716	1	5,219	1,191	6,411	Δ6,411	-
Total amount	235,489	35,335	-	31,792	13,532	13,062	329,211	1,976	331,187	Δ6,406	324,780
Segment profits or losses (Δ)	10,676	4,705	-	Δ285	483	709	16,289	Δ98	16,190	Δ173	16,017

This consolidated cumulative 2nd quarter period (from April 1, 2018 to September 30, 2018)

(Unit: JPY million)

	Reporting segment							Other (Note 1)	Total	Adjustments Note 2:	Quarterly consolidated profit and loss statement Note 3:
	Temp/BPO	Recruiting	PROGRAMMED	PERSOLKELLY	ITO	Engineering	Total amount				
Sales											
Sales to external clients	247,144	40,467	102,464	36,098	11,383	13,647	451,206	1,048	452,255	5	452,260
Internal sales or transfers between segments	1,364	574	-	23	3,989	3	5,954	1,570	7,524	Δ7,524	-
Total amount	248,508	41,042	102,464	36,122	15,372	13,651	457,160	2,618	459,779	Δ7,519	452,260
Segment profits or losses (Δ)	11,111	7,560	218	357	456	878	20,582	Δ122	20,459	Δ5	20,453

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 million)

	Previous consolidated cumulative 2 nd quarter period	This consolidated cumulative 2 nd quarter period
Inter-segment write-offs	△166	△111
Company-wide revenues *1	3,991	4,586
Company-wide expenses *2	△3,998	△4,481
TOTAL	△173	△5

*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.

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 involving 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. This transition is manifested in 6 reporting segments: Temporary Staffing/BPO, Recruiting, PROGRAMMED, PERSOLKELLY, ITO, and Engineering.

Furthermore, segment information pertaining to the previous consolidated cumulative 2nd quarter that was disclosed as comparative information in the current consolidated cumulative 2nd 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 2nd 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 2nd quarter period (from April 1, 2017 to September 30, 2017)

No applicable matters.

This consolidated cumulative 2nd quarter period (from April 1, 2018 to September 30, 2018)

No applicable matters.