PERSOL HOLDINGS CO., LTD.

Q1 Financial Results Briefing for the Fiscal Year Ending March 2020 Telephone Conference

August 9, 2019

Event Summary

[Company Name]	PERSOL HOLDINGS CO., LTD.
[Event Type]	Earnings Announcement
[Event Name]	Q1 Financial Results Briefing for the Fiscal Year Ending March 2020 Telephone Conference
[Fiscal Period]	FY2019 Q1
[Date]	August 9, 2019
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[Venue]	1-15-5 Minami-Aoyama Minato-ku, Tokyo 107-0062
[Venue Size]	
[Participants]	
[Number of Speakers]	1 Kiyoshi Seki — Director, Executive Officer (Chief Financial Officer)
[Analyst Names]*	Hirofumi Oda — SMBC Nikko Securities Inc. Narumi Nakahara — Goldman Sachs Japan Co., Ltd. Katsumi Arai — Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

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

Presentation

Moderator: We will now hold a teleconference on the financial results for PERSOL HOLDINGS CO., LTD. for the first quarter of the fiscal year ending March 31, 2020.

Speaker: Thank you for participating in our conference call today. First, the Chief Financial Officer will present an outline of the financial results for the first quarter of the fiscal year ending March 31, 2020. After the presentation, we will move on to a question-and-answer session.

Seki: Thank you.

First, I would like to present the consolidated results. Globally, uncertainty about the future has increased due to the effects of trade conflicts and other factors. Demand in some manufacturing sectors is weaker than in the previous year. However, due to a structural labor shortage, there are no significant risks to the Group as a whole in the labor market in Japan, and results are generally in line with our plans. We will continue to closely monitor economic trends in Japan and overseas.

The termination of an, the part-time job information service, was announced on August 1. This has had a short-term impact on business results. However, I believe that it was a positive decision to further develop doda, the Permanent Employment Business. The response of the market corroborates this.

2020/3 1Q : Summary of Consolidated Business Results

PERSOL

Sales increase by 4.1% due to stable growth in existing business and M&A effect
Profits decreased mainly due to the impact of working days in the Temp/BPO business (YoY-3 days, -1 billion yen) and an cost increase due to personnel expansion including new graduates

(Unit: million yen)

	2019/3 Results		2020/3 Results			2020/3 Forecasts*		
	1Q	Ratio(%)	1Q	Ratio(%)	YoY(%)	Progress rate -1st half (%)	1st Half	Full Year
Sales	225,929	100.0	235,218	100.0	+4.1	48.7	482,500	990,000
Gross Profit	50,604	22.4	53,826	22.9	+6.4	-	-	-
EBITDA*	15,401	6.8	14,416	6.1	-6.4	48.5	29,700	61,000
OP income	11,530	5.1	10,057	4.3	-12.8	48.4	20,800	43,000
Profit attributable to owners of parent	6,631	2.9	5,466	2.3	-17.6	56.9	9,600	21,700
[Reference] Net Profit Prior to Amortization of Goodwill*	8,787	3.9	7,600	3.2	-13.5	54.7	13,900	30,300

*Rounded down (same as following pages) *EBITDA = OP income + Depreciation + Amortization of Goodwill(same as following pages)
∗Net Profit Prior to Amortization of Goodwill : Profit attributable to owners of parent company ＋amortization of goodwill
*2020/3 Forecast is the August 1, 2019 revised forecast.

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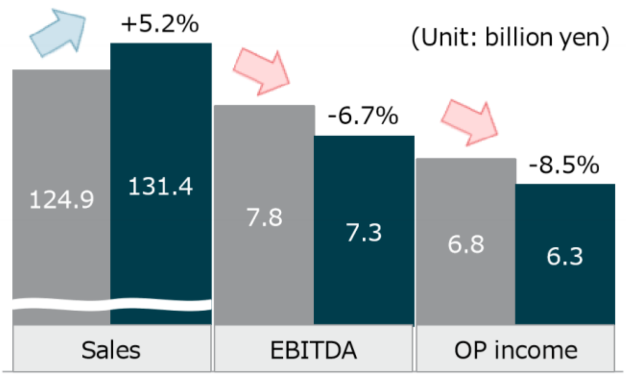
In the first quarter, consolidated net sales increased 4.1% year on a year-on-year basis, and operating income declined 12.8%. The main factors behind the decline in operating income were, as initially expected, a three-day decrease in operating days in the Temporary Staffing Business, and an increase in costs due to an increase in the number of personnel, including new graduates. Each Segment will be explained in detail in the Sales by Segment section.

