



**PERSOL HOLDINGS CO., LTD.**

Financial Results Briefing for the Fiscal Year Ended March 2019

May 15, 2019

## Event Summary

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[Company Name]	PERSOL HOLDINGS CO., LTD.	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2019	
[Fiscal Period]	FY2018 Annual	
[Date]	May 15, 2019	
[Number of Pages]	35	
[Time]	17:00 – 18:02 (Total: 62 minutes, Presentation: 39 minutes, Q&A: 23 minutes)	
[Venue]	Shin-Marunouchi Building, 20F 1-5-1 Marunouchi, Chiyoda-ku, Tokyo, 100-0005	
[Venue Size]		
[Participants]	100	
[Number of Speakers]	3 Masamichi Mizuta                      Representative Director, President and CEO Hirotooshi Takahashi                Director, Deputy President and COO Kiyoshi Seki                             Director, Executive Officer (Chief Financial Officer)	
[Analyst Names]*	Hirofumi Oda                             SMBC Nikko Securities Inc. Shinnosuke Takeuchi                 Jefferies Japan Limited	

\*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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# Presentation

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**Kasamatsu:** Now, we will begin the financial results briefing of PERSOL HOLDINGS CO., LTD. for the fiscal year ended March 31, 2019. I am Kasamatsu of the Group Finance Department and will serve as Moderator today. Thank you very much.

First of all, I would like to introduce speakers. Masamichi Mizuta, Representative Director, President and CEO.

**Mizuta:** Mizuta. Thank you very much.

**Kasamatsu:** Hirotoshi Takahashi, Director, Deputy President and COO.

**Takahashi:** Takahashi. Thank you very much.

**Kasamatsu:** Kiyoshi Seki, Director, Chief Executive Officer.

**Seki:** Seki. Thank you very much.

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**Kasamatsu:** The content of today's presentation is as shown. Part 1, Mr. Seki will explain the summary of the consolidated financial results for the fiscal year ended March 31, 2019. Part 2, Mr. Mizuta and Mr. Takahashi will explain the progress of the Medium-Term Management Plan. Part 3, Mr. Mizuta will explain the financial results forecast for the fiscal year ending March 31, 2020.

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## Part 1: Overview of Consolidated Results FY Ended March 2019

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Now, we'll move to Part 1. Thank you very much.

**Seki:** Ladies and Gentlemen, thank you very much for your participation in the PERSOL HOLDINGS financial results briefing for the fiscal year ended March 31, 2019.

I would like to explain the summary of the consolidated financial results for the fiscal year ended March 31, 2019.

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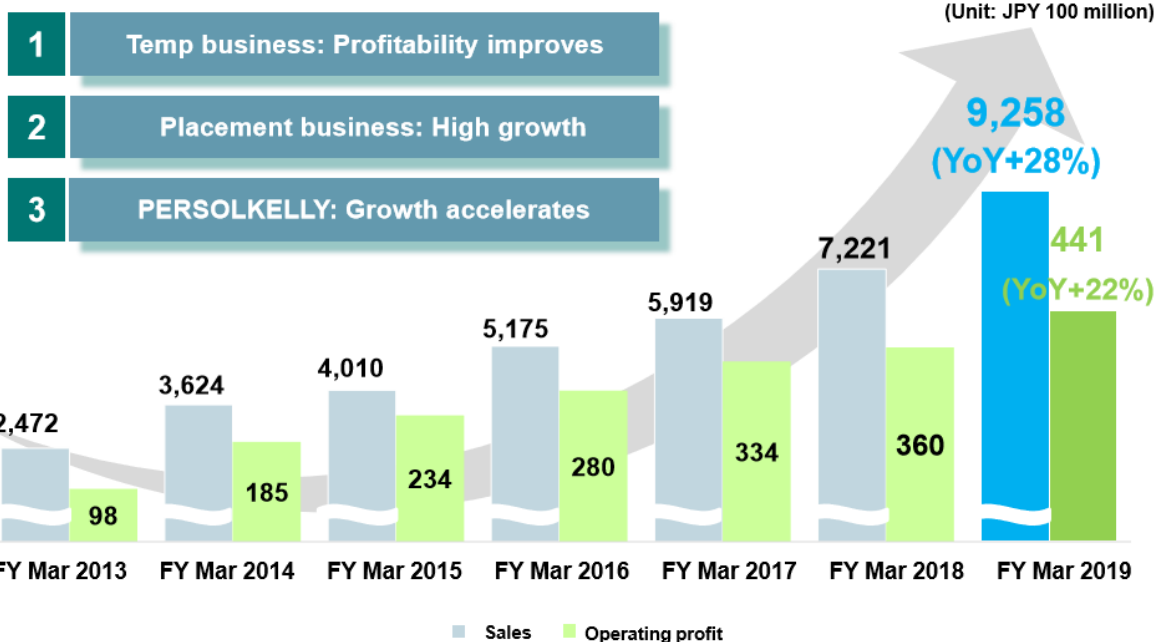
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## FY Ended March 2019: Consolidated Results

Highest results achieved for the past 7 consecutive financial years.  
Business drivers: Japan domestic temp & placement businesses,  
overseas PERSOLKELLY business.



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First, with regard to our consolidated financial results for the fiscal year ended March 31, 2019, as you know, we are in an economic environment characterized by macroeconomic and other uncertainties. However, there are no major negative factors in our business environment, and we believe that we have been able to develop our business in a favorable environment.

As a result, we achieved record-high net sales and operating income for the seventh consecutive fiscal year, a very strong financial performance.

The figure on the right-hand side of the graph shows the figures for the fiscal year ended March 31, 2019. Net sales for existing businesses recorded 7% growth. Combined with the effects of M&A of Programmed, sales were 925.8 billion yen, 28% growth year on year.

As shown in the green bar chart on the right, operating income rose 22% YoY to 44.1 billion yen. This exceeded the previous forecast of 42.5 billion yen by 1.6 billion yen.

As I will explain here again, there are three major factors behind this. One is the improved profitability of the Temporary Staffing business, which is one of our core businesses. Second, the Recruitment Consulting business has maintained strong growth. Third, we are accelerating growth in PERSOLKELLY segments. I believe that we have achieved a very high level of performance on the income statement with these three points.

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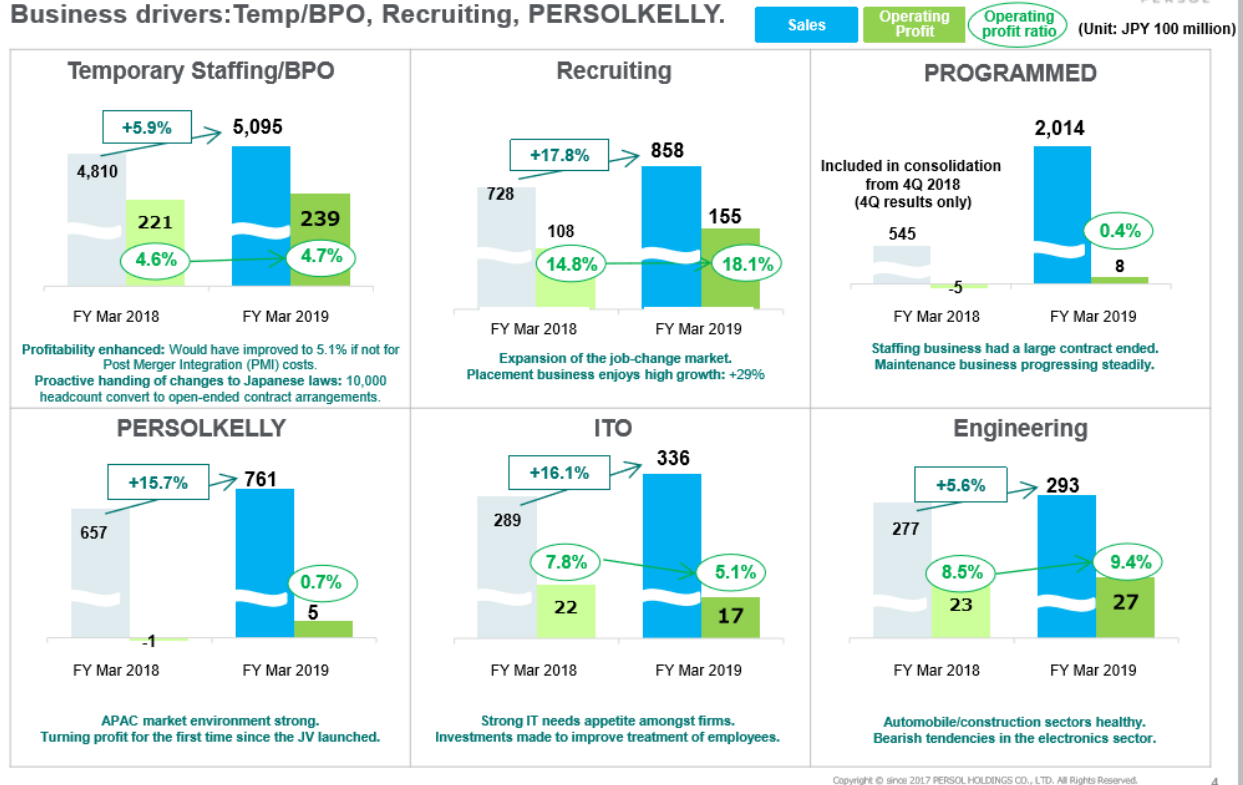
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## FY Ended March 2019: Results by Segment

Business drivers: Temp/BPO, Recruiting, PERSOLKELLY.



