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

Summary of Consolidated Financial Results for the Fiscal Year Ended March 2019 (Based on Japanese GAAP)

15 May 2019

Listed company name:	PERSOL HOLDINGS CO., LTD.			Stock Exchange Listing: Tokyo
Stock code:	2181	URL https://w w w.persol-group.co.jp/		
Representative	(Title)	Representative Director, President and CEO	(Name) Masamichi Mizuta	
Inquiries	(Title)	Director, Executive Officer (Chief Financial Officer)	(Name) Kiyoshi Seki	TEL +81 03-3375-2220
Scheduled date of ordinary general meeting of shareholders:		25 June 2019	Scheduled date to commence dividend payments:	26 June 2019
Scheduled date to file Securities Report:		26 June 2019		
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 dow n)

1. Consolidated Financial Results for the Fiscal Year Ended March 2019 (April 1, 2018 - March 31, 2019)

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

	Net Sales		Operating Profit		Ordinary Profit		Net profit attributable to ow ners of parent	
	JPY Million	%	JPY Million	%	JPY Million	%	JPY Million	%
FY ended Mar 2019	925,818	28.2	44,111	22.3	43,982	25.3	24,361	213.5
FY ended Mar 2018	722,183	22.0	36,068	8.0	35,108	2.8	7,769	∆56.4

Note: Comprehensiv e income	FY ended Mar 2019	15,984	JPY Million	(35.5%)	FY ended Mar 2018	11,796	JPY Million	(∆39.7%)

	Current period net profit per share	Current net profit per share after adjustment for dilution	Equity capital Net profit ratio	Total assets Ordinary profit ratio	Net Sales Operating profit ratio
	JPY	JPY	%	%	%
FY ended Mar 2019	104.39	104.39	16.2	11.4	4.8
FY ended Mar 2018	33.28	33.27	5.5	10.5	5.0

Ref erence: Equity method inv estment gain & loss

FY ended Mar 2019	26	JPY million (95.5%)	FY ended Mar 2018	13	JPY million (∆38.1%)

EBITDA (operating income + depreciation and amortization + amortization of goodwill)

FY ended Mar 2019	59,972	JPY million (24.9%)	FY ended Mar 2018	48,026	JPY million (10.6%)

Net prof it prior to amortization of goodwill (current period net prof it attributable to parent company shareholders + goodwill amortization)

FY ended Mar 2019	32,973	JPY million (122.5%)	FY ended Mar 2018	14,819	JPY million (∆37.9%)

Adjusted EPS

FY ended Mar 2019	150.26	JPY million (29.9%)	FY ended Mar 2018	115.70	JPY million (1.3%)

Notes:

Adjusted EPS: adjusted net income / (number of shares issued at the end of the period – number of treasury stock at the end of the period)

Adjusted net income: net income attributable to ow ners of the parent ± adjustment items (excluding non-controlling interests) ± tax reconciliation related to adjustment items

Adjustment items: amortization of goodw ill and other intangible assets arising due to business combinations ± extraordinary income/losses

	Total assets	Net assets	Equity ratio	Net assets per share
	JPY Million	JPY Million	%	JPY
FY ended Mar 2019	370,839	170,925	42.0	666.50
FY ended Mar 2018	402,336	159,992	36.2	623.90

Reference: Equity capital FY ended Mar 2019 155,593 JPY Million FY ended 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 fiscal year period. The indicators of said accounting standard etc. were retroactively applied to main management indicators etc. relating to the previous consolidated fiscal year.

(3) Consolidated Cash Flow Status

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents Balance at end of period
	JPY Million	JPY Million	JPY Million	JPY Million
FY ended Mar 2019	42,353	△15,141	△48,165	68,969
FY ended Mar 2018	35,003	△66,732	50,186	89,566

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 2018	—	9.00	—	10.00	19.00	4,443	57.1	3.1
FY ended Mar 2019	—	10.00	—	15.00	25.00	5,849	24.0	3.9
FY Mar 2020 (Forecast)	—	15.00	—	15.00	30.00		—	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 2020 (April 1, 2019 - March 31, 2020)

(% indicates ratio of change from: the previous full FY, same quarter in the previous FY)

	Net 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
2nd Q (cumulative)	483,500	6.9	21,300	4.1	21,300	3.1	12,000	0.1	51.40
Full Year	1,000,000	8.0	48,000	8.8	48,000	9.1	27,500	12.9	117.80

References: EBITDA Fiscal year ending in March 2020: JPY 66,000 million (10.1%)
Net profit prior to amortization of goodwill Fiscal year ending in March 2020: JPY 36,100 million (9.5%)
Adjusted EPS Fiscal year ending in March 2020: JPY 158.51 (5.5%)

*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) 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.26 in the attached material: "4. Consolidated financial statements & main explanatory notes (5) Explanatory notes regarding consolidated financial statements."

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

(Unit: shares)

① Number of fully issued shares at period end (including treasury stock)	FY ended Mar 2019	236,704,861	FY ended Mar 2018	236,677,955
② Treasury shares at period end	FY ended Mar 2019	3,256,316	FY ended Mar 2018	3,406,634
③ Average number of shares during the period	FY ended Mar 2019	233,358,246	FY ended Mar 2018	233,491,790

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 Share Ownership Plan trust account" ("ESOP Trust"). (FY ended March 2019: 577,235 shares. FY 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 2019 (April 1, 2018 - March 31, 2019)

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	JPY Million	%	JPY Million	%	JPY Million	%	JPY Million	%
FY ended Mar 2019	22,844	△25.1	13,163	△40.7	11,615	△43.8	12,306	△13.8
FY ended Mar 2018	30,499	135.6	22,214	200.0	20,661	203.4	14,278	125.9

	Current period net profit per share	Current net profit per share after adjustment for dilution
	JPY	JPY
FY ended Mar 2019	52.73	52.73
FY ended Mar 2018	61.15	61.14

(2) Specific Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	JPY Million	JPY Million	%	JPY
FY ended Mar 2019	238,337	102,853	43.2	440.58
FY ended Mar 2018	239,312	95,515	39.9	409.46

Ref: Equity capital	FY ended Mar 2019	102,853 JPY Million	FY ended Mar 2018	95,515 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.

(Change to method of presenting dates)

The method of presenting dates will change from use of the traditional Japanese-style calendar to use of the Western-style calendar.

○ Contents of Attachments

1. Review of business performance etc.

(1) Review of business performance this period

(1) Analysis of business performance

The future continues to remain unclear due to uncertainty in overseas economies stemming from a backdrop of US/China trade tensions, and England's exit from the EU etc. Japan's economy in the consolidated fiscal year under review was assisted by various economic policies and continued to experience moderate economic growth.