2020/3 1Q Transition of Business Results by Segments ① Temporary Staffing/BPO



2020/3 1Q : Highlights

- Less working days (-3 days YOY) due to long term leave caused by the change of the Japanese era name in May
- Despite the effects of the working days, revenues increased due to strong demand for human resources underpinned by structural shortages of labor in addition to the effects of M&A (Avanti Staff Corporation commenced being reflected in the results from 4Q last year)
- Although profitability improvements by billing rate increases continued, overall profitability decrease due to the effects of decreased working days and personnel cost increase.

(Unit: million yen)

	2019/3	2020/3 Results		2020/3 Forecasts		
	1Q	1Q	YoY(%)	Progress rate - 1st half (%)	1st Half	Full Year
Sales	124,940	131,429	+5.2	49.5	265,600	549,000
EBITDA	7,835	7,310	-6.7	53.8	13,600	30,400
EBITDA margin (%)	6.3	5.6	-	-	5.1	5.5
OP income	6,897	6,311	-8.5	53.9	11,700	26,500
OP income ratio (%)	5.5	4.8	-	-	4.4	4.8

*Internal transactions have not been eliminated from the figures
*See the "Factbook for the First Quarter Ended June 30, 2019" released on the website on the same date for the quarterly results

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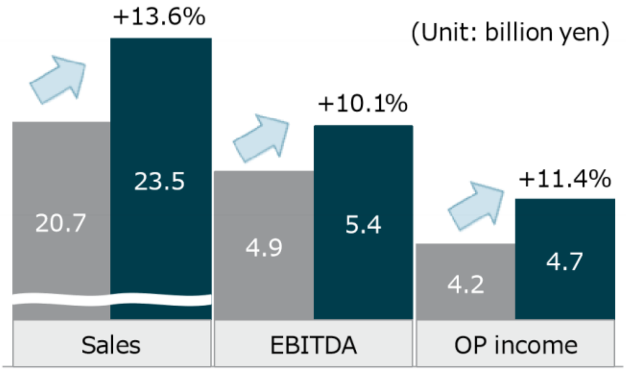
I will present this section by Segment. In the Temporary Staffing and BPO Segment, net sales increased 5.2% on a first-quarter year-on-year basis. Breaking this down into KPIs, we find that the number of workers dispatched is plus 3.5%, the unit price is plus 2.7%, the effect of working days is minus 4.8%, and the effect of M&A is plus 3.4%. Operating income was down 8.5% and the operating margin was down 0.7 percentage points on a first-quarter year-on-year basis.

In the Temporary Staffing Business, operating income was 6.311 billion yen. This is a result of a lower number of working days due to this year's long May holiday. On the demand side, however, orders from companies continue to grow at a double-digit pace. Although the number of orders for temporary staffing from manufacturers has declined slightly, the strength of demand as a whole remains unchanged. The profit margin improved because the billing unit price of indefinite-term staff increased once again, by about 10%.

On the other hand, profits declined as a result of the impact of reduced working days and cost increases due to the increase in personnel. At the Kurume Matching Center, which we launched in April 2019, we began matching operations in the western Japan area in June. We believe that this will contribute to further productivity improvements in the future. We are also actively promoting the introduction of indefinite-term employment of temporary staff. In the April to June quarter, approximately 1,700 temporary staff were converted to indefinite-term employment. The cumulative total since last year is about 12,000 people. We expect to have about 5,000 employees who will change over the course of the current term, and we are making progress as planned.