Next, I would like to briefly explain the results by business segment. In the Temporary Staffing and BPO segment, net sales were 509.5 billion yen, slightly below the initial target, but operating income was 23.9 billion yen. As for operating income margin, we have improved our profitability by 0.1%.

I will explain this in a little more detail later, but with regard to the dispatch in Japan, contracts for more people terminated due to the impact of the revision of the law and other factors, and it may seem that growth has slowed somewhat. However, with regard to this, considering various factors, such as the improvement of productivity and the number of referral fees, the profit level was 23.9 billion yen, or 4.7%.

We are also responding to legislative revisions throughout the year, and we were able to welcome more than 10,000 people who made the shift to open-ended contracts, and we believe that this will be a positive effect in our future business development.

Next, the Recruiting segment in the middle of the upper row. Here, the job change market in Japan is also strong in the current macroeconomic environment. Combined with these factors, sales increased 17.8% to 85.8 billion yen. In terms of profits as well, we reported operating income of 15.5 billion yen on a consolidated basis.

This is mainly due to a 29% increase in revenue in the Placement/Recruiting business, which was a strong driving force behind overall performance.

As for the Programmed segment, which is shown in the upper right of this section, we have consolidated it from the fourth quarter of the previous fiscal year. As we have been explaining to you for some time, due to the low-priced competition in the blue-collar dispatch business in Australia, orders from large clients have declined to a certain extent. We have implemented various measures during the past year, but we have not yet covered the decline, and we have only recorded sales of 201.4 billion yen.

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On the other hand, in the Maintenance Business, our performance has remained strong throughout the year. In particular, in the last four quarters, we have been able to capture new orders, such as those related to airports and universities, and we believe that we will be able to make a positive impact on our performance in the fiscal year ending March 2020.

In the PERSOLKELLY segment, I believe that the overall market environment in the APAC market centered on Southeast Asia was very good.

Against this backdrop, for the first time since the start of our joint venture, this segment has returned to an operating profit. We believe that the Company maintained a high level of sales and other factors, and that the Company was able to absorb certain investments, such as personnel expansion and IT investment, and was able to turn profitable in the fiscal year under review. This is a very good result of the Company's financial results.

In the middle of the bottom row, in the ITO segment, there was an extremely strong need for IT adoption and diffusion among corporations. We have received very large inquiries from our customers, and we have been able to properly capture systems integration projects and outsourcing projects utilizing IT, resulting in a 16.1% increase in sales.

With regard to earnings, as I have explained for some time, we have implemented approximately 1.2 billion-yen improvement in compensation in the fiscal year ended March 31, 2019. Based on the results of these measures, we are seeing a decline in earnings. However, I believe that we have been able to properly settle our accounts in order to lay the foundation for a new growth path from the current fiscal year onwards.

Finally, in the Engineering segment, both sales and profits were generally firm. On a client basis, there were weak results in some consumer electronics and electrical machinery industries, but I believe that in the automotive and construction machinery industries we were able to receive extremely strong inquiries and show very strong performance in the financial results.

I would like to explain the three points in more detail.

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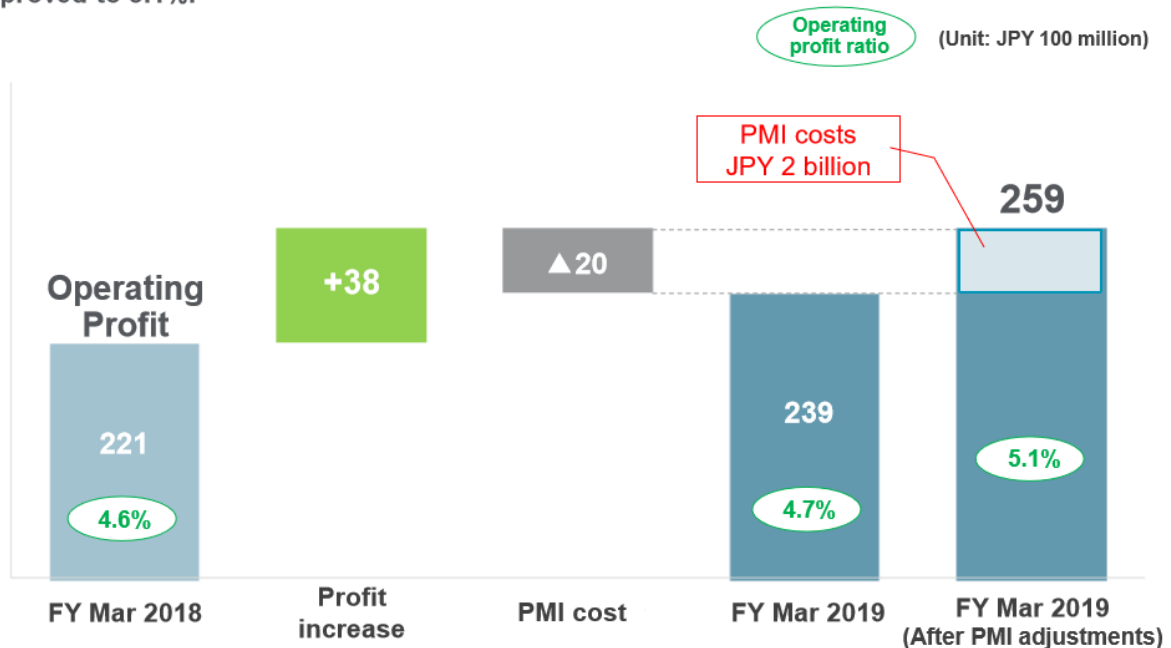
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## Improved Profitability in the Temporary Staffing/BPO Segment

If not for Post Merger Integration (PMI) costs, the operating profit ratio would have improved to 5.1%.



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First, as for the improvement of the profitability of the Temporary Staffing and BPO segment. We have been presenting this chart for explanation of the breakdown of factors since last fiscal year. The positive impact of the increase in operating income is 22.1 billion yen. In the fiscal year ended March 31, 2019, we also undertook restructuring of our domestic subsidiaries and affiliates. As I explained, we have invested approximately 2.0 billion yen in PMI.

Based on these results, operating income improved steadily by 0.1% to 23.9 billion yen. In the absence of one-time expenses, such as PMI and integration costs, the overall earnings structure would be in place to achieve an operating income margin of more than 5%. I believe that we can expect further growth in future business developments.

There were three main points that improved earnings: one is the core systems of our Temporary Staffing business, Genesis, and we properly improved the matching rate using these systems. In addition, the Company has been able to earn referral fees based on some open-ended contracts. In light of the market environment, we have been able to pass through cost as planned. These three points contributed to the increase in profits.

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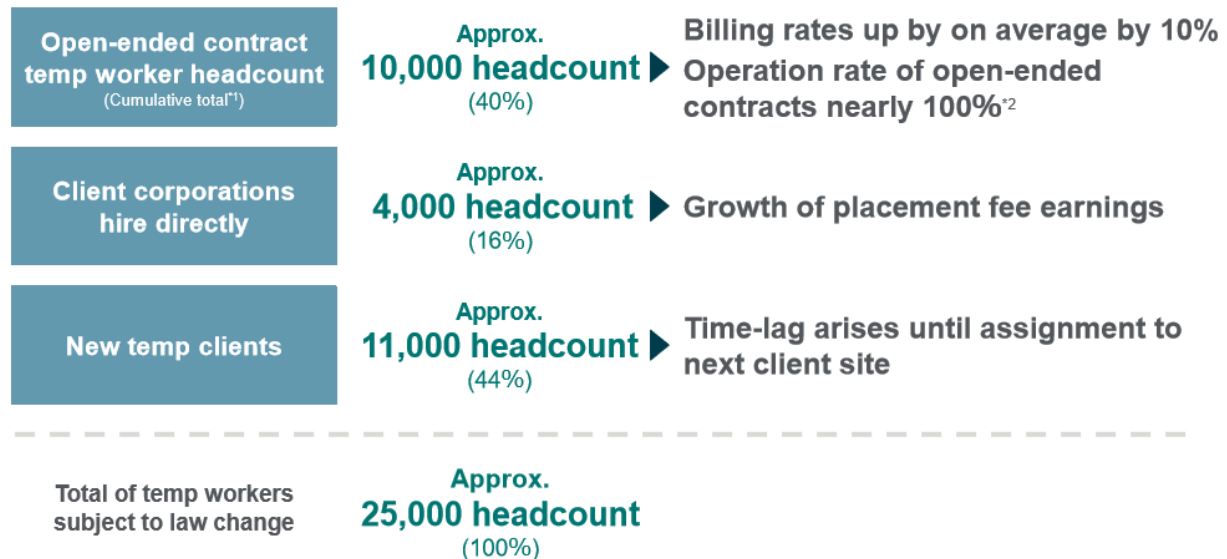
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## Handling of Temp Business Related Revisions to Japanese Laws:

Even though there was an impact of revisions to Japanese laws temporarily, 10,000 temp staffs that successfully transitioned to open-ended contract arrangements.