The employment situation: The 2018 average ratio of job offers to job seekers (seasonally adjusted) was a multiple of 1.61 times; one of the highest levels recorded in 45 years. In addition, the unemployment rate of 2.4% continued to trend at the lowest levels experienced in 26 years. 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. That said, the human resources related market in Japan tended to be sound overall. For PERSOL Group as well, client demand in the core temporary labor business tended to be strong, and sales structures in the placement business were successfully strengthened which resulted in substantial growth in the number of positions filled. Also, there was growth in results from PERSOL's overseas businesses. PERSOLKELLY segment growth was underpinned by a strong market environment in the APAC region. In addition, the inclusion of the PROGRAMMED segment etc. also contributed to growth.

In this type of environment, PERSOL Group made changes to the trading names of subsidiaries of various businesses by using "PERSOL" as a prefix. PERSOL aims to resolve challenges relating to labor/employment in various sectors by leveraging the integrated strengths within PERSOL Group and which extend beyond sectoral boundaries.

On 1 October 2018, the Temporary Staffing/BPO segment merged 7 temporary labor businesses into its "PERSOL TEMPSTAFF" entity, and 3 BPO companies were merged into one single company. It is intended that information held by each of these subsidiaries (registered staff/candidate registrations, customer information, and market information) will be aggregated, and IT technology will continue to be utilized to enhance the precision and speed of matching job opportunities with candidates. Also, with effect on 1 January 2019 the Temporary Staffing/BPO segment inherited the temporary labor/placement business of MOL Career Support, Ltd. In addition, the shares of Avanti Staff Corporation were acquired with effect on 31 January 2019, and Avanti was converted into a PHD subsidiary. This will strengthen PERSOL TEMPSTAFF's coverage of specialized roles such as trade support and finance administration more than ever before, and the aim of these moves is to further enhance corporate value.

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. The changing nature of work-styles is underpinned and accompanied by individuals wishing to change jobs. PERSOL promotes its evolution into a brand that supports the "work" of each and every person by aiming to support even more individuals who want to change jobs.

Levels of sales grew amongst PERSOL's overseas businesses: the PERSOLKELLY segment succeeded in expanding sales structures in each country underpinned by the strong business conditions in APAC markets. In the medium to long term, PERSOL is endeavoring to expand its business presence in the APAC region. Together with the large business platform of the PROGRAMMED segment, the aim of this dual overseas segment structure is to strengthen PERSOL's competitiveness in the APAC region.

In addition, as part of a new arrangement, PERSOL made a joint investment into an integrated support platform for freelancers provided by Lancers Inc. This investment is aimed at providing the "Sharefull" matching platform and a new company of the same name (Sharefull,inc) was established in January 2019, and commenced offering services in March. On the other hand, labor shortages in Japan are anticipated to become even more serious. It is forecast that there will be an increase in job-seekers wanting short-term/short-time jobs to combine with their existing jobs. This "Sharefull" service will provide a means to flexibly handle diversified work-styles.

As a result of the above, sales during this consolidated fiscal year under review were JPY 925,818 million (up 28.2% year-on-year (YOY)), operating profit was JPY 44,111 million (up 22.3% YOY), ordinary profit was JPY 43,982 million (up 25.3% YOY), and current net profit attributable to the parent company was JPY 24,361 million (up 213.5% YOY).

(2) Status of each business

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

a. Temporary Staffing/BPO Segment

In this consolidated fiscal year under review, sales in this segment amounted to JPY 509,538 million (up 5.9% year-on-year (YOY)), and operating profit increased to JPY 23,991 million (up 8.5% YOY).

Favorable corporate results and structural shortages of labor were underpinned by strong demand trends in this consolidated fiscal year under review which resulted in sales of JPY 509,538 million. On the profit side of the business, 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 associated with effects of revisions to Japanese laws that led to corporate clients directly hiring workers. Sales and general administration (SGA) expense control resulted in operating profit of JPY 23,991 million.

b. Recruiting Segment

In the consolidated fiscal year under review, sales in this segment amounted to JPY 85,826 million (up 17.8% year-on-year (YOY)), and operating profit increased to JPY 15,555 million (up 43.9% YOY).

During this consolidated fiscal year under review demand for HR resources continued to be strong underpinned by changes in the awareness of individuals regarding changing jobs which resulted in sales of JPY 85,826 million. On the profit side, marketing costs linked to the "doda" re-branding, and active investments into headcount etc. aimed at strengthening sales activity led to an increase in costs. However, the HR placements formed the core of sales expansion leading to earnings growth exceeding cost growth which resulted in operating profit of JPY 15,555 million.

c. PROGRAMMED Segment

Results for this segment in the consolidated fiscal year under review were: sales of JPY 201,476 million (up 269.6% YOY), and operating profit of JPY 841 million (operating losses in the previous period were JPY 507 million).

The competitive environment faced by the staffing business changed this consolidated fiscal year under review which led to a decline in sales to existing clients. The maintenance business also experienced declines in sales of maintenance services to public sector facilities as well as a decline in equipment maintenance provided at mining facilities which resulted in sales of JPY 201,476 million. On the profit side, operating profit was JPY 841 million as a result of operating cost reductions.

Furthermore, shares of Programmed Maintenance Services Limited were acquired for the PROGRAMMED segment during the previous consolidated cumulative 3rd quarter period leading to a new consolidated subsidiary, and the establishment of a new segment. The financial closing date of Programmed Maintenance Services Limited differs with PERSOL by 3 months, and the deemed acquisition date of the merged corporation was 30 September 2017. Accordingly, in the previous consolidated fiscal year, costs related to the share acquisition of Programmed Maintenance Services Limited and results for a 3 month period (1 October 2017 to 31 December 2017) were booked. Furthermore, in this consolidated fiscal year under review, results were booked for a 12 month period (1 January 2018 to 31 December 2018).

d. PERSOLKELLY Segment

In this consolidated fiscal year under review results for this segment were: sales of JPY 76,106 million (up 15.7% YOY), and operating profit of JPY 548 million (operating losses in the previous period were JPY 190 million).

Sales in this segment during this consolidated fiscal year under review amounted to JPY 76,106 million which was the result of expanded sales structures achieved through active strengthening of sales team headcount etc. in response to the buoyant APAC market environment. On the profit side, there were increases in labor costs etc., but on the other hand, revenues from services of the core placement business exceeded cost growth resulting in operating profit of JPY 548 million.

e. ITO Segment

In the consolidated fiscal year under review, sales in this segment amounted to JPY 33,644 million (up 16.1% year-on-year (YOY)), and operating profit was JPY 1,702 million (down 24.8% YOY).