2020/3 1Q Transition of Business Results by Segments ② Recruiting



2020/3 1Q : Highlights

- Owing to the continued robust demand from client companies and changes in the awareness of individuals regarding changing jobs mainly by the younger generation, results have been driven by the permanent placement business and for-hire/candidate solicitation advertising business.
- Despite having increases in strengthening deployment of personnel to handle robust demands, the effect of increased revenue resulted in increased profit.
- In handling the rapid expansion of the organization up from the previous period, the challenge is structural organization.
- Termination of the advertising business "an" has been decided (Announced Aug. 1)

(Unit: million yen)

	2019/3	2020/3 Results		2020/3 Forecasts*		
	1Q	1Q	YoY(%)	Progress rate - 1st half (%)	1st Half	Full Year
Sales	20,738	23,549	+13.6	51.2	46,000	89,000
EBITDA	4,915	5,414	+10.1	53.6	10,100	17,400
EBITDA margin (%)	23.7	23.0	-	-	22.0	19.6
OP income	4,222	4,703	+11.4	57.4	8,200	13,400
OP income ratio (%)	20.4	20.0	-	-	17.8	15.1

*Internal transactions have not been eliminated from the figures
*2020/3 Forecast is the August 1, 2019 revised forecast.
*See the "Factbook for the First Quarter Ended June 30, 2019" released on the website on the same date for the quarterly results

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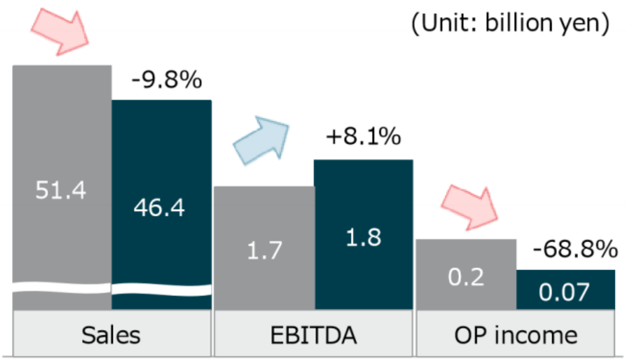
In the Recruiting Segment, sales increased 13.6% year-on-year, driven by continued growth in the Permanent Placement Business and the Job Advertising business for Permanent Employees. This is against a backdrop of expansion of the recruitment market in Japan. doda Plus has continued to grow at a high rate, and we are able to respond firmly to robust demand. Looking at the orders received from companies and the registration of job seekers, we believe that the market environment continues to be favorable. This is because there has been no major change in the outlook for the recruitment market.

On the other hand, conditions within the Company have been characterized by a shortage of managers due to continued rapid growth for the past few years. In addition, from October onward, we will be strengthening our organizational structure in order to accept increased numbers of personnel from the "an" business. We will concentrate on strengthening our organizational structure in the second half of the fiscal year, and will manage it to achieve high growth in the next fiscal year. With regard to the termination of an, which we announced on August 1, we have not experienced any major confusion after the announcement, and we are steadily responding to our customers and agencies. We will continue to prepare for personnel transfers from October onward.

2020/3 1Q Transition of Business Results by Segments ③ PROGRAMMED

(Unit: billion yen)



2020/3 1Q : Highlights

- Exchange rate has a negative impact on business results FY20/3 1Q: 1AUD = 78.5 JPY, FY19/3 1Q: 1AUD = 85.2 JPY Sales YoY-9.8%=Local currency -2.1% & impact of FX-7.8%
- Staffing: Local currency sales YoY-6.3% Due to lower demand from some customers as result of slowing local economy
- Maintenance: Local currency sales YoY +2.4% Securing new long term facility management contracts partially offset by lower revenues in painting business which has been impacted by economy
- Ignoring the impact of IFRS 16 (YoY+0.4 billion yen in 1Q), EBITDA was down due to lower Staffing revenues and higher workers compensation costs
- Operating profit has also impacted by exchange rate differences

(Unit: million yen)

	2019/3	2020/3 Results		2020/3 Forecasts		
	1Q	1Q	YoY(%)	Progress rate - 1st half (%)	1st Half	Full Year
Sales	51,495	46,444	-9.8	46.2	100,500	204,000
EBITDA	1,752	1,893	+8.1	46.2	4,100	8,400
EBITDA margin (%)	3.4	4.1	-	-	4.1	4.1
OP income	234	73	-68.8	24.4	300	1,000
OP income ratio (%)	0.5	0.2	-	-	0.3	0.5