<sup>\*1</sup>: Number of temporary workers who transitioned to open-ended employment contracts as a consequence of revisions to Japan's Labor Contract Act and Japan's Worker Dispatching ("Temp") Act (excludes 2,600 open-ended contract temps who previously transitioned).

<sup>\*2</sup>: Operation rate excludes the time not working due to training/education activities.

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I would like to talk about strengthening our open-ended contracts. In the fiscal year ended March 31, 2019, a total of 25,000 people were eligible to change jobs in response to revisions to the law.

Of these, approximately 40%, 10,000 staff members are employed as our open-ended staff, and we have been able to pass on the increase of approximately 10% to our billing unit price. With the exception of education, training, and other hours, the utilization rate is almost 100%, so I believe that this is also contributing to a certain level of earnings.

In the middle row, the portion of direct employment by corporations was approximately 4,000. The situation here also varies from company to company, but I believe that in general, based on careful communication, we are able to respond directly to employment.

At the end of the year, new temp clients, who chose to work based on the so-called registered style, accounted for 11,000 people, or 44%. There was a time lag in which these people could choose a variety of options. As a result, as for P&L, some of our top-line performance has slowed down in the fiscal year ended March 31, 2019.

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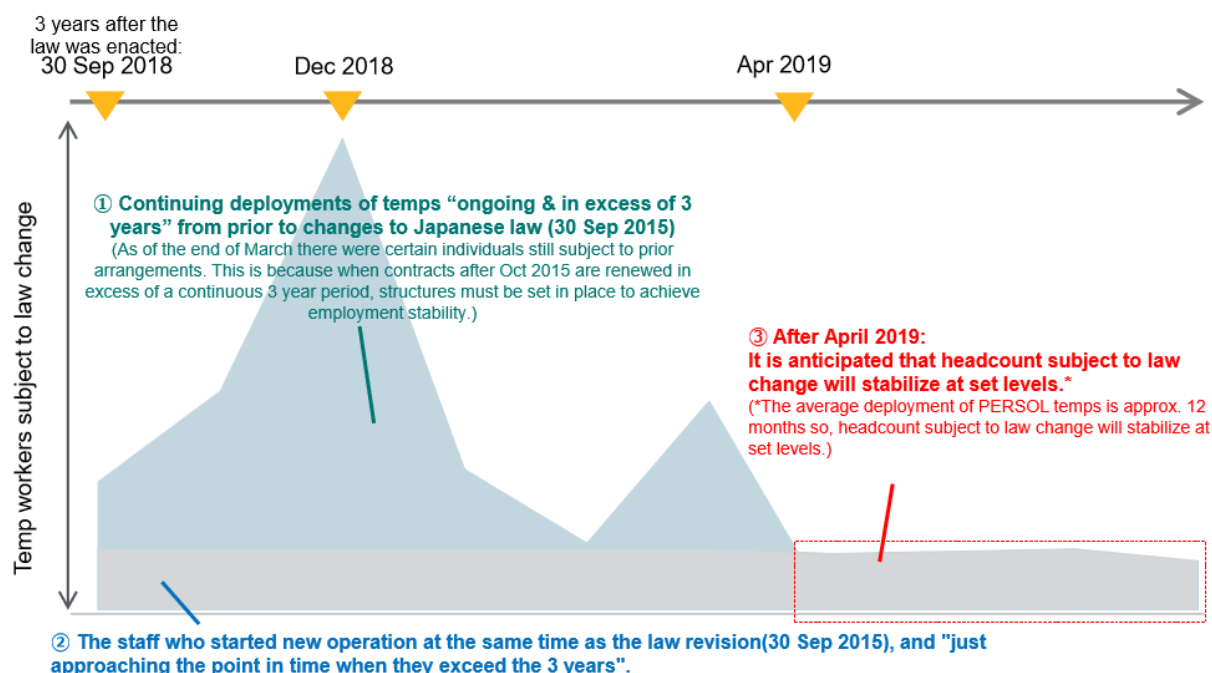
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## Outlook for Individuals Subject to Changes in Japanese Law:

Peaked in December 2018.

From April 2019 onwards, headcount levels of temps working as temps for periods in excess of 3 years are anticipated to stabilize.



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I would like to explain the outlook for individuals subject to changes in law.

First, as shown by the mountain shape in the middle of the slide, the vertical direction shows the absolute number of persons subject to the revision of the law. There have been staff who have worked since before the revision of the law, who have worked more than three years, with a certain percentage from October 2018 to March 2019.

The largest peak was in December. The second peak was in March. This represents staff who had been working since before the revision of the law. During the past six months, we have been communicating carefully with them regarding those who are eligible for indefinite service, who are subject to the change of the law, and who are eligible for employment security measures.

We believe that the peak-out will be in April, as indicated by the narrow line on the right, I believe that a certain percentage of the open-ended-contract targets and those who are subject to the change of the law will emerge in the normal cycle from April onwards. By effectively controlling and communicating with them, we believe that sales growth will return to a strong pace in the fiscal year ending March 2020.

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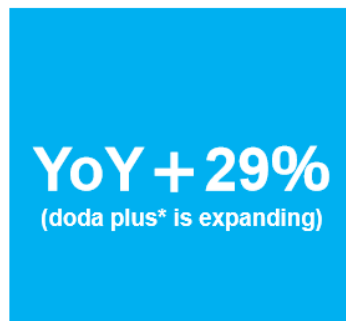
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## High Growth Recruiting Segment

Continuous high growth achieved by actively hiring consultants, and by offering multi-tiered services.



### Placement business sales



### Advertisement business sales

(Aimed at permanent employees )



\*doda plus: A service where even those job seekers who have not received job counseling receive email & telephone approaches.

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Next, we are looking at the high growth of the Recruiting segment. Overall, sales grew by 17.8% YoY, and as for operating income, we have achieved profit growth in excess of 40%.

The driving force behind this trend is that the Recruitment Consulting business performed very well. The annual growth rate was 29%. At the same time, doda plus, which is a non-face-to-face service provider, and the multi-layered deployment of the job advertisement business for permanent employees, which is shown on the right, have enabled us to grow in all of our service domains. This is the driving force behind our overall growth in the previous fiscal year.

In addition, although not available at this time, the year-on-year growth in the "an" business was generally positive due to promotional investments made in the fiscal year ended March 31, 2019.

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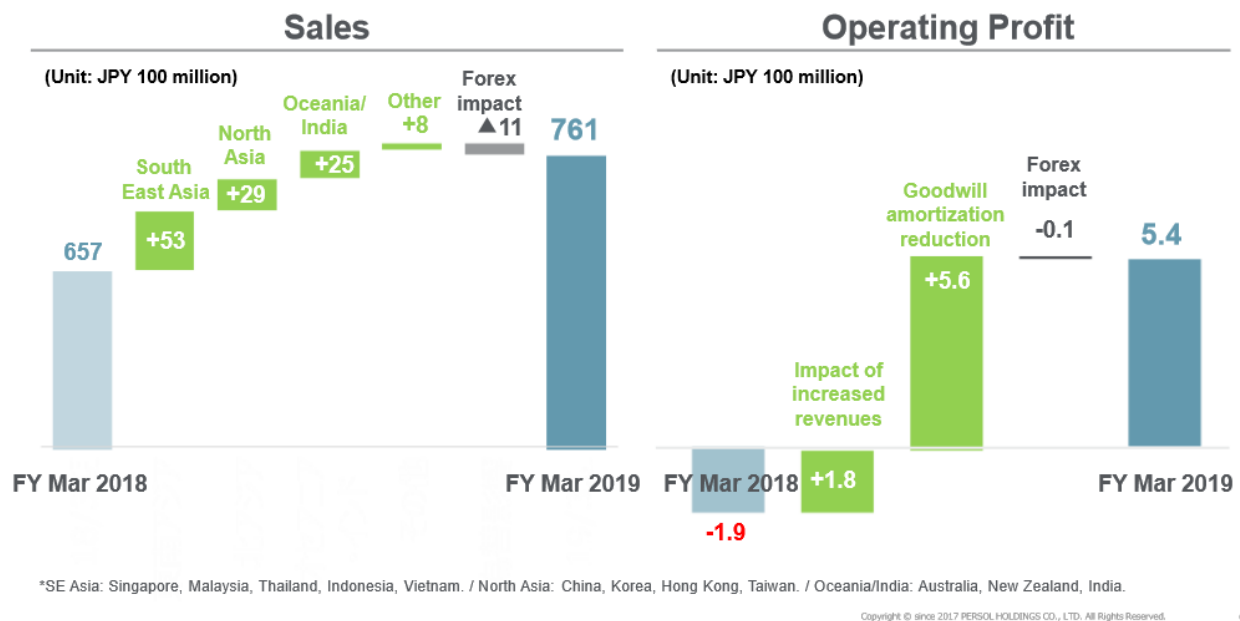
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## Recovery in PERSOLKELLY Business Results

After a partial impairment of goodwill took place at PERSOLKELLY in the FY ended March 2018, singapore placement results recovered to become profitable



Next, PERSOLKELLY's business performance is recovering. Sales growth is shown on the left. We have been able to achieve positive YoY growth in almost all areas. Sales increased from 65.7 billion yen to 76.1 billion yen.

