Earnings Briefing Summary for the

Second Quarter of the Fiscal Year Ending March 2017

November 16, 2016 (Wed)
Temp Holdings Co., Ltd.

Consolidated earnings highlights for the first half of the fiscal year ending March 2017

Consolidated income statement: Structural labor shortage drives growth across all segments and especially in our core businesses

Operating income grew 25.3% year on year on a 12.5% increase in sales. We attribute this growth to the solid fundamentals underlying our core temporary staffing and recruitment businesses.

We booked sales of ¥276.7 billion. Of the ¥30.6 billion in year-on-year growth, ¥24 billion was organic, while ¥8.9 billion was the product of M&A activity[1] . Strong market fundamentals drove the organic growth, with Temporary Staffing/BPO segment sales rising ¥16.1 billion, in part because of an increase in the number of active placements, and Recruiting segment sales rising ¥3.7 billion due in part to growth in the number of successful mid-career placements.

Our EBITDA was ¥21.5 billion. This represents a ¥4.3 billion year-on-year increase, most of which is the result of organic growth. Sales growth across all our segments was a key contributor to the income growth.

Our operating income also grew ¥3.4 billion year on year, reaching ¥16.6 billion.

Consolidated balance sheet and cash flow statement: Financials remain strong

Our consolidated balance sheet for the most part saw no major changes.

One development of note is the increase in minority interests. This, as previously announced, owes to the fact that we expanded what had been a North

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1 Additions to consolidated books include P&P Holdings Corporation as of June 2015 and of Capita Pte. Ltd. as of January 2016.

Asian joint venture with Kelly Services to cover the broader APAC (Asia-Pacific) region. This reduced our shareholder equity ratio, which had stood at 53.8% at the end of the previous business year, to 52.4%, but our financials remain healthy.

Our cash flow statement is also solid thanks in part to good progress across all our business segments and to our healthy execution of investment and financial activities.

Dividends: Raising annual dividend by ¥2 in reflection of brisk earnings

As previously announced, we are raising both our interim dividend and our planned year-end dividend by ¥1, bringing our total annual dividend per share to ¥16. As such, we anticipate a full-year dividend payout ratio of 18.7%.

Progress update on our Mid-term Management Strategy

Our business environment: Labor shortage increasingly severe

A survey by our Group's think tank, PERSOL RESEARCH AND CONSULTING CO., LTD., indicates that Japan's labor force will be short 5.83 million workers a decade from now. There has been an awareness for some time that a labor shortage is forthcoming, but lately we have begun to see actual impact on Japan's real economy. While the manufacturing sector is poised to see excesses of labor, the service sector and many other industries look likely to experience shortages.

Japan will likely need to tackle the issue of labor shortages from two angles: it will need to Increase its labor supply by encouraging workforce participation by women, seniors, and foreign workers, and it will need to bolster the productivity of its existing workforce.

As Japan's industrial structure, working styles, and outlooks on work change, enabling a smooth transition of labor from mature industries to growth industries and avoiding mismatches in labor allocation will be key, especially if Japan is to bolster its productivity. One goal of Prime Minister Shinzo Abe's cabinet is to encourage such a transition without increasing unemployment. We likewise intend to serve as part of Japan's human resource service infrastructure so that we can reduce employment mismatches and contribute to greater productivity in Japan.

Meanwhile, foreign workers are feeling less incentivized to work in Japan as deflation has resulted in sluggish wages there while those in other countries are rising. We are hoping to do what we can to help to eventually increase the number of non-Japanese working in Japan.

Japanese society is about to face a major turning point. We intend to continue to do our utmost to play an essential role in that society, guided by our corporate philosophy of "Creating jobs, adding value to the individual, and contributing to society" and our Group vision of "Creating social infrastructure for people and organizations that catalyze growth and innovation," both of which reflect the values handed down to us by our founder, Yoshiko Shinohara.

Mid-term Management Strategy: "Creating social infrastructure for people and organizations that catalyze growth and innovation"

As we announced in May, our Mid-Term Management Strategy that runs through the fiscal year ending March 2020 revolves around five strategies[2]. We next discuss four initiatives we are undertaking in the current fiscal year.

The first is the establishment of the Group brand PERSOL. M&A activity has grown our Group into a total human resources solution provider. However, while the names of individual Group companies like Tempstaff and Intelligence are well known, we have struggled to gain awareness that those individual companies all belong to the same Temp Group. With working styles poised to continue to diversify, we hope to come to be known by our new Group brand PERSOL so that we may maximize on our Group's comprehensive set of capabilities and help as many working people and clients as we can.

The second initiative involves changes to our governance structure. Following our June general shareholders' meeting, we transitioned to the form of corporate organization known as "Company with Supervisory Committee." Our president Masamichi Mizuta and our vice president Hirotoshi Takahashi have left the business companies to focus on Group governance from the perspective of the holdings company, entrusting the leadership of the business companies to a new generation of leaders.

The third initiative involves the expansion of the scope of our joint venture with

[2] 1) Brand building, 2) IT system investment and productivity improvements targeting further business growth, 3) Generating Group synergies and advancing Group-wide management, 4) Enhancing our presence in APAC, and 5) Expanding our operational capabilities and services lines via M&A

Kelly Services, as announced in April 2016. We had been involved in a joint venture with Kelly Services in North Asia, but this expansion has enabled us to provide a variety of services across the major APAC regions.

We are still newcomers to overseas markets, and in some regions, we had been unable to develop our businesses sufficiently due to licensing issues and other hurdles. The expansion of our joint venture positions us to resolve such issues by collaborating with Kelly, which boasts a long history and a wealth of experiences in the relevant markets. Moreover, whereas our customer portfolio previously primarily reflected the strength of our relationships with Japanese and Asian companies, the collaboration with Kelly also gives us access to the global Western players with which we had not previously enjoyed significant relationships. We intend to work to ensure that our joint venture is able to contribute as a key piece of infrastructure in APAC, where workers are likely to enjoy greater freedom of movement going forward.

Fourthly and finally, we discuss an achievement we have made under our third strategy of "Generating Group synergies and advancing Group-wide management." Intelligence, Ltd., which joined our Group in 2013, had been a human resources services business focused on major metropolitan areas. However, joining our Group gave it access to a temporary staffing sales network that has enabled it to expand into outlying areas as well. We see this as a success case whereby we were able to make more effective use of Group assets without engaging in any new investment, and we hope to further bolster such initiatives going forward.

Our outlook for the fiscal year ending March 2017

The current business environment is solid, underpinned by 1) a structural labor shortage, 2) efforts to reduce long working hours, and 3) steady and strong demand for human resources from the manufacturing industry due to advancements in technology.

Given this environment, we have upwardly revised the earnings forecasts we released in August. We have increased our sales forecast by ¥6 billion versus the August figure to ¥590 billion and our operating income figure by ¥800 million to ¥32.5 billion. We generated operating income of ¥16.6 billion in the first half of the fiscal year, so a full-year forecast of ¥32.5 billion makes it look as though we are anticipating weaker profits in the second half. However, this outlook actually reflects our intention to leverage our brisk earnings to fund approximately ¥1.5 billion in additional growth investments across the Group, including on efforts to enhance our Group brand.

In closing

The logo for our new PERSOL brand is inspired by a camera's viewfinder and reflects our desire to focus on each and every working person so that we can provide the services that best serve their needs. Even now many different people are working in many different places. We want to do what we can to support all of those dedicated, hard workers. We intend to continue to grow so that we can best serve you, and we hope that we can count on your continued support as well.