*Internal transactions have not been eliminated from the figures
*See the "Factbook for the First Quarter Ended June 30, 2019" released on the website on the same date for the quarterly results

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First of all, sales in the quarter were down 9.8% year-on-year, and operating income was down 0.16 billion. There was a 9.8% decrease in year-on-year net sales, with the effect of foreign exchange rates being negative 7.8%, and negative 2.1% on a local-currency basis. On a local-currency basis, the Staffing Business recorded a decrease in sales of 6.3% and the Maintenance Business recorded an increase of 2.4%.

In the Staffing Business, due to the current slowdown in the Australian economy, we experienced a slowdown in both demand from customers and cultivation of new customers in growth areas. As a result, progress has not been as planned, and revenues declined. On the other hand, despite a decline in sales in the Maintenance Business, particularly in the Painting Business, due in part to the Australian economy, sales have increased. This is thanks to the progress in acquiring projects in the Large-Scale Facility Maintenance Business, against a backdrop of demand for infrastructure investment in Australia as a whole.

Operating income decreased mainly due to the impact of lower sales in the Staffing Business. Excluding a year-on-year positive 0.4 billion due to the adoption of IFRS 16, EBITDA declined, as did operating income.

2020/3 1Q Transition of Business Results by Segments ④ PERSOLKELLY

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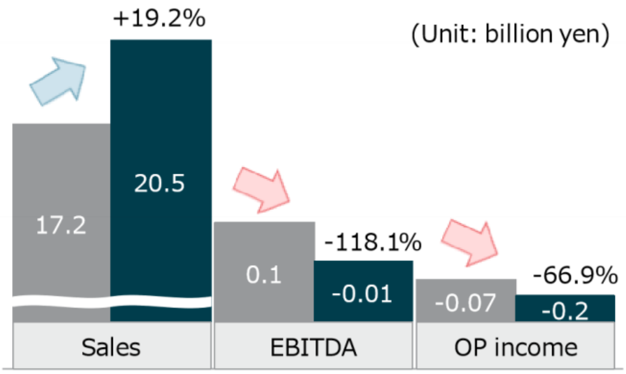
(Unit: billion yen)



2020/3 1Q : Highlights

- GDP growth rate of APAC countries has maintained high levels and sales showed a strong trend underpinned by a strong market environment.
- Proactive investments were made that targeted productivity improvements: proactive strengthening of deployments of personnel needed to handle the healthy demand, as well as implementation of a common systems in branches etc.
- On the other hand, adoption of core systems have not proceeded as planned in Australia and the drop in work productivity has resulted in the big reduction of operating income.

(Unit: million yen)

	2019/3	2020/3 Results		2020/3 Forecasts		
	1Q	1Q	YoY(%)	Progress rate - 1st half (%)	1st Half	Full Year
Sales	17,254	20,568	+19.2	50.2	41,000	84,000
EBITDA	106	-19	-118.1	-2.8	700	1,500
EBITDA margin (%)	0.6	-0.1	-	-	1.7	1.8
OP income	-76	-230	-66.9	-57.5	400	1,000
OP income ratio (%)	-0.4	-1.1	-	-	1.0	1.2

*Internal transactions have not been eliminated from the figures
*See the "Factbook for the First Quarter Ended June 30, 2019" released on the website on the same date for the quarterly results

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Supported by continuing buoyant market conditions in APAC countries, sales in the PERSOLKELLY Segment were favorable, rising 19.2% year-on-year. Sales grew significantly, driven by Singapore and Malaysia, which account for a large percentage of net sales. On the other hand, in all regions except Australia, growth was the same as in the previous year. Head count also steadily increased by 12.2% year-on-year.

Operating income declined to 0.23 billion yen. In Australia, the introduction of a Core Business System has not proceeded as planned. We believe that operating income declined due to a temporary decline in productivity. This was a result of issues related to client correspondence and other factors.