Sales in this segment during this consolidated fiscal year under review amounted to JPY 33,644 million due to growth in IT systems investments etc. by client corporations, and progress made in securing engineers in response to healthy demand. On the profit side, operating profit was JPY 1,702 million as a result of growing costs etc. related to improved employee benefits and proactive business expansion.

f. Engineering Segment

In the consolidated fiscal year under review, sales in this segment amounted to JPY 29,357 million (up 5.6% year-on-year (YOY)), and operating profit increased to JPY 2,762 million (up 16.8% YOY).

The bullish ordering trend from clients during this consolidated fiscal year under review was underpinned by favorable demand for development services in the core automobile related sector which resulted in sales of JPY 29,357 million. On the profit side, operating profit was JPY 2,762 million supported by a healthy flow of orders.

(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 a 45 year record high level. On the other hand, the decline in Japan's workforce is steadily progressing as the population ages. Workforce participation rates of women and senior citizens etc. are increasing while 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 relate to demand for talent but also seeks to supply various types of 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 etc. in the medium to long-term. The Japanese government is promoting "work-style reform" which boosts market expansion yet on the other hand, the underlying labor shortages and changes to lifestyles etc. are leading to client companies/end users' needs becoming more diverse/sophisticated as time goes by. HR service companies are extending and going outside their usual business boundaries and are being approached to provide new arrangements, and are aware of the need to expand and provide an appealing and comprehensive range of services.

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 meld "PERSOL" into the company name prefix and have also implemented various types of promotions etc. as a means to enhance awareness of the Group. Also, PERSOL is incorporating the APAC region into a major future focus by: enhancing PERSOL's presence in the APAC region by actively strengthening its business platforms, and by investing in new businesses to expand service sectors to steadily increase profitability. Irrespective of whether the business is located in domestic Japan or overseas, PERSOL Group must act in unison to sincerely tackle the needs of a diverse range 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 planned via investments into businesses and brand enhancements.

Given the activity outlined above, it is anticipated that results for the consolidated fiscal year ending March 2020 will be: sales JPY 1,000,000 million, operating profit JPY 48,000 million, ordinary profit JPY 48,000 million, and current net profit attributable to the parent company of JPY 27,500 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 370,839 million; down JPY 31,496 million in comparison with the end of the previous consolidated fiscal year. Current assets decreased by JPY 20,707 million to JPY 209,845 million. This was mainly due to decreases in cash on hand and deposits of JPY 20,595 million.

Non-current assets decreased by JPY 10,789 million to JPY 160,994 million. This was mainly due to decreases in goodwill of JPY 10,349 million.

Total liabilities as at the end of this consolidated fiscal year under review were JPY 199,914 million; a decrease of JPY 42,429 million in comparison with the end of the previous consolidated fiscal year. Current liabilities decreased by JPY 72,182 million to JPY 144,919 million. This was mainly due to a decrease in short-term loans payable of JPY 80,244 million, and an increase in long-term debt scheduled to be repaid within 1 year of JPY 5,361 million.

Non-current liabilities increased by JPY 29,753 million to JPY 54,995 million. This was mainly due to increases in bonds of JPY 20,000 million, and increases in long-term loans payable of JPY 10,035 million.

Total net assets as at the end of this consolidated fiscal year under review were JPY 170,925 million; an increase of JPY 10,932 million in comparison with the end of the previous consolidated fiscal year. This was mainly caused by: payment of dividends of surplus of JPY 4,677 million, and posting 24,361 million in quarterly net profit attributable to parent company shareholders etc. which resulted in increased retained earnings of JPY 19,683 million whilst on the other hand, foreign currency translation adjustments decreased by JPY 9,210 million etc.

As a result of the above, the financial indicators showed that compared to the end of the previous consolidated fiscal year the liquidity ratio increased from 106.2% to 144.8%, and that the equity ratio increased from 36.2% to 42.0%.

	FY ended Mar 2018	FY ended Mar 2019
Return on Assets (ROA)	2.2%	6.8%
Return on equity (ROE)	5.5%	16.2%
Ratio of operating income to sales	5.0%	4.8%
Ratio of ordinary profit to sales	4.9%	4.8%
Current ratio	106.2%	144.8%
Fixed assets ratio	118.0%	103.5%
Equity ratio	36.2%	42.0%
Total assets	JPY 402,336 million	JPY 370,839 million
Equity capital	JPY 145,537 million	JPY 155,593 million
Cash and cash equivalents etc. at end of period	JPY 89,566 million	JPY 68,969 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 fiscal year under review. 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

The balance of cash and cash equivalents (hereinafter "capital") at end of the consolidated fiscal year under review was JPY 68,969 million; a decrease of JPY 20,596 million compared to the end of the previous consolidated fiscal year.

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

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

Capital acquired from operating activities was JPY 42,353 million; an increase of JPY 7,350 million compared to the end of the previous consolidated fiscal year. This was mainly caused by: payment of JPY 17,739 million in corporate taxes etc., and an increase in notes and accounts receivable (trade) of JPY 4,872 million. On the other hand, net profit before adjustment for income taxes and minority interests was JPY 42,691 million, goodwill amortization was JPY 8,612 million, and depreciation costs were JPY 7,249 million.

(Cash-flow from investing activities)

Capital utilized as a result of investing activities decreased by JPY 51,591 million to JPY 15,141 million compared to the end of the previous consolidated fiscal year. This was mainly due to spending of JPY 7,076 million on acquisition of intangible assets, and the change of the scope of the consolidation due to spending of JPY 3,202 million on acquisition of subsidiary company shares.

(Cash-flow from finance activities)

Capital utilized as a result of financing activities was JPY 48,165 million compared to the end of the previous consolidated fiscal year. This was mainly related to a net decrease of JPY 78,461 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) 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 view point. 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 2019), 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, business fluctuations and legal revisions 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. This may potentially have 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. In particular, PERSOL Group provides HR services and places emphasis on complying with labor related laws. 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. In addition, HR sections and departments are leading initiatives to manage the hours worked by workers however, if situations arose where PERSOL Group violated applicable laws etc., 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 Group’s 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 contravenes 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. 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 contravenes 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 in the Asia Pacific (APAC) region. To this end, in 2015 shares of Capita. Pte. Ltd., and First Alliances Co., Ltd. were acquired, in 2016 a joint venture was established with Kelly Services Inc., and then in October 2017 the shares etc. of Programmed Maintenance Services Limited were acquired. With these moves, 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 expense calculations use Japanese yen (JPY) rates that are calculated by using an average exchange rate during each consolidated accounting period. Because of 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 be 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 135 consolidated subsidiaries and 12 affiliated companies (besides PERSOL HOLDINGS Co. Ltd.) as at March 31, 2019.

