



2Q FY ending March 2018 Results Briefing Session: Summary

November 13, 2017 (Mon)
PERSOL HOLDINGS CO., LTD.

Consolidated Financial Results Highlights for 2Q FY ending March 2018 (Cumulative)

Consolidated profit and loss statement: M&A contribution to additional growth in existing businesses

Net sales increased +17.3% year-on-year (YOY), EBITDA declined by 2.4% YOY, and operating profit declined by 3.9% YOY.

Net sales were 324.7 billion yen. Breakdown of 74.3 billion yen in revenue growth compared with 2Q FY ended March 2017 period (cumulative): 25.6 billion yen in organic growth and an additional 22.9 billion yen due to M&A activity¹. Organic fundamentals of strong market environment were the backdrop to income growth. Major factors were: growth in the number of temporary staff headcount deployed (Temporary Staffing/BPO segment), and an increase in the number of career-change candidates successfully placed by the placement business (Recruiting segment). Substantial growth in revenue was also achieved due to the impact of expansion throughout the entire APAC region of the joint venture between PERSOL and Kelly Services Inc. that is developing in the North Asian region.

EBITDA was 21.0 billion yen. Profit declined by 500 million yen compared with 2Q FY ended March 2017 (cumulative). Temporary Staffing/BPO segment: Growth in the number of temporary staff headcount deployed is also contributing to EBITDA. Recruiting segment: Active promotional investments/HR talent investments resulted in a decline in profit of 300 million yen year-on-year (YOY). Furthermore, EBITDA declined as a result of investments in branding aimed at expanding awareness of PERSOL Group, and IT investments in various businesses etc.

Operating income was 16.0 billion yen. EBITDA declined for largely similar reasons; profit decreasing by 600 million yen.

Consolidated Balance Sheet: Ongoing healthy financial position maintained

Current assets increased by 32.1 billion yen from end of fiscal year ended March 2017.

¹ M&A target companies (date within brackets indicates commencement date of consolidated results contribution): Kelly Services (Singapore) Pte. Ltd (October 2016)



The primary factor was an increase in cash and deposits due to profit growth.

Non-current liabilities decreased by 1.8 billion yen from end of fiscal year ended March 2017 due mainly to repayment of long-term loans payable etc.

Net assets: Business proceeded smoothly resulting in profitable outcomes. Net assets increased by 7.0 billion yen from end of fiscal year ended March 2017, and the equity ratio was 52.7%.

Consolidated Cash Flow Statement: Acquisition of own shares for use in the BIP Trust/ESOP trust

Cash flow based on business activities and cash flow based on investment activities shifted at similar levels.

Cash flow based on financial activities: Cash out increased by 1.9 billion yen due to expenditure on acquiring own shares earmarked for use in the stock compensation plan/share allocation plan (BIP Trust/ESOP Trust) for PERSOL Group directors etc., and for increased dividend payments.

Dividends: Interim Dividend was 9 yen per share as anticipated

Past dividend policy continued to be maintained: the interim dividend was 9 yen. The final dividend is also anticipated to be 9 yen, with a payout ratio of 19.0%. The dividend policy to date was continued based on the judgment that a certain amount of cash must be kept on hand for strategic investment purposes.

Progress with the Interim Management Plan & PERSOL Group Overseas Expansion

Interim Management Plan: 5 Strategies

The PERSOL Holdings Interim Management Plan adopts five strategies. Strategy 1: "Raise Awareness of the Group". The holding company name and core Group company names were changed to reflect a "PERSOL" prefix. Strategy 2: "System investments & productivity enhancement aimed at further business growth". A sequential cut-over from old to new critical temporary staffing business systems commenced in July of this year. Also, efforts will be made to improve future productivity. Strategy 3: "Create Group synergies & promote Group-wide management". Diverse needs of clients can be met by unifying the PERSOL brand. There is desire to progress management efficiencies so that Post Merger Integration



(PMI) can steadily move forward in the future. Strategy 4: "Enhanced presence in the Asia-Pacific region". Strategy 5: "Actively expand the business platform and service footprint through M&A's". Progress these strategies by focusing overseas through the joint venture with Kelly Services and acquisition of Programmed Ltd. PERSOL Group's 3 corporate values: Support diversity of work styles & minimize mismatches. Become the largest HR services corporation in the APAC region. Become a company that enables individuals within APAC to freely select work-sites that extend across national boundaries.

Performance targets in the Interim Management Plan: Significantly increased revenues and net sales due to the acquisition effect Programmed Ltd. EBITDA and operating income are also both progressing steadily.