The breakdown of operating income is summarized on the right side. After a partial impairment in the fiscal year ended March 31, 2018, we recorded a profit of approximately 560 million yen. However, considering that we are investing in personnel and systems in the fiscal year under review, we have made investments for upcoming growth and have largely built a strong profit base in the PERSOLKELLY segment.

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## FY Mar 2019 Market Environment

Underlying tone of demand remains unchanged.  
The number of job vacancies is growing steadily.



Job Vacancies/ Nº. of Orders	As of March 2018		As of March 2019	
<b>Dispatch (‘Temp’) business</b> (Nº. of orders obtained)	Approx. 25,000 orders	▶	Approx. 28,000 orders	(+12%)
<b>Placement Business</b> (Nº. of valid opportunities)	Approx. 72,000 opportunities	▶	Approx. 87,000 opportunities	(+21%)
<b>Advertisement business</b> (Nº. of ‘doda’ job listings)	Approx. 61,000 listings	▶	Approx. 93,000 listings	(+52%)
<b>Advertisement business</b> (Nº. of ‘an’ job listings)	Approx. 240,000 listings	▶	Approx. 330,000 listings	(+37%)

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Finally, I will explain a little more about the market environment in terms of point comparisons. Overall, there are still labor shortages in Japan. We show a year-on-year comparison of each business. The indices for Dispatch, Placement, Advertisement, Full-time Employment, and Part-Time Employment all show extremely strong figures.

I believe that this trend will continue in the future and we will be able to meet the expectations of our stakeholders in the next fiscal year as well.

I explained the financial results for the first section of this report. Thank you very much.

**Mizuta:** Thank you very much for your visiting today. I would like to explain the progress of the Second Medium-Term Business Plan beginning now.

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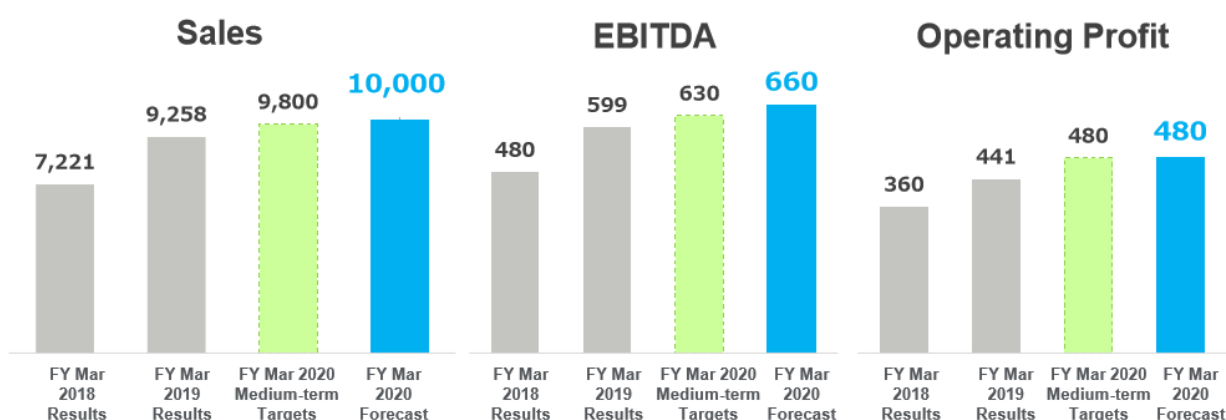
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## Approximation of Results Target Figures

Medium-term Management Plan target figures are anticipated to be achieved during the final FY March 2020 fiscal period.

(Unit: JPY 100 million)



Assumptions	<b>GDP growth rate</b>	Moderate growth (approx. 0.0 ~ 1.0%)
	<b>Ratio of job offers to job seekers</b>	Continued demand due to economic growth/structural causes (approx. 1.0 ~ 1.2 multiple)

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This is the original quantitative medium-term plan. In the fiscal year ending March 31, 2020, we aim to reach the 1 trillion-yen mark against the sales target of 980 billion yen set in the medium-term management plan. As for EBITDA, we aim not at 63.0 billion, but rather 66.0 billion yen. Operating income remains unchanged at 48.0 billion as we intend to invest in various areas.

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## Current Medium-term Management Plan Strategy × Priority Policies



The Medium-term Management Plan strategy will be continued,  
and the following priority policies used to promote each strategy:

	Medium-term Management Plan (Same as the previous Medium-term Management Plan)	Priority Policies
Strategy 1	Enhancing Awareness of the PERSOL Group	Commence new advertising promotions (details shown later)
Strategy 2	Investing in IT Systems and Enhancing Productivity for Further Business Growth	Improve productivity by means of the core temp business "GENESIS" HRIS system
Strategy 3	Creating Group Synergies and Promoting Group Management	Expand cooperative synergies across the entire Group
Strategy 4	Enhancing Our Presence in the Asia-Pacific Region	Focus on improving profitability by accelerating organic growth, and promoting Post Merger Integration (PMI)
Strategy 5	Strengthening Business Platform and Expanding Service Domains through M&A	Proactively pursue M&A opportunities in the domestic Japan business, and launch new businesses (details shown later)

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As I have explained to you, these are our five key strategies for the current medium-term management plan. Of these five, today I would like to discuss the Group's visibility, investments for further business growth, and investments through M&A and other means.

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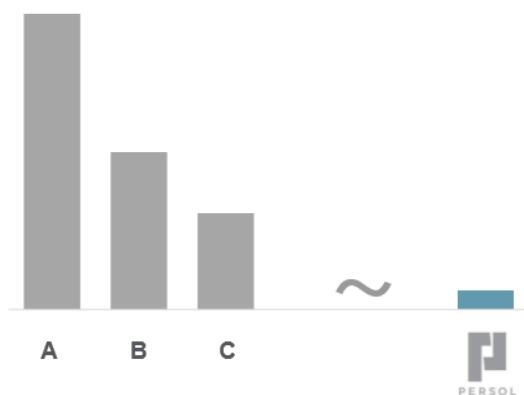
## Strategy 1: Priority Policy - Enhancing Awareness of the PERSOL Group



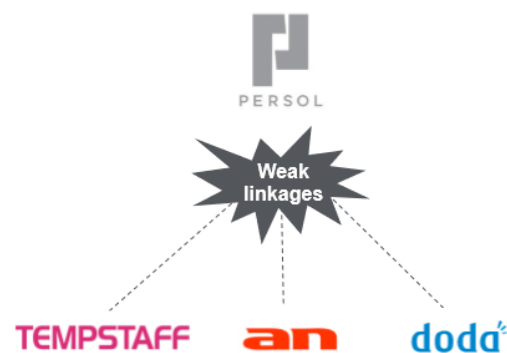
Just over 3 years since PERSOL was born. Challenges remain; even with a strengthening of positive sentiment towards PERSOL generated by advertising promotions used to date.

### Little understanding of PERSOL's business lines

When people hear "HR services" mentioned, what brands actually come to mind?



### Establishing linkages between service brands is proving to be a challenge



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We changed our company name to PERSOL GROUP two years ago. Besides the fact that the PERSOL brand has not yet penetrated, there is a problem that our service brands TEMPSTAFF, doda, and "an" are not connected.

Indeed, when I exchange business cards with customers and greet them, they ask if I moved the Company from TEMPSTAFF.

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## Strategy 1: Priority Policy - Enhancing Awareness of the PERSOL Group



In PERSOL's new advertising promotion campaign ("Japanese HR General Manager") key words are leveraged to promote understanding of PERSOL Group businesses, and to create linkages between the service brands.



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Have you seen this since April? We have selected Mr. Uchimura for our new commercials. Mr. Uchimura has been selected as an ideal superior among entertainers for three consecutive years. I think it was a very good choice, that very closely matches the image of PERSOL.