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 after acquisition incidental liabilities arise, or unknown obligations come to light.

c. Fund raising

Aiming 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, liquidity constrictions etc.) which may 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 compatibility 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 could be lost in the Group, and claims for damages etc. could 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 Risks associated with natural disaster emergencies etc.

PERSOL Group assumes that natural disasters (earthquakes, typhoons, floods etc.), conflagrations, power-outages, pandemics and other phenomena that threaten business continuity (hereinafter "crisis") may occur. PERSOL Group is proceeding with necessary safety measures, and steps to ensure business continuity/quick recovery in the event of a crisis. At times when a crisis occurs, thought needs to be given to prompt and appropriate handling. However, in situations where crises occur of a scale that exceeds expectations, the business operations, financial condition, and business results of PERSOL Group may potentially be affected. Furthermore, as part of the qualitative aspect involved in the provision of HR services, it is conceivable that there may be a substantial burden of tasks for clients to perform when a crisis occurs (confirming safety at client corporations and safety of employees, as well as reorganizing contract arrangements etc). In turn, this may potentially have an impact on PERSOL Group's business operations, financial situation, and business results.

⑪ Risk of system failures

PERSOL Group businesses depend upon numerous computer systems and networks. For that reason, various measures have been put in place as a contingency: systems have been set up to handle situations when a crisis occurs (strengthening of systems security, augmenting hardware etc). However, in spite of such measures, if human error, cyber-attacks, or wide-ranging 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

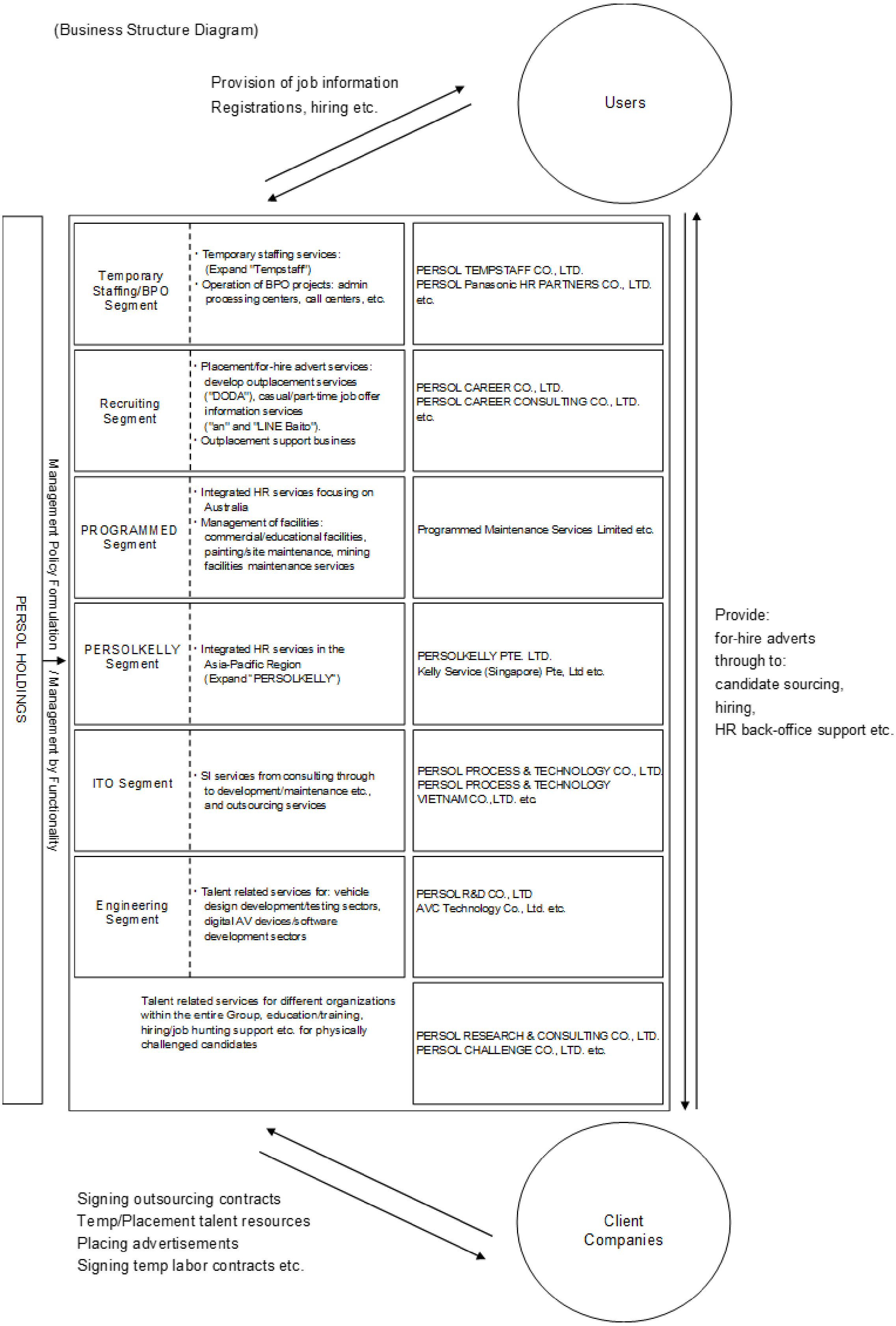
PERSOL Group's (this company and associates) main business is comprehensive human resource services w hich involves providing various HR-related business services. Setting a Group Vision to "Creating a social infrastructure for people and organizations that catalyzes grow th and innovation," w e aspire to provide w orking people w ith settings for grow th, and w ide-ranging services that contribute to the grow th of organizations. PERSOL also aims to achieve Group-w ide business grow th by building a management that adapts to the times and meets changing user needs through segment changes, functional enhancements, and coordinating Group-w ide control functions.

Based on these and related policies, PERSOL Group operates 135 consolidated subsidiaries and 10 affiliated companies (besides PERSOL HOLDINGS Co. Ltd.) as at March 31, 2019.