Significance of PERSOL Group Overseas Expansion

Japan's population is decreasing whereas the populations of APAC countries are forecast to increase. With this, the HR services market is expected to grow. When looking at the global temporary staffing market, temporary staffing for clerical roles forms a major part of the Japanese market. A breakdown of results for American and major global temporary staffing companies shows that a large percentage of temporary staffing roles are for blue collar workers. As the PERSOL Group is aiming to become the largest HR services company in APAC, it is essential to expand into service offerings other than clerical worker temporary staffing. Looking back at past overseas expansion, the PERSOL Group has been able to establish a business platform in most if not all areas in the APAC region. In future the desire is to provide services with even greater added value to customers and workers by leveraging this business platform.

PERSOL Group Overseas Strategy

The HR services industry provides talent resources and a range of know-how to organizations and clients. To run the business a certain scale is necessary in each region. PERSOL's temporary staffing business in domestic Japan was expanded in the past by means of M&As, etc. Earnings improved after M&As but, the thinking is this approach can be applied in APAC as well. Expanding scale in APAC was realized through the joint venture with Kelly Services last year, and through acquisition of Programmed Ltd. this year. The aim is for organic growth in each region, and also, for future improvement of profitability. To achieve this, the strategy is to use local management as the foundation while establishing governance



structures of an equivalent standard as seen in domestic Japan.

The joint venture with Kelly Services has delivered EBITDA constantly in the black. Organic sales growth in excess of 10% is also being achieved.

Significance of the Programmed Ltd. Acquisition

The Australian temporary staffing market is the largest market in the APAC region: an area where PERSOL is expanding services. Being able to acquire Programmed Ltd., (which is proud of top share in this market), is an M&A of substantial significance for PERSOL: which aims to be the largest HR services company in the APAC region. The Australian economy has been growing steadily, and the population is expected to grow substantially up to 2050. The staffing business and maintenance business run by Programmed Ltd. are also anticipated to experience stable expansion in the future, in line with expansion in the Australian temporary staffing market and Australian maintenance market.

Outline of Programmed Ltd.

Programmed Ltd. was established as a painting services company in 1951. Programmed Ltd. grew steadily based on the maintenance business in a sector that supports society. Currently, Programmed Ltd. has the two core businesses: staffing and maintenance. Each business accounts for approximately half of total net sales. Programmed Ltd.'s staffing business consists of temporary staffing (mainly blue collar workers), while the maintenance business handles facilities maintenance etc. Programmed Ltd. has achieved a record of solid performance over the approximately 70 years they have been in business. Safety is company policy at Programmed Ltd. Over a 10 year period Programmed Ltd. has achieved an approx. 90% reduction in its LTIFR² global safety standard. Programmed Ltd.'s current LTIFR level sits at around 2 points: one of the highest safety levels in the world. PERSOL Group has not expanded into maintenance services up until now however, both entities are interested in leveraging Programmed Ltd.'s accumulated know-how within the APAC region.

When looking at trends in the business performance of Programmed Ltd. over the past few years, net sales grew significantly between the year ended March 2016 and the year ended March 2017. This was as a result of Programmed Ltd. acquiring SKILLED Ltd. (an Australian temporary staffing company) in 2015. Currently, integration tasks are still underway.

² Lost Time Injury Frequency Rate: workplace injury frequency based on a ratio of actual work hours lost per every 1 million work hours actually worked. Safety Indicators



Governance Action Plan After Acquisition of Programmed Ltd.

PERSOL director Mr. Toshihiro Ozawa was dispatched to Australia to become Chairman of Programmed Ltd. and to establish a solid governance structure. At the same time, the Australian CEO and management team will continue to remain in place, and are expected to demonstrate their strengths as a highly experienced management team. After acquisition, a "5/5/5" Action Plan was established. Meetings will be held by dividing activities into 8 areas such as HR/finance. Moves will be made to develop structures in response to significant matters that must be addressed over a post-acquisition timeline of 5 days, 5 weeks, and 5 months. Synergies between Programmed Ltd. and PERSOL: Focus will be initially placed on integrating SKILLED Ltd. (which was acquired by Programmed Ltd. in 2015). After the SKILLED integration is completed, synergies between Programmed Ltd. and PERSOL Group will be pursued. In the past with domestic Japan acquisitions, synergies have not always been generated immediately after acquisition. PERSOL Group integrates its acquisitions steadily by taking more time the larger the integration. The thinking is the same goes for overseas acquisitions. Firstly, PERSOL will carefully identify Programmed Ltd.'s businesses/strengths etc.