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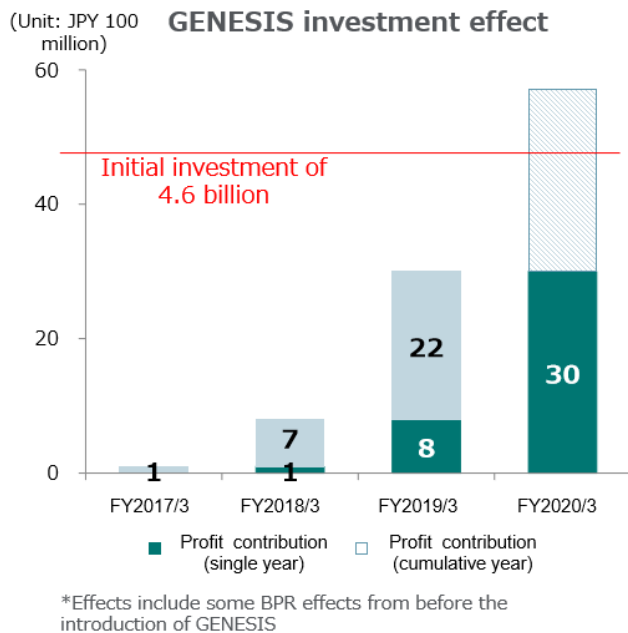
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## Strategy 2: Priority Policy - Improve productivity by means of the core temp business "GENESIS" HRIS system

Profit contribution effect of 2.2 billion in FY March 2019

Expected to recover the initial investment of 4.6 billion in FY March 2020 as planned



### Result (FY March 2019)

- **The number of matching increased** as planned in Tokyo's 23 wards and central Osaka
- **Promote the division/specialization of tasks** (conversion to electronic bill, concentration of office work such as order entry duties)

### Plan (FY March 2020)

- **Established a matching center** in Kurume (Fukuoka) to improve the number of matching in the West Japan area
- **Further Promotion of the division/specialization of tasks** (expand contract work volume of Osaka area in Osaka center)

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This is the core system Genesis for the Temporary Staffing business, which is one of our key initiatives. We invested 4.6 billion yen in this system. In our simulations, the introduction of Genesis contributed profits of approximately 2.2 billion yen in the previous year.

We had nearly 30 group companies up to now, particularly in the Dispatch business. By investing in systems, seven of these companies were integrated into the core company, PERSOL TEMPSTAFF, in the previous fiscal year. There are a lot of effects.

This year, we will continue to increase the number of companies introducing Genesis, and we intend to further restructure the Group this year.

As we use a common system, we will reduce costs by moving the operations we are currently conducting in Tokyo to local areas.

Next, priority measures. It is an extremely important option for us to implement M&As and use digital technology to improve convenience in the future. Takahashi will explain this in detail later.

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## FY Ending March 2020: Consolidated Results Forecasts

Being the final financial year of the current Medium-term Management Plan, the aim is for continued growth in results.



	FY Mar 2020 Full Year Forecast* <sup>1</sup> (*JPY 100 million)	Growth Rate (%)
<b>Sales</b>	<b>10,000</b>	<b>+8.0</b>
<b>EBITDA*<sup>2</sup></b>	<b>660</b>	<b>+10.1</b>
<b>Operating Profit</b>	<b>480</b>	<b>+8.8</b>
<b>Net Profit Attributable to Owners of Parent</b>	<b>275</b>	<b>+12.9</b>
<b>[Reference] Net Profit Prior to Amortization of Goodwill*<sup>3</sup></b>	<b>361</b>	<b>+9.5</b>
<b>Dividends</b>	<b>30 Yen</b>	<b>-</b>

\*<sup>1</sup> : Assumed forex rate for FY2020/3 USD1=JPY 110.0, AUD1=JPY 80.0

\*<sup>2</sup> : We expect the impact of applying IFRS16 in the PROGRAMMED segment (Impact is +1.9 billion yen assuming 1AUD=80 JPY)

\*<sup>3</sup> : Net Profit Prior to Amortization of Goodwill : Profit attributable to owners of parent company + amortization of goodwill

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Part 3, the forecast for the fiscal year ending March 31, 2020.

As I mentioned at the beginning of the report, I would like to take on the challenge of reaching the 1 trillion yen mark in sales for the current fiscal year. The growth rate is 8%.

I believe there are a number of concerns about the worsening of the economy, such as fears of a slight collapse. On the other hand, the shortage of labor is a very structural problem. I believe that the labor shortage problem is stronger than concerns about a slump in the economy.

I believe that the figure of 8% for this year is perhaps achievable, since the results at beginning have been as expected.

With a growth rate of 66.0 billion yen, or 10.1%, in EBITDA, we maintain operating income target at 48.0 billion yen.

From this fiscal year onward, we will disclose net income before amortization of goodwill for reference only. It is expected to be 36.1 billion yen this fiscal year. I believe this would be about the same as the result in IFRS,

As for the dividend, we have decided to increase the year-end dividend from 10 yen to 15 yen, a 50% increase over the previous fiscal year. Therefore, we plan to pay an interim dividend of 15 yen and a year-end dividend of 15 yen for the current fiscal year, for a total of 30 yen.

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## FY Ending March 2020 Forecasts: Temporary Staffing/BPO Segment

Sales growth will accelerate underpinned by strong demand and with a settling-down of the impact of revisions to Japan's Worker Dispatching ("Temp") Act.



### Point 1

#### **Productivity enhancements (create time for staff management & sales activity)**

- Accelerate the number of matches by expanding the deployment scope of the core "GENESIS" HRIS system, and establishing a new job/candidate matching center.
- Promote the division/specialization of tasks (expand contract work volume in Osaka center)

### Point 2

#### **Stronger staff management (move towards a standardized temp business structure model)**

- Settle on a "standardized temp business structure model" that focuses on the increase in workers on open-ended contract arrangements (maintain worker deployment ratios at high levels).
- Aim to support the personal growth of individual workers by implementing worker evaluations while lifting wage levels.

### Point 3

#### **Revisions to Japanese laws are being handled proactively**

##### **(handling the increase in workers on open-ended contracts and "same work same pay" transition)**

- Proactively support workers transitioning to open-ended contracts (open-ended contract worker headcount +5,000 headcount, aim for an increase in unit billing prices to the same level as the previous year)
- Start communicating with client firms about handling the transition to the "same work same pay" principle. (Scheduled to commence from 2Q during this FY)

\*Impact on temp businesses resulting from the number of working days in a given period. (YoY-1.3%, -3 days) 1Q:-3 days, 2Q:±0 days, 3Q:-1 day, Q: +1 day  
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Next, I will report results by segment. First, the Temporary Staffing segment. As I explained earlier, I am very dissatisfied with the growth rate in the previous fiscal year. I think the fact that the increase in the number of people scheduled for contract termination exceeded expectations is the most important reason why sales did not grow even more than I had expected.

In the current fiscal year, we plan to achieve 549 billion yen, or 7.7% growth in sales. As I will explain later, this year's big holidays and three-day holidays have increased, resulting in a decrease in revenues of approximately 6.3 billion yen. Profits declined by approximately 1.1 billion yen. I hope that you will understand that this is an external factor, and that we have nothing to do with it.

In the Temporary Staffing segment, approximately 10,000 staff were employed indefinitely until March of the previous fiscal year, but the number will increase by around 5,000. I believe this will lead to extremely stable sales.

The billing unit price has risen significantly, and is approximately 2% higher than the previous year. The amendment of the Temporary Staffing Law has come to an end, and in April next year, there will be an extremely large amendment to the law, called equal wages for equal work.

While there are various positive and negative aspects of this law revision, I believe there are more positive aspects.

For example, prices. In the case of an equilibrium between the wages of dispatched workers, the dispatched workers are to be paid wages equal to or greater than those of ordinary workers. If you do not pay more than 1,650 yen in general in Tokyo or this region, this would be a violation of law. Our current level is about the same as at present.

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In the industry as a whole, however, there was a model of achieving very low prices by lowering payments, but this is no longer valid, due to the amendment to the law of equal pay for equal work.

For example, if the payment is 1,650 yen, we will not be able to do business without a billing price of 2,300 yen or 2,400 yen. For this reason, there is a very strong price control significance in that it is virtually impossible to charge less than 2,000 yen in this region. In that sense, we have to work hard to make higher bills to our customers.

## FY Ending March 2020 Forecasts: Temporary Staffing/BPO Segment (Calculating the Impact of N°. of Working Days)

Operating profit ratio of 5.3% after adjusting for impact of number of working days and Post Merger Integration (PMI) costs. (Exclude M&A effect)



(Unit: JPY 100 million)	FY March 2020 Forecasts	Impact of N°. of working days (YoY -3 days)	PMI Cost (If none)	After Adjustment
<b>Sales</b>	5,312	63	-	5,374
<b>Operating Profit</b>	265	11	10	285
<b>Operating Profit Ratio</b>	4.9%	-	-	5.3%

\*Sales are organic excluding M&A effect

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I'm sorry to say that this is a great excuse, but I hope you will understand that the 6.3 billion yen decrease in revenue and 1.1 billion yen decrease in profit is due to the decrease in the number of days in operation. The impact of this change is limited to the first quarter of the fiscal year under review, and sales in the first quarter declined by approximately 5%.

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## Review of PROGRAMMED (FY2019/3)



Australia's economy is growing albeit slower than long term average and the population continues to expand.

Staffing experienced some weakness in demand, due in part to globalisation, online sales and automation, reducing blue collar labour volumes in some industry sectors, but demand for maintenance is strong as more infrastructure gets built to service a growing population

### Staffing market environment

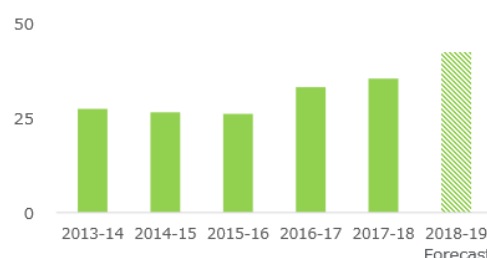
- Manufacturing, industrial, logistics and retail sectors are weaker due to a combination of factors including globalisation, online sales and automation.
- Mining sector remains solid as production expands.
- Infrastructure, health, construction, education and other sectors continue to grow.