The follow ing is an organizational chart based on the main segments

As of March 31, 2019

(Business Structure Diagram)



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 considering the potential 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 million)

	Previous consolidated fiscal year (March 31, 2018)	Consolidated fiscal year under review (March 31, 2019)
Assets		
Current Assets		
Cash and deposits	89,624	69,029
Notes and accounts receivable-trade	120,254	122,908
Work in process	8,049	7,342
Other	13,251	11,251
Allowance for doubtful accounts	△627	△686
Total current assets	230,552	209,845
Non-Current Assets		
Fixed assets		
Buildings and structures	*1 7,332	*1 7,489
Accumulated depreciation	△4,006	△4,031
Accumulated impairment loss	△89	△60
Buildings and structures, net	3,237	3,397
Tools, furniture and fixtures	5,411	5,865
Accumulated depreciation	△4,152	△4,525
Accumulated impairment loss	△24	△35
Tools, furniture and fixtures, net	1,234	1,303
Land	802	799
Other	3,794	3,417
Accumulated depreciation	△1,061	△1,260
Accumulated impairment loss	△14	△0
Other, net	2,718	2,156
Tangible fixed assets total	7,993	7,657
Intangible assets		
Trademark rights	11,152	10,069
Goodwill	102,113	91,763
Other	20,629	20,539
Intangible assets total	133,894	122,372
Investments and other assets		
Investment securities	*2 12,542	*2 11,894
Deferred tax assets	4,636	5,770
Other	12,732	13,317
Allowance for doubtful accounts	△16	△17
Total investments and other assets	29,895	30,964
Total Fixed assets	171,783	160,994
Total Assets	402,336	370,839

(Unit: JPY million)

	Previous consolidated fiscal year (March 31, 2018)	Consolidated fiscal year under review (March 31, 2019)
Liabilities		
Current Liabilities		
Accounts payable – trade	1,597	741
Short-term loans payable	85,288	5,044
Current portion of long-term loans payable	4,640	10,001
Accounts payable	67,409	68,307
Accrued income taxes	8,905	11,384
Accrued consumption taxes	13,796	14,159
Provision for bonuses	9,931	11,730
Reserve for bonuses for Directors	6	14
Provisions - other	736	745
Other	24,788	22,789
Total Current Liabilities	217,102	144,919
Non-Current Liabilities		
Bonds payable	—	20,000
Long-term loans payable	15,713	25,748
Deferred tax liabilities	5,209	5,042
Provision for share benefits	126	261
Provision for Directors' share benefits	115	291
Provisions - other	268	217
Other	3,808	3,433
Total Non-current liabilities	25,241	54,995
Total Liabilities	242,343	199,914
Net assets		
Shareholders' equity		
Capital	17,467	17,479
Capital surplus	20,182	20,396
Retained earnings	105,993	125,677
Treasury shares	△4,576	△4,387
Total Shareholders' Equity	139,066	159,165
Accumulated other comprehensive income		
Valuation difference on marketable securities	3,179	2,346
Foreign currency translation adjustment	3,291	△5,919
Total accumulated other comprehensive income	6,470	△3,572
Non-controlling interests	14,455	15,331
Total net assets	159,992	170,925
Total Liabilities and shareholders' equity	402,336	370,839

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

(Consolidated statements of income)

(Unit: JPY million)

	Previous consolidated fiscal year (From April 1, 2017 to Mar 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to Mar 31, 2019)
Net Sales	722,183	925,818
Cost of sales	554,745	719,301
Gross profit	167,438	206,517
Selling, general and administrative expenses (SGA)	*1 131,369	*1 162,406
Operating Profit	36,068	44,111
Non-operating income		
Interest income	58	79
Dividends income	134	166
Subsidy income	701	339
Share of profit of entities accounted for using equity method	13	26
Gains on foreign currency exchange	—	308
Other	120	111
Total non-operating profit	1,028	1,031
Non-operating expenses		
Interest expenses	356	843
Bond issuance expenses	—	102
Losses on foreign exchange	1,523	—
Commission fee	4	84
Other	104	129
Total non-operating expenses	1,988	1,160
Ordinary Profit	35,108	43,982
Extraordinary income		
Gain on sales of fixed assets	*2 35	*2 86
Gain on sales of subsidiaries and affiliates' shares	2	44
Gain on sales of investment securities	65	120
Gain on transfer of business	—	38
Gain on revision of retirement benefit plan	—	56
Extraordinary income total	103	346
Extraordinary losses		
Loss on disposal of non-current assets	*3 1	*3 24
Impairment loss	*4 14,280	*4 1,530
Loss on sales of subsidiaries and affiliates' shares	23	3
Loss on valuation of investment securities	49	78
Early extra retirement payments	17	—
Loss on revision of retirement benefit plan	261	—
Total extraordinary losses	14,633	1,636
Net profit before income taxes	20,578	42,691
Corporate tax, resident tax, and business tax	14,104	16,548
Corporate tax etc.-deferred	△951	△246
Total corporate taxes etc.	13,152	16,302
Net Profit	7,425	26,389
Current period net profit attributable to non-controlling shareholders & current period net losses attributable to non-controlling shareholders (△)	△343	2,027
Current period net profit attributable to parent company shareholders	7,769	24,361

(Consolidated comprehensive income statement)

(Unit: JPY million)

	Previous consolidated fiscal year (From April 1, 2017 to Mar 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to Mar 31, 2019)
Net Profit	7,425	26,389
Other comprehensive income		
Valuation difference on marketable securities	975	△832
Foreign currency translation adjustment	3,402	△9,339
Equity interest in affiliated companies accounted for by the equity-method	△7	△232
Total other comprehensive income	* 4,370	* △10,404
Comprehensive income	11,796	15,984
(Breakdown)		
Comprehensive income attributable to owners of parent	11,845	14,318
Comprehensive income attributable to non-controlling interests	△49	1,666

(3) Consolidated statements of changes in equity

Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)

(Unit: JPY million)

	Shareholders' equity				
	Capital	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 shares issues	2	2			4
Dividends of surplus			△4,209		△4,209
Current period net profit attributable to parent company shareholders			7,769		7,769
Acquisition of treasury shares				△1,276	△1,276
Disposal of treasury shares		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	Total accumulated other 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
Current period net profit attributable to parent company shareholders					7,769
Acquisition of treasury shares					△1,276
Disposal of treasury shares					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

Current Consolidated fiscal year ended (from April 1, 2018 to March 31, 2019)

(Unit: JPY million)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' Equity
Balance at beginning of current period	17,467	20,182	105,993	△4,576	139,066
Changes of items during period					
New shares issues	12	12			25
Dividends of surplus			△4,677		△4,677
Current period net profit attributable to parent company shareholders			24,361		24,361
Acquisition of treasury shares				△5	△5
Disposal of treasury shares		167		194	361
Change in ownership interest of parent due to transactions with non-controlling interests		33			33
Net changes of items other than shareholders' equity					
Total changes of items during period	12	213	19,683	188	20,098
Balance at end of period	17,479	20,396	125,677	△4,387	159,165

