



2Q FY ending March 2018 Results Briefing Session: Q&A Summary

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

Q. What are the factors behind Temporary Staffing/BPO segment margin falls during 2Q?

A. Gross profit in the temporary staffing business has improved compared with the same period in the previous year. Factors behind this fall are negotiations etc. related to billing rates that have to take place starting from the next period in response to changes in labor laws. On the other hand, there was a cut-over from old to new critical temporary staffing management systems during this quarter. The impact of this was a transitory increase in costs resulting in deterioration of the operating profit ratio.

Q. What is status of the HR placement/help-wanted "an" advertisement publication in the Recruiting segment?

A. HR placement has remained robust however, "an" has been struggling to grow its market. The "an" Hokkaido version, 3 Tokai versions, and Fukuoka metro & region version held on as gratis hard-copy publications however, distribution was halted in August 2017, and were absorbed into our portfolio of web-based media. In addition, during this same period, the Web version of "an" was freshened-up and systems updated. As a result, this period was a challenge compared with the same period previous in the year.

Q. Are improvements in margins in the temporary staffing business anticipated? What are the prospects for productivity improvements as mentioned in medium-term plan strategy item 2?

A. In the temporary staffing business, there was a cut-over from old to new critical temporary staffing management systems during 2Q 2017. This system affects the business from front to back. From the fiscal year ending March 2018 onwards, we believe we will see improved front-office productivity, and back-office efficiency gains. Post Merger Integration (PMI) plans relating to the temporary staffing business have by and large been completed. The intention is to effectively consolidate the organization within a medium-term time frame.

Q: Status of PMI progress with Kelly Inc. and outlook for the next period

A. In general, Post Merger Integration (PMI) has been progressing much as anticipated. PMI



progress has exceeded all expectations in every country besides Singapore. Singapore has the largest scale of those countries within the Kelly PERSOL joint venture business. Integration tasks will take some time.

Q: Advertising costs have risen in relation to the temporary staffing business I believe. But will this situation continue into the future?

A: Securing candidate registrations in the temporary staffing business is the key-critical challenge. Besides regular for-hire/candidate advertising costs, expenses were also incurred due to PERSOL brand advertising during this accounting period. However, this portion of expenses can be viewed as transient costs and thought of as an investment that is possible only because the current business climate is good.

Q. What are the future net sales prospects for "an" after "an" is freshened-up? Also, if things don't work out for "an", is it possible that a management decision will be made to shift additional resources over to the HR placement (DODA) business?

A. The status of "an" after being freshened-up will to some degree not reach the anticipated initial forecasts.

Personnel resources etc. in the DODA advertising business were augmented from April of this year. But on the other hand, no thought was given to closing "an". There are approximately 20 million individuals working in the casual/part-time worker sector. Casual/part-time workers also account for a large proportion of the total working population. Having a casual/part-time worker sector advertising business is a potential asset because of the large number of corporate clients. It is believed that holding onto this business is of major significance when considering that "an" can be kept going in the form of a cooperative effort within the group.

Q. Future implementation of Robotic Process Automation (RPA) etc. is progressing. If the demand for clerical roles declines will this impact on business results?

A. The extent of impact is not yet understood. However, there could well be an impact on clerical roles. PERSOL is aiming to grow the scale of the business as well as market share so that even if there is a decline in demand for clerical roles PERSOL has structures in place to mitigate impact.