### Maintenance market environment

- Large increases in public infrastructure investment are forecast due to stable population growth which leads to increased maintenance opportunities over time
- Aging existing infrastructure requires greater maintenance expenditures to maintain thus expanding maintenance services demand overtime

(\$ billion) Total Infrastructure Funding in Australia\*



\*Prepared by PHD from Infrastructure Partnerships Australia  
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I think you may be concerned about Programmed. As you know, the Australian economy and population is expanding moderately. Therefore, the market is expected to expand steadily, although there is no rapid growth.

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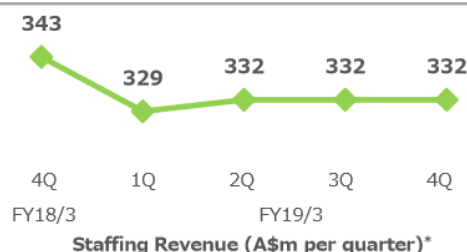


## Review of PROGRAMMED (FY2019/3)



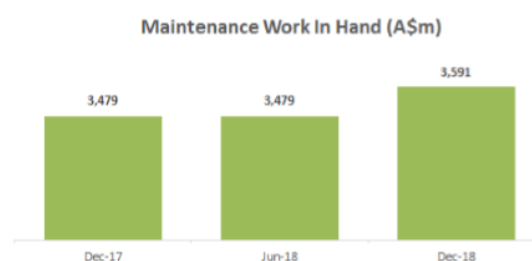
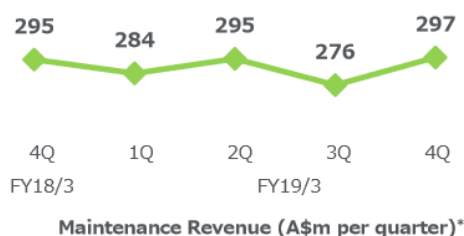
### Staffing

- In the Staffing business, demand in manufacturing, industrial, logistics and retail sectors (42% of revenue) was weaker.
- Mining sector was solid (22% of revenue) and infrastructure, health, construction, education and other sectors continue to expand (36% of revenue).
- A large contract ended in FY18.



### Maintenance

- In the Maintenance business, some reduction in government related expenditures compared to prior year however work in hand (total value of contracted revenue) has increased steadily in past year.
- Recent contract wins (eg airport and public housing) started contributing from 4Q.



\*Management accounting based actual figures

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There are two big businesses: Staffing and Maintenance businesses.

As for the trend of sales from Staffing, sales have declined by nearly 4% in the first quarter of 2019 compared to the fourth quarter of 2018. This is actually the loss of revenue from large customers. We have not been able to recover this large-scale revenue loss, but since then, there has been a steady trend in sales.

Regarding Maintenance, we are currently contracted to provide a very large multi-year maintenance service for airports and public housing. As a result, the order backlog has accumulated considerably, and we expect growth of 4% to 5% this fiscal year.

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## FY Ending March 2020 Forecasts: PROGRAMMED Segment



Focus on expand in growth sectors of the economy e.g. infrastructure, construction, mining, education and health; improved sales and marketing of the full value of our services; and become more efficient and easier to do business with through enhanced business systems and increased use of technology

<b>Sales</b>	<b>2,040</b> YoY+1.3%	<b>Operating Profit</b>	<b>10</b> YoY+18.9%	<b>Operating Profit Ratio</b>	<b>0.5%</b> YoY+0.1points
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(Unit: JPY 100 million)

### Point 1

#### Expand in growth sectors of the economy

- Focus on growth sectors of Infrastructure, Construction, Mining, Education, Health

### Point 2

#### Increased focus on selling the full value of our services

- Improved sales to customers in staffing across branch network
- Improve marketing and tendering as maintenance sales pipeline expands
- Sell the value of safety, regulatory compliance, online tools and reporting and a large skilled workforce

### Point 3

#### Improve business systems and use of technology

- Improve work efficiency, contract management and reporting
- Launch online direct placement recruitment platform

※Assumed forex rate for FY2020/3 AUD1=JPY 80.0

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As we must grow in the future, we will focus on infrastructure, mining and healthcare, which are expected to grow. In addition, Australia will continue to actively invest in infrastructure, so we will be able to capture this demand.

Since Australia is a very large country, we would like to make the most of the technology that we possess to enhance the convenience of our customers.

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## FY Ending March 2020 Forecasts: PERSOLKELLY Segment

Continued high growth boosted by external factors.

Aiming for continuous growth by solidifying the business base.



### Point 1

#### Focus on priority areas and locations experiencing high GDP growth

- Hold onto top market share in Singapore/Malaysia.
- Aim to increase market share in Indonesia, Vietnam, and Thailand.

### Point 2

#### Enhance productivity by deploying the ATS core system

- Aim for improving profitability by improving productivity in countries where ATS is introduced.
- Deploy ATS in countries where not yet deployed.

### Point 3

#### Consolidation of business foundation for further growth

- Formulate & implement common HR policies.
- Continually enhance governance & compliance structures.

※Assumed forex rate for FY2020/3 USD1=JPY 110.0

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Next, PERSOLKELLY. As APAC's economies are growing strongly, we intend to achieve double-digit growth with this trend as a tailwind.

With regard to profits, we will continue to invest in personnel and systems.

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## FY Ending March 2020 Forecasts: ITO Segment

Commit to enhancing individual & organizational productivity via business process innovation.  
Continue to improve treatment of employees while aiming to improve profitability.



### Point 1

#### Leverage product shifts to switchover to a high-revenue model

- Aim to become top RPA deployment vendor in the industry by using deployment experience strengths gained to date.
- Strengthen the alliance with the Temp/BPO Segment, and implement the diffusion of 'digital labor' (RPA associates).

### Point 2

#### Continue investing in improving treatment of employees (JPY 700 million for the full year)

- Focus on sustained growth by investing JPY 700 million this FY to lift employee retention.
- Whilst aiming to improve retention, aim to improve profitability by enhancing productivity.

### Point 3

#### Additional utilization of technology ("standard-bearer of digitalization")

- Being a professional enhancer of productivity, digitalize the value-add provided to stakeholders from outsourcing/consulting outcomes amassed to date, and lift profitability.

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## FY Ending March 2020 Forecasts: Engineering Segment

Leverage technical expertise as a means to expand the business sector, and aim to become the technical group of choice amongst technicians.



### Point 1

#### Expand transactions with new & key client corporations

- Use technical expertise as a means to increase diffusion of technology to other clients.
- Build a stable business base to expand the client portfolio so there is no reliance on a defined set of clients.

### Point 2

#### Expand development capabilities that drive business growth

- Continue to actively recruit human resources by strengthening hiring capabilities and train engineers by providing growth opportunities.
- Expand total development capacity by expanding transactions with partner companies

### Point 3

#### Acquire advanced technologies and promote technology accumulation

- Accelerate acquisition and accumulation of various advanced technologies for motorization / unmanned operation that is a cross-industry trend
- Start responding to the automotive industry "CASE \*" and strategically acquire AI, IoT, robotics technology, etc.

\*CASE : A term for four technological elements to create new added value for automobiles, such as automated driving and mobility services.  
"Connected, Autonomous, Shared, Electric"

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The remaining ITO & Engineer segments are performing well without any problems.

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I'll now conclude the explanation of Parts 2 and 3. Thank you very much for attending today.

## Strategy 5: Priority Policy- M&A Strategies for Each “Market × Sector”

Following the strategy , implement M&A in existing domestic business areas and invest in new business areas



	Existing business sectors	New business sectors*
Japan Domestic Market	<p>Proactively consider &amp; proceed with opportunities as has been done to date.</p> <ul style="list-style-type: none"> <li>Avanti Staff Corporation becomes a PERSOL subsidiary.</li> <li>MOL Career Support, Ltd. business inherited by PERSOL.</li> </ul>	<p>Proactively proceed with Open Innovation/M&amp;A opportunities.</p> <ul style="list-style-type: none"> <li>New service “Shareful” is launched</li> <li>Increased capital of JPY 1.5 billion in PERSOL INNOVATION FUND (PIF). (Cumulative total to date: JPY 2.5 billion)</li> <li>In FY March 2019 PIF invested in 4 companies. (Cumulative total to date: 15 companies)</li> </ul>
Overseas Market	<p>Profitability improvement is factored into progress of Post Merger Integration (PMI) activity.</p>	<p>Examples of investments made in the past:</p> <div> </div>

\*: PERSOL Group for its part anticipates that firms eligible for M&As are those that generate new business, and firms that enhance the services of existing Group businesses.