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on marketable securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	3,179	3,291	6,470	14,455	159,992
Changes of items during period					
New shares issues					25
Dividends of surplus					△4,677
Current period net profit attributable to parent company shareholders					24,361
Acquisition of treasury shares					△5
Disposal of treasury shares					361
Change in ownership interest of parent due to transactions with non-controlling interests					33
Net changes of items other than shareholders' equity	△832	△9,210	△10,043	876	△9,166
Total changes of items during period	△832	△9,210	△10,043	876	10,932
Balance at end of period	2,346	△5,919	△3,572	15,331	170,925

(4) Consolidated statements of cash flows

(Unit: JPY million)

	Previous consolidated fiscal year (From April 1, 2017 to Mar 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to Mar 31, 2019)
Cash flow from operating activities		
Net profit before income taxes	20,578	42,691
Depreciation	4,907	7,249
Impairment loss	14,280	1,530
Amortization of goodwill	7,050	8,612
Increase (decrease) in provision for bonuses	782	1,878
Increase (decrease) in provision for directors' bonuses	△166	8
Increase (decrease) in provision for directors' bonuses	126	148
Increase (decrease) in provision for directors' bonuses	115	196
Increase (decrease) in allowance for doubtful accounts	△47	108
Increase (decrease) in other liabilities	△110	△117
Interest and dividend income	△192	△245
Interest expenses	356	843
Share of (profit) loss of entities accounted for using equity method	△13	△26
Foreign exchange losses	△1,158	—
Loss (gain) on sales of shares of subsidiaries and associates	21	△40
Loss (gain) on sales of investment securities	△65	△120
Loss (gain) on valuation of investment securities	49	78
Loss (gain) on disposal of non-current assets	△33	△62
Subsidy income	△701	△339
Bond issuance expenses	—	102
Loss (gain) on transfer of business (△ is gain)	—	△38
Decrease (increase) in notes and accounts receivable - trade (△ is an increase)	△10,851	△4,872
Increase (decrease) in operating debt (△ is a decrease)	10,755	1,464
Increase (decrease) in accrued consumption taxes (△ is a decrease)	3,404	511
Increase (decrease) in long-term accounts payable – other	△747	18
Decrease (increase) in other assets	3,758	△812
Increase (decrease) in other liabilities	△437	△3,072
Subtotal	51,660	55,693
Interest and dividend income received	205	257
Interest expenses paid	△456	△840
Proceeds from subsidy income	40	—
Proceeds from subsidy income	701	339
Corporate tax etc. paid	△18,789	△17,739
Income taxes refund	1,641	4,644
Cash flow from operating activities	35,003	42,353

(Unit: JPY million)

	Previous consolidated fiscal year (From April 1, 2017 to Mar 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to Mar 31, 2019)
Cash flow from investing activities		
Payments into time deposits	△0	△19
Proceeds from withdrawal of time deposits	6	8
Purchase of property, plant and equipment	△1,949	△2,373
Proceeds from sales of property, plant and equipment	148	883
Purchase of intangible assets	△4,350	△7,076
Proceeds from sales of intangible assets	6	―
Proceeds from sales of associates	29	―
Purchase of investment securities	△1,288	△863
Proceeds from sales of investment securities	80	194
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 △61,818	*2 △3,202
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	131	104
Expenditures on sales of shares of subsidiaries resulting in change in scope of consolidation	―	△672
Payments for transfer of business	△78	△573
Proceeds from transfer of business	909	127
Payments of loans receivable	△3	△14
Collection of loans receivable	779	3
Payments for guarantee deposits	△939	△2,005
Proceeds from collection of guarantee deposits	348	498
Foreign currency contract settlement net income and expenditure(net amount)	1,158	―
Other	96	△159
Cash flow from investing activities	△66,732	△15,141
Cash flow from financing activities		
Net increase (△ decrease) in short-term loans payable	69,323	△78,461
Proceeds from long-term loans payable	―	20,000
Repayments of long-term loans payable	△13,533	△4,640
Proceeds from issuing corporate bonds	―	19,897
Repayments of corporate bonds	―	△2
Purchase of treasury shares	△1,276	△5
Proceeds from sales of treasury shares	49	―
Cash dividends paid	△4,209	△4,677
Dividends paid to non-controlling interests	△128	△142
Expenditure due to refunds to non-controlling interests	―	10
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△0	△0
Other	△38	△143
Cash flow from financing activities	50,186	△48,165
Effect of exchange rate change on cash and cash equivalents	1,727	356
Net increase (decrease) in cash and cash equivalents	20,184	△20,596
Cash and cash equivalents at beginning of period	69,382	89,566
Cash and cash equivalents etc. at end of period	*1 89,566	*1 68,969

(5) Explanatory notes regarding consolidated financial statements

(Explanatory notes regarding ongoing concern assumptions)

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

Due to an acquisition of shares, Avanti Staff Corporation was included within the scope of consolidation.

b. Number of consolidated subsidiaries after changes

135 companies

(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.

(Changes to method of presentation)

(Changes accompanying the application of partial revisions to the "Accounting standards pertaining to Tax Effective Accounting" etc.)

Partial revisions to the "Accounting Standards Pertaining to Tax Effective Accounting" (Corporate Accounting Standards No. 28, February 16, 2018. Hereafter, referred to as "partial revisions to tax effective accounting standards") have been applied from the beginning of this consolidated fiscal year under review. Deferred tax assets have been shown in the Investments and Other Assets section, deferred tax liabilities have been shown in the Non-Current Liabilities section, and the Tax Effect Accounting-Related Notes have been amended.

As a result, in the consolidated balance sheet of the previous consolidated fiscal year, "Deferred Tax Assets" under "Current Assets" have decreased by JPY 4,940 million, and "Deferred Tax Liabilities" listed in "Investments and Other Assets" have increased by JPY 3,811 million. In addition, the "Other" category in "Current Liabilities" has decreased by JPY 4 million, and "Deferred Tax Liabilities" in the "Non-Current Liabilities" category has decreased JPY 1,129 million.

Moreover, the same taxable entities "Deferred Tax Assets" and "Deferred Tax Liabilities" have been shown balanced out, so that Total Assets have decreased JPY 1,129 million compared to before changes.

(Consolidated Balance Sheet)

"Net defined benefit liability" had until the previous consolidated fiscal year been independently shown under "Non-Current Liabilities". From the current consolidated accounting fiscal year onwards, this will be recorded under "Other" in the "Non-Current Liabilities" as it has diminished in financial importance. We are revising the consolidated financial statement of the previous consolidated fiscal year to reflect these changes in presentation method.