We are making a keen effort to recover from the impact of this system trouble and transition. However, at this point, we believe that the hurdles to achieving the full-year budget target are somewhat high. Friction between the US and China has had an effect in the Chinese market. While orders from Japanese companies in China fell below the previous year's level, demand from non-Japanese companies has continued to increase. We will continue to closely monitor future trends in this area. The impact of foreign exchange rates on net sales was negligible, with an increase of 0.3 billion yen year-on-year.

2020/3 1Q Transition of Business Results by Segments ⑤ ITO

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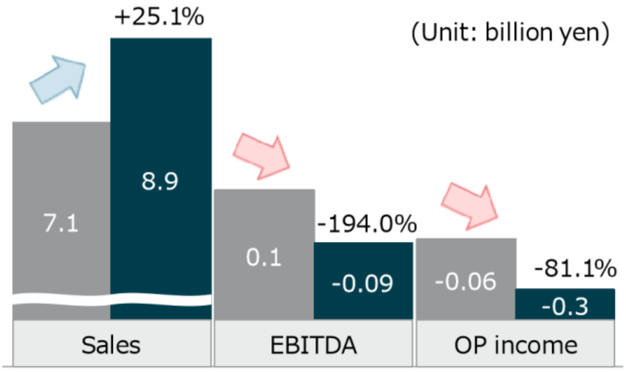
(Unit: billion yen)



2020/3 1Q : Highlights

- The trend was for a continued healthy investment appetite in system related services etc. amongst existing corporate clients.
- Increase in high value-added project such as SI related services, outsourcing services etc. in addition to growth in the company's product sales has contributed to increase in revenue.
- On the other hand, due to increase in costs associated with improving treatment for employee retention and for new hires, profit declined.

(Unit: million yen)

	2019/3	2020/3 Results		2020/3 Forecasts*		
	1Q	1Q	YoY(%)	Progress rate - 1st half (%)	1st Half	Full Year
Sales	7,181	8,986	+25.1	46.3	19,400	41,500
EBITDA	103	-96	-194.0	-9.7	1,000	2,900
EBITDA margin (%)	1.4	-1.1	-	-	5.2	7.0
OP income	-65	-345	-81.1	-49.4	700	2,200
OP income ratio (%)	-0.9	-3.9	-	-	3.6	5.3

*Internal transactions have not been eliminated from the figures
*2020/3 Forecast is the August 1, 2019 revised forecast.
*See the "Factbook for the First Quarter Ended June 30, 2019" released on the website on the same date for the quarterly results

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Sales in the ITO Segment have progressed as planned. On a first-quarter year-on-year basis, net sales were up 25.1% and operating income was down 0.28 billion yen.

Investment in system-related services by client companies continued to be extremely vigorous, and in addition to high-value-added projects such as SI Business and outsourcing services, sales of our own products also grew, resulting in an increase in revenue. Operating profit was down 0.28 billion yen, but this was anticipated at the beginning of the fiscal year. The staff turnover rate has been on a downward trend as a result of the improvement of employee conditions.

2020/3 1Q Transition of Business Results by Segments ⑥ Engineering

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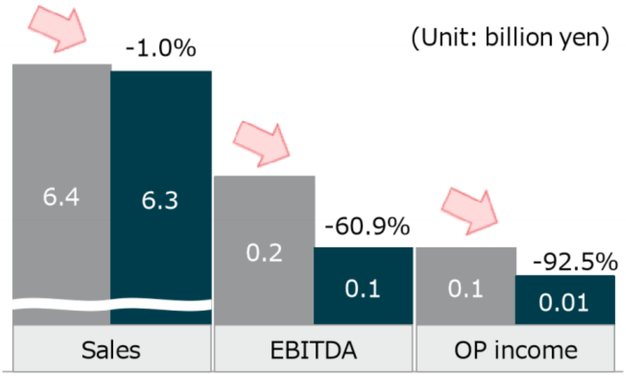

2020/3 1Q : Highlights

- Despite the effects of higher unit prices due to improvements in development productivity, sales declined because of the lower sales in the electronics field affected by worsening market conditions in China
- Market conditions remain uncertain and will continue to be monitored
- Profit decreased due to a temporary decline in occupancy rate due to changes in market conditions, while hiring progressed steadily, especially for new graduates