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**Takahashi:** Takahashi. Thank you very much today. Please turn back the pages a little. I would like to explain the status of our new businesses, as we are actively engaged in M&A, which was a priority strategy of the Mid-Term Management Plan.

I hope you will look to the front or down at your hands. Overseas, we have been expanding quite actively over the past few years. In particular, in the medium-term plan, via very large M&As, the Company expanded sales of the PERSOLKELLY and Australian Programmed Co., Ltd. to more than one-fourth of the group's sales, exceeding 250.0 billion yen.

In overseas markets, investment in order to solidify our foothold has been completed, and we are now in the phase of steadily improving PMI and internal systems.

We have been improving EBITDA steadily. Though we had sold less than 10.0 billion yen overseas four and five years ago, this will be 250.0 billion yen or nearly 300.0 billion yen in total in the next fiscal year. We will make steady improvements by making investments internally.

On the other hand, we have developed several small-and medium-sized businesses in Japan. Avanti Staff became a group company, and we took over the carrier support business from Shosen Mitsui. We established a general research institute with Fuji Xerox Group, which we announced earlier. This is an area of employee education. So far, we have been engaged in some areas of employee education, but we intend to make new pillars in the education fields as a new business.

In this way, while we are trying to calm down overseas operations a little, we will steadily contribute to our current business in Japan. As described on the right side, as for our new challenges, there are many small-

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scale companies, but we have also established a CVC fund called PERSOL INNOVATION FUND, and we are now actively pursuing various alliances and M&A opportunities.

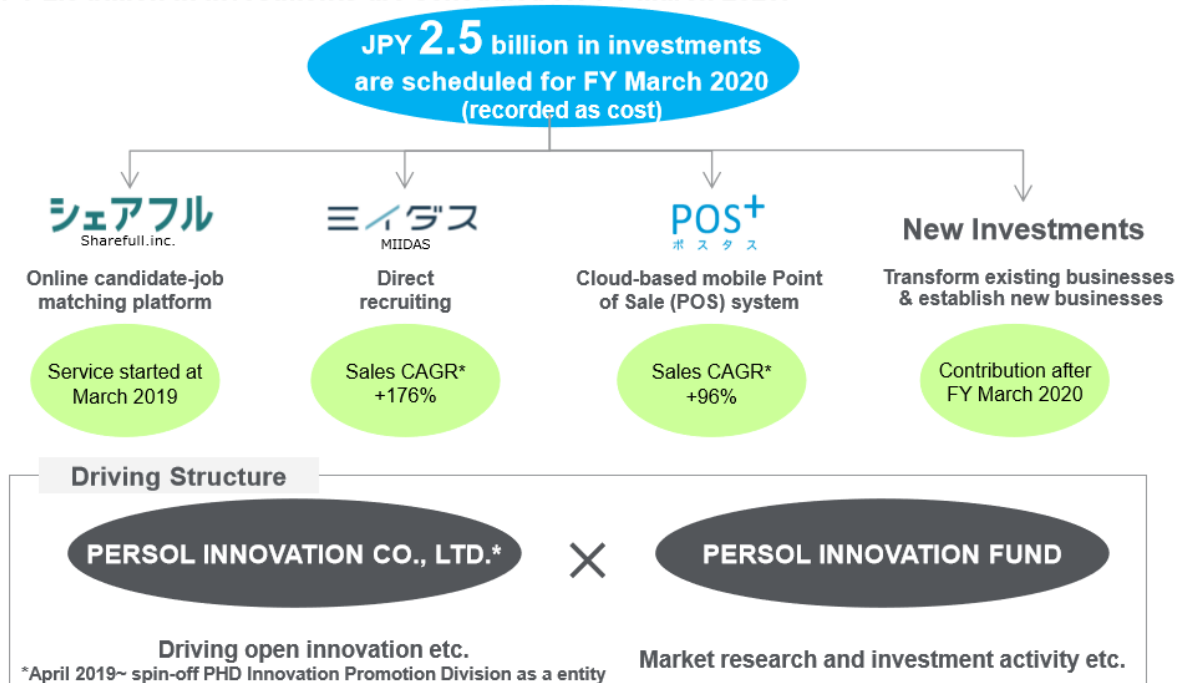
Sharefull is a new business, through joint investment with Lancers, that started this fiscal year. COMPARABLY is a viral website. Sukedachi is an on-demand matching website for architectural craftsmen, on which we have not worked hard to date. Wonolo with the W logo on black on the right side is a U.S. company, an online staffing firm that supplies staff widely in the United States as a platform.

At times, we have been actively engaging in activities that allow these companies to join our group. We have tried to find out how new technologies can be added to our traditional Temporary Staffing, Placement/Recruiting, and Outsourcing businesses to achieve greater productivity than before, and in some cases to acquire new markets. In this fiscal year, I would like to continue these efforts steadily.

## Strategy 5: Priority Policy – Direction of Innovation/New Business Investments



Aim to establish businesses which form the core pillars for the next generation of PERSOL.  
JPY 2.5 billion in investments are scheduled for FY March 2020.



\*MIIDAS: CAGR from FY Mar 17 ~ FY Mar 19

POS+: CAGR from FY Mar 16 ~ FY Mar 19

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The following page. In the final year of the Mid-Term Management Plan, maybe you feel that the scale is small at 2.5 billion yen. However, I believe that these businesses are performing very strongly, such as Sharefull, MIIDAS, which was organized by the Company itself, and Postas. Although MIIDAS and Postas are still at a scale of several billion yen, they are doubling and tripling compared to the previous year, and we intend to expand by 200% and 300% in the current fiscal year.

In such cases, we are currently accelerating our investments if conditions are favorable on a weekly and monthly basis, rather than considering them relatively cautiously, as in the case of existing businesses. Rather, we will develop new services and products in a way that 2.5 billion yen can be used up, while cultivating businesses firmly. We will do our utmost to achieve this goal in the near future.

As for the promotion system, while PERSOL INNOVATION is in charge of the actual state of business, INNOVATION FUND will conduct a wide range of research not only in Japan, but also in U.S., Singaporean and

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Indian companies. We intend to continue to refine our services themselves and enter in new areas if opportunities exist, while finding HR-tech companies that are slightly different in content from our conventional HR services, or new AI technologies that greatly contribute to the matching and fitting services we are conducting.

PERSOL INNOVATION was also newly launched in April, and we intend to lay the groundwork not only in our existing businesses, but also in new domains toward the beginning of the next fiscal year, the final year of the medium-term management plan.

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## Question & Answer

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**Kasamatsu:** Now, we will move on to the question and answer session. Please show me your hands.

**Oda:** Thank you for your explanation. I am Oda of SMBC Nikko Securities. I have two questions.

First, I would like to touch on page 22. In the Temporary Staffing and BPO segment, you planned to increase the OP margin of the Temporary Staffing and BPO segment to 5.3% just a year ago. Excluding various factors, I think you plan to take this step.

I would like to confirm here that there has been a story about productivity or population growth regarding Genesis investments. Could you tell us more about this? In addition, when we look ahead, whether there is still room for further productivity gains. Also, I believe that the hiring of indefinite-term employees is progressing and the billing unit price is also rising. Could you tell us how much of this is effective against the margin?

**Seki:** Thank you very much for your question.

I'll begin with the first question you have asked, the effects of the investment in Genesis on the target of 5.3% for the Temporary Staffing and BPO segment.

To begin with, by investing in Genesis, the efficiency of matching jobs has increased to a level of 1.6 times, mainly in the Tokyo metropolitan area. While there are large markets in the Tokyo metropolitan area, productivity is rising very high, with an average of 1.6, while in some areas, it has more than doubled.

In order to implement these measures and ensure that they lead to improved earnings, we need to match them within Genesis, and at the same time, to provide support. To this end, we have established a matching center in Kurume, Kyushu. We now have support centers in Hokkaido, Kyushu, and Tokyo. I believe that we will try to further increase productivity under this division of labor in the future.

The second question is whether we will be able to raise this level further in the future. First, we are starting with the Tokyo Metropolitan Area. However, in rural areas as well, we believe that the output of the Temporary Staffing business is still insufficient. Therefore, we believe that it is fully possible to further increase productivity by strengthening the functions of these systems, promoting the establishment of centers for matching, and promoting the division of labor.

I also think you asked questions about the unit price. The unit price has risen by about 2% in the fiscal year ended March 31, 2019. We set our target at 2% under the budget plan, but we believe that we can further raise this figure given the increase in the number of indefinite-term staff and the possibility to pass on the increase to customers from among markets.

**Oda:** The last question is about overseas, including Programmed. In the fourth quarter alone, a good improvement in profits was shown. What has contributed to it, especially regarding the cost? In addition, I would like to ask you about the concept of "synergy." At the time of the acquisition, you mentioned about it with data. How do you expect the synergy to emerge in Japan and other countries, in a slightly longer term? Could you please tell us your current opinion?