Consequently, the JPY 1,174 million "Net defined benefit liability" independently shown under "Non-Current Liabilities" in the consolidated balance sheet of the previous consolidated fiscal year is included in the "Other" category in "Non-Current Liabilities".

(Consolidated Statements of Cash-Flow)

As the monetary importance of "Changes in net defined benefit liability" in "Cash flows from operating activities:" has diminished, this will be shown within "Changes in Other Liabilities" from this consolidated fiscal year under review onwards. The consolidated financial statement of the previous consolidated fiscal year is being revised to reflect these changes in presentation method.

Consequently, "Changes in Net defined benefit liability" of JPY 98 million is listed under "Changes in Other Liabilities" in the Consolidated Cash Flow Statement for the previous consolidated fiscal year.

(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, 2018)	Consolidated fiscal year under review (March 31, 2019)
Buildings and structures	172 JPY Million	― JPY Million

*2 Related company matters occurring amongst investment securities are as follows:

	Previous consolidated fiscal year (March 31, 2018)	Consolidated fiscal year under review (March 31, 2019)
Investment securities	2,814 JPY Million	2,653 JPY 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, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Employee salaries, allowances, and bonuses.	56,162 JPY Million	69,497 JPY Million
Provision of reserve for bonuses	5,291	6,050
Provision of reserve for directors' bonuses	6	18
Provision of reserve for share allocations	128	145
Provision of reserve for directors' share allocations	117	192
Retirement benefit expenses	874	1,562
Rents	9,371	11,061
Provision of allowance for doubtful accounts	―	200

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

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Buildings and structures	― JPY Million	0 JPY Million
Tools, furniture and fixtures	―	0
Other	35	86
Total amount	35	86

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

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Buildings and structures	1 JPY Million	15 JPY Million
Tools, furniture and fixtures	0	0
Other	―	8
Total amount	1	24

*4 Impairment loss

Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)

The following asset groups of PERSOL GROUP booked impairment losses in this consolidated fiscal year under review

Purpose	Place:	Type	Impairment loss (JPY million)
—	—	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.	Chiyoda-ku, Tokyo	Software etc. (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 utility 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 utility value. Future cash flow can no longer be expected, so recoverable value is deemed to be zero.

This consolidated fiscal year (from April 1, 2018 to March 31, 2019)

The following asset groups of PERSOL GROUP booked impairment losses in the current consolidated fiscal year:

Purpose	Place:	Type	Impairment loss (JPY million)
Investment for consolidated subsidiary PERSOL Career Co., Ltd. business purposes.	Minato-ku Tokyo	Software in progress etc. (Note)	1,054
Other	—	—	475

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: After considering the future outlook regarding Non-Current Assets of the HITO-Talent business of consolidated subsidiary PERSOL RESEARCH AND CONSULTING CO. LTD., it was decided that the potential to recover the book value of this asset group through future cash flow was negligible. Therefore, the book value was reduced to a recoverable amount and this reduced amount was booked as an impairment loss. The recoverable value from this asset group is measured according to utility value. Future cash flow can no longer be expected, so recoverable value is deemed to be zero.

(Relates to the consolidated comprehensive income statement)

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

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Valuation difference on marketable securities		
Amounts arising in current period	1,383 JPY Million	△1,116 JPY Million
Adjustment amount	－	△94
Prior to tax adjustment	1,383	△1,210
Tax adjustment effect	△407	378
Valuation difference on marketable securities	975	△832
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	3,412	△9,339
Adjustment amount	△10	－
Prior to tax adjustment	3,402	△9,339
Tax adjustment effect	－	－
Foreign currency translation adjustment	3,402	△9,339
Equity interest in affiliated companies accounted for by the equity-method		－
Amounts arising in current period	△7	△232
Adjustment amount	－	－
Equity interest in affiliated companies accounted for by the equity-method	△7	△232
Total other comprehensive income	4,370	△10,404

(Consolidated statements of cash flows)

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

	Previous consolidated fiscal year (From April 1, 2017 to Mar 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to Mar 31, 2019)
Cash and deposits	89,624 JPY Million	69,029 JPY Million
Term deposits with deposit periods in excess of 3 months.	△58	△59
Cash and cash equivalents	89,566	68,969

*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 outgoings (net amounts) related to the share acquisition are as follows:

Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)

Programmed Maintenance Services Limited and its 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

This consolidated fiscal year under review (from April 1, 2018 to March 31, 2019)

Assets, liabilities and stock acquisition prices for acquisition of Avanti Staff Corporation to consolidate as subsidiary are undisclosed due to confidentiality with other party. However, to secure fairness and validity, the stock price was evaluated by third-party organization to be determined.

(Business combination etc. related matters)

This consolidated fiscal year under review (from April 1, 2018 to March 31, 2019)

(Corporate mergers by acquisition)

Acquisition of Avanti Staff Corporation

1. Overview of the corporate merger & acquisition

(1) Name & business description of the corporation subject to acquisition

Name of the corporation subject to acquisition: Avanti Staff Corporation (hereinafter "Avanti Staff")

Business outline: Temporary staffing business (general temporary staffing/senior temporary staffing), placement/recruitment business, outsourcing business, corporate training business, (general training/language training).

(2) Main reasons for the corporate merger & acquisition

PERSOL aspires to "Create a social infrastructure for people and organizations that catalyzes growth and innovation" based on its corporate philosophy for "providing opportunity," "individual growth," and "social contribution." PERSOL is strengthening its business foundation to meet the increasingly sophisticated needs of client companies and job seekers in recent years, the decrease in Japan's domestic workforce, revisions in related laws and ordinances, and technological improvements in the form of AI/RPA etc.

On the other hand, Avanti Staff was established in January 2002 with the merger of Nippon Carriere Ltd. (established in September 1984), and Marubeni Personnel Support Ltd. (established in April 1986). In the backdrop of Avanti's establishment is its deep ties with Fuyo Group including Mizuho Bank and Marubeni Corporation. Avanti Staff provides high quality HR services based on a detailed knowledge of the management policies, corporate cultures, and business descriptions of each Fuyo Group company.

Aiming to raise the corporate value of Avanti Staff, PERSOL has discussed transferring Avanti's shares with Hulic, and an agreement to transfer 51.2% of Avanti's shares has now been reached. In addition, discussions over assignment were held with several other shareholders, and it was decided that 92.5% of Avanti shares would be acquired.

As a result of this deal, PERSOL and Avanti Staff will together strive to raise Avanti's corporate value by combining PERSOL's management foundation focused on its know-how to gather job seekers, Avanti's client base focused on Fuyo Group that it has cultivated thus far, and the know-how to meet the needs of specialized roles existing within finance businesses and trade businesses etc.

(3) Corporate merger & acquisition date

January 31, 2019 (deemed acquisition date: January 1, 2019)

(4) Legal form of the corporate merger & acquisition, and corporate name after 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

92.5%

(6) Main basis for deciding to acquire the corporation

PERSOL TEMPSTAFF CO., LTD. (a PERSOL HOLDINGS CO. LTD. consolidated subsidiary), paid cash consideration to acquire Avanti Staff shares.

2. Performance period of the acquired company included in the consolidated financial statement

Results were included in this consolidated fiscal year under review (period from January 1, 2019 until March 31, 2019).

3. Acquisition cost of the corporation subject to acquisition, and breakdown according to type of consideration

Acquisition price: Not released due to a duty of confidentiality that exists with the counter part to this acquisition. Furthermore, to ensure a fair/appropriate acquisition price, a decision was made after taking into consideration a share price valuation calculated by a third party.

4. Description and amount of main acquisition-related cost

Advisory costs etc. JPY 39 million

5. Monetary amounts of goodwill that occurred, causes for the occurrence, amortization method, and amortization period

(1) Monetary amounts of goodwill that occurred

JPY 2,604 million

(2) Causes of this occurrence

Mainly expected excess earning power based on the potential to generate beneficial business synergies through the mutual use of infrastructure and brand-power owned by PERSOL Group and the corporation subject to acquisition.

(3) Amortization method and amortization period

Straight-line amortization over 10 years

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

	(Unit: JPY million)
Current Assets	3,600
Non-Current Assets	646
Total Assets	4,247
Current Liabilities	2,240
Non-Current Liabilities	538
Total Liabilities	2,779

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	13,626 JPY million
Net profit before income taxes	273
Profit attributable to owners of parent	97

(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

PERSOL Group reporting segments involves a separation of applicable PERSOL Group elements that have financial reporting available, where the Board of Directors has decided to allocate business resources, and where business results can be evaluated.

During the consolidated cumulative 3rd quarter period of the fiscal year ended March 2018, 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. This transition is manifested in 6 reporting segments: Temporary Staffing/BPO, Recruiting, PROGRAMMED, PERSOLKELLY, ITO, and Engineering.

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 similar to "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 rates.

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

The previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)

(Unit: JPY million)

	Reporting segment							Other Note 1:	TOTAL	Adjustments Note 2:	Consolidated Financial Statements Amount booked Note 3:
	Temp/ BPO	Recruiting	PROGRAMMED	PERSOLKELLY	ITO	Engineering	Total Amount				
Net 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	142,616	66,912	125,117	22,651	22,749	16,723	396,770	2,863	399,634	2,701	402,336
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

This consolidated fiscal year under review (from April 1, 2018 to March 31, 2019)

(Unit: JPY million)

	Reporting segment							Other (Note 1)	TOTAL	Adjustments Note 2:	Consolidated Financial Statements Amount booked Note 3:
	Temp/ BPO	Recruiting	PROGRAMMED	PERSOLKELLY	ITO	Engineering	Total amount				
Net Sales											
Sales to external clients	506,673	84,673	201,476	76,039	25,180	29,350	923,394	2,411	925,805	12	925,818
Internal sales or transfers between segments	2,865	1,152	—	67	8,463	7	12,556	3,339	15,896	△15,896	—
Total amount	509,538	85,826	201,476	76,106	33,644	29,357	935,950	5,751	941,701	△15,883	925,818
Segment profits or losses (△)	23,991	15,555	841	548	1,702	2,762	45,402	△558	44,843	△732	44,111
Segment Assets	140,703	82,160	103,475	25,751	24,955	17,969	395,016	4,623	399,640	△28,800	370,839
Other items											
Depreciation Note 4:	1,681	1,276	2,414	284	295	268	6,221	81	6,303	945	7,249
Amount of assets in equity method companies:	84	473	1,892	—	—	—	2,653	—	2,653	—	2,653
Increases in tangible fixed assets & intangible fixed assets. Note 4:	1,421	2,555	1,238	696	1,231	225	7,368	896	8,264	1,269	9,534
Impairment loss	13	296	—	165	—	—	475	1,054	1,530	—	1,530
Amortization of goodwill:	2,251	1,549	3,465	515	492	336	8,612	—	8,612	—	8,612
Balance of goodwill yet to be amortized	15,574	22,068	42,649	3,346	7,229	896	91,763	—	91,763	—	91,763

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 adjustments are as follows.

(Segment profits)

(Unit: JPY million)

	Previous consolidated fiscal year	Consolidated fiscal year under review
Inter-segment write-offs	△22,757	△14,023
Company-wide revenues *1	30,502	22,848
Company-wide expenses *2	△8,218	△9,556
TOTAL	△472	△732

*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 million)

	Previous consolidated fiscal year	Consolidated fiscal year under review
Segment write-offs	△107,216	△93,343
All company assets *3	109,917	64,542
TOTAL	2,701	△28,800

*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 assets & intangible fixed assets" 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, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Net assets per share	JPY 623.90	JPY 666.50
Current period net profit per share	JPY 33.28	JPY 104.39
Net profit per share after making potential share adjustments	JPY 33.27	JPY 104.39

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

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Current period net profit per share		
Current period net profit attributable to parent company shareholders (JPY million)	7,769	24,361
Amounts not attributed to ordinary shareholders (JPY millions)	—	—
Net profits attributed to ordinary shares related to the parent company (JPY millions) Net profit (JPY Million)	7,769	24,361
Average number of shares during the period (Unit: Thousand shares)	233,491	233,358
Net profit per share after making potential share adjustments		
Adjusted net profit attributable to ow ners of parent (JPY million)	—	—
Increase in ordinary shares (Unit: Thousand shares)	30	11
(including: Convertible bonds w ith subscription rights to shares)	(30)	(11)
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 Ow nership Plan trust account" ("ESOP Trust") w ere implemented from the previous consolidated fiscal year onw ards. Average number of ordinary shares during the period: Treasury shares are deducted from the calculations w hich include shares in the "Director Compensation BIP (Board Incentive Plan) trust account" and "Employee Stock Ow nership Plan trust account" ("ESOP Trust") (589,571 shares as at the end of previous consolidated fiscal year, and 577,235 shares as at the end of this consolidated fiscal year under review).
Furthermore, the average number of PERSOL HOLDINGS shares that w ere held in the trust account mentioned above during this consolidated fiscal year under review w as 581,875 shares (393,532 shares consolidated previous fiscal year).