**Takahashi:** I would like to answer about our overseas operations. As for the profit disclosures for Programmed for the fourth quarter, a reversal of the allowance for workers' compensation insurance has occurred. This will be generated in a fixed amount every fiscal year, but at the initial budget stage, we should not expect this

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to be very strong, so we are looking at it in general as a little weaker in the fiscal year. However, Programmed's business operation is based on the concept of safety, since it operates the Maintenance business. This was maintained at a very high level in the previous fiscal year, and as a result, the reduction of workers' compensation insurance exceeded expectations. I believe that this was a major factor behind the improvement in figures in the fourth quarter.

The second is the synergy, both overseas in general and in Japan. I believe that there are three things in the medium-to long-term. First, there are three businesses we are developing overseas. In the temporary staffing business, we have just begun to unify the backbone systems of each country.

We are now using [Bruhon] tools to improve productivity in traditional PERSOLKELLY segments using ATS backbone systems.

On the other hand, for Programmed, another core system is included. Which country has a competitive advantage, particularly in English-speaking countries, will be identified in the first and second years. Unlike Japan, some English-speaking countries have relatively simple labor legislation. So, we will take on the challenge of selecting good tools, discovering countries that can standardize them, and then converting them into new business models in the staffing field. I think this will take three to five years.

On the other hand, in terms of recruitment consulting and agency services, the same is true. In some small countries, core systems have not yet been introduced, and we are now very busy introducing them. Over the past year or two, the core systems of these products have been introduced. If introduced, we will be able to obtain the same kind of productivity improvements. So, while we are still in the pre-use stage, we have raised the top line of our businesses, particularly in PERSOLKELLY, by dozens of percent. If we can fully utilize it, we will be able to generate revenue, not only from staffing, but also from agent services. I believe that these improvements will be a very large factor in overseas markets.

In addition, regarding the third point, the maintenance services of Programmed comprise approximately 100.0 billion yen. I believe we have acquired a great deal of know-how through the M&A of last year.

We have been able to acquire expertise in the new area of maintenance, such as the operation of Melbourne Airport, the operation of the Victorian Waterworks Bureau itself, and the specialized outsourcing that the PERSOL Group has been developing in Japan so far, so we may be able to provide this to countries other than Australia and New Zealand.

In the medium-term management plan that will begin next year, we believe that we must thoroughly consider each of these issues. Unlike the traditional staffing, placement, and recruitment advertising businesses, these maintenance businesses are very solid businesses. As the number of contracts is 3 years, 5 years, and over a long period of 10 or more years, the business are extremely solid items, with sales of 100.0 billion yen, while total sales have amounted 1 trillion yen. Furthermore, we will consider the possibility of expanding it to other countries in the future, to Japan and other Asian countries in some cases. I believe that synergies may take root in the future. This is all.

**Kasamatsu:** Do you have any other questions?

**Participant:** Thank you very much. I have two points. Please tell us about the revenue growth rate of the Temporary Staff and BPO segments in the fourth quarter, excluding Avanti Staff and other M&A activities.

And to what percentage is it adjusted for operating days? Could you tell us what happens when you compare it to the third quarter?

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For the second point, you mentioned that you will invest about 2.5 billion yen in new innovation businesses after the strategy described in the explanation. This year, the company-wide adjustments of 2.8 billion yen in the current segment forecast have increased by about 2.1 billion yen. Please confirm whether this reflects this.

Could you tell us about the future outlook for the return on these 2.5 billion-yen investments?

**Seki:** First, about the performance of the fourth quarter of the Temporary Staffing and BPO segment, organic growth for the fourth quarter was 4.1%. The effect of Avanti Staff and the other M&As were 3.4% growth. Combined, this is the latest growth.

**Takahashi:** There is overlap between about 1.5 billion yen out of new investments of 2.5 billion yen and the cost of 2.8 billion yen.

On the other hand, new initiatives will not be undertaken by this new unit alone, but will naturally be undertaken by existing segments, which will include about 1 billion yen of these expenses.

However, we believe that the entire company should have a certain amount of such funds, if the outlook and other factors are still unclear, and we have such a system in place.

**Participant:** Regarding the first point, I would like to ask you about the 4.1% increase in organic sales. If a 1.5% or 1.6% decline in a quarter due to the number of working days is added to 4.1%, is it about a 5.6% increase for organic sales? By the same calculation, is the third quarter improving by about 6%?

**Seki:** As I mentioned in the commentary, we believe that the daily operations impact is 1.6%. Therefore, I believe that your understanding is right. Combining the organic 4.1% and the utilization impact of 1.6%, it will be 5.7% growth.

In comparison with the third quarter, improvements have been made in the fourth quarter from the third quarter. In the fourth quarter, there was an impact of working days, and as I explained earlier in the slides, the number of contract terminations was quite high in December. However, due to the fact that the number of terminations had fallen to a low level in March, we determined the growth in the fourth quarter was larger, compared to that of the third quarter. This is all.

**Participant:** Thank you very much.

**Kasamatsu:** I would like to complete the session with the two people who are now showing hands.

**Shirakabe:** Shirakabe, a reporter in the Securities Department of the Nikkei Shimbun. In two respects, first of all, Mr. Mizuta told us that the economy was weaker than last year, and that the sense of labor shortage was stronger than last year. On the other hand, it has been expected that business performances of companies would decline a little in the current fiscal year. I would like to ask you if you feel such a change at the moment, or whether it will lead to a slowdown of your company's degree of growth in the current fiscal year.

**Mizuta:** Some companies are somewhat bearish. Looking at the overall situation, however, we have had a lot of inquiries in April and May, or since last year. However, we faced a dilemma in that we could not keep up with demand. Therefore, the current situation of the market in April is like this, rather than from the perspective of macros.

**Shirakabe:** Thank you very much. Second, the rate of increase in earnings for the current fiscal year is slightly weaker than in the last fiscal year. Do you understand that this is due to the fact that there were many cases of permanency or direct employment in the previous fiscal year?

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**Seki:** Our operating results for the previous fiscal year totaled 44.1 billion yen, and the extent of the increase in profits has been very large. This is, of course, due to the very strong base of business, and because we have controlled a certain amount of costs.

Nevertheless, about the performance forecast for the next fiscal year, as mentioned earlier, this is the final year of the medium-term management plan, and I believe that this fiscal year is the time for investment toward the next growth strategy. We focused on strategies such as M&A, business alliances, capital alliances, and investments, as well as some of our R&D activities, to be carried out directly by top management. In the fiscal year ending March 31, 2020, some of our profit growth is likely to slow compared to the previous fiscal year, in order to accelerate these activities to a certain extent.

**Shirakabe:** Understood. Thank you very much.

**Moderator:** Please.

**Takeuchi:** Thank you very much. Takeuchi of Jefferies. I have two things.

As for recruiting in the current fiscal year, I think the guidance is that the profit margin will not improve very much and will be on a par with the fiscal year under review. Do you think this segment is not expected to improve profitability in the future, or do you have any special factors in the current fiscal year?

**Seki:** In the current fiscal year, the new fiscal year ending March 2020, the profit margin has been growing at extremely high levels for the past few years. We may be able to achieve profit growth at a certain level and at an appropriate level. In the Recruiting segment, we invested in doda's branding in the fiscal year ended March 31, 2019, and will invest in this brand once again. The impact of these investments on costs is included in the P&L plan for this segment.

In addition, the media for changing jobs is experiencing extreme growth from last fiscal year to this fiscal year. However, the size is not so large yet, and we plan to invest more aggressively in personnel in this area in the fiscal year ending March 2020.

**Takeuchi:** Thank you very much. Lastly, with regard to dividends, I had always thought that the dividend payout ratio had been set at around 20% under the plan. However, as a result of the fact that the EPS after the goodwill adjustment was set at 20%, the dividend payout ratio seems to have increased somewhat from a gross EPS point of view. In particular, you didn't explain this time, but is this a message that you are reinforcing shareholder returns? I would like to ask you about whether this approach can be sustained while expecting return to shareholders in the future.

**Seki:** I have not been able to give an explanation in detail, due to time constraints, but the fiscal year ending March 2020 is the end of the current Medium-term Plan, and we are in the process of formulating the next medium-term plan with top management. I would like to give an explanation of the return policy to shareholders in accordance with the timing of the next medium-term plan, in conjunction with business planning strategies.

In addition, in light of our dividend situation, it seems that the year-end dividend has increased only slightly. However, this fiscal year, we decided to increase the dividend by 15 yen, taking into consideration the dividend situation in a comprehensive manner, including our competitors.

However, again, I believe that the dividend policy and return policy should be supported by the strategy, and I would like to explain these things in combination.

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**Takeuchi:** What is the dividend amount for the new fiscal year? As for the current fiscal year, I believe that the dividend has been fully paid, due to the increase in profits. I believe that you will achieve a certain amount of EPS, even under your plan.

**Seki:** Yes. In comparison with EPS, on the other hand, as we are currently firmly maintaining a stable dividend policy, I believe that we will set a stable dividend of 15 yen per share for the second half of the current fiscal year and 15 yen per share for the next fiscal year under our business plan.

**Takeuchi:** I understand. Thank you very much.

**Moderator:** We will now close the financial results briefing for the fiscal year ended March 2019 by PERSOL HOLDINGSCO., LTD. Thank you very much for coming today.

[END]

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#### **Document Notes**

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia.*

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