(Unit: million yen)

	2019/3	2020/3 Results		2020/3 Forecasts		
	1Q	1Q	YoY(%)	Progress rate - 1st half (%)	1st Half	Full Year
Sales	6,439	6,373	-1.0	44.0	14,500	31,000
EBITDA	288	113	-60.9	8.1	1,400	3,500
EBITDA margin (%)	4.5	1.8	-	-	9.7	11.3
OP income	146	11	-92.5	1.0	1,100	3,000
OP income ratio (%)	2.3	0.2	-	-	7.6	9.7

*Internal transactions have not been eliminated from the figures
*See the "Factbook for the First Quarter Ended June 30, 2019" released on the website on the same date for the quarterly results

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On a first-quarter year-on-year basis, net sales were negative 1.0% and operating income was negative 0.13 billion yen. In the electrical machinery field, sales declined mainly due to a weakening of the Chinese market. However, due to the effects of higher unit prices and other factors, there was only a 1% decline in sales. Profits declined due to an increase in personnel expenses associated with the hiring of engineers, as well as a temporary decline in occupancy rates associated with changes in market conditions.

Activities centered on the recruitment of new engineering graduates continued to be steady. In this Segment, the impact of the trade conflict between the US and China remains uncertain, and some customers are affected by a decline in orders. Going forward, we will continue to closely monitor market and customer trends.

2020/3 1Q Transition of Business Results by Segments ⑦ Others／Adjustment

(Unit: million yen)

Others	2019/3	2020/3 Results		2020/3 Forecasts		
	1Q	1Q	YoY(%)	Progress rate - 1st half (%)	1st Half	Full Year
Sales	1,418	2,486	+75.2	49.7	5,000	11,000
EBITDA	101	-142	-240.4	-	-600	-1,100
EBITDA margin (%)	7.2	-5.8	-	-	-12.0	-10.0
OP income	84	-196	-333.7	-	-600	-1,300
OP income ratio (%)	5.9	-7.9	-	-	-12.0	-11.8

(Unit: million yen)

Adjustment	2019/3	2020/3 Results		2020/3 Forecasts*		
	1Q	1Q	YoY(%)	Progress rate - 1st half (%)	1st Half	Full Year
Sales	-3,539	-4,619	-	-	-9,500	-19,500
EBITDA	297	-56	-	-	-600	-2,000
EBITDA margin (%)	-	-	-	-	-	-
OP income	87	-268	-	-	-1,000	-2,800
OP income ratio (%)	-	-	-	-	-	-

*Internal transactions have not been eliminated from the figures
*2020/3 Forecast is the August 1, 2019 revised forecast.
*See the "Factbook for the First Quarter Ended June 30, 2019" released on the website on the same date for the quarterly results
*Others include our group functional services, education and training business, employment support business for people with disabilities, and childcare business
*Adjustment stands for elimination of transactions between segments, and revenue and expenses of Temp Holdings Co., Ltd.

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As we announced at the beginning of the fiscal year under review, we are planning to invest in new businesses such as Sharefull, MIIDAS, POS+, and others. Results in the Business Adjustments Segment have decreased, but progress has been largely in line with the initial plan.

2020/3 1Q: Consolidated Balance Sheets

PERSOL

(Unit: million yen)

	As of March 31, 2019		As of June 30, 2019		
	Results	Ratio(%)	Results	Ratio(%)	Change
Assets	370,839	100.0	365,717	100.0	-5,122
Current assets	209,845	56.6	201,072	55.0	-8,772
(Cash and deposits)	69,029	18.6	60,621	16.6	-8,407
Non-current assets	160,994	43.4	164,644	45.0	3,650
(Right of trademark and goodwill)	101,832	27.5	99,966	27.3	-1,865
Liabilities	199,914	53.9	191,509	52.4	-8,404
Current liabilities	144,919	39.1	142,793	39.0	-2,125
(Current portion of loans payable)	15,045	4.1	24,611	6.7	9,565
Non-current liabilities	54,995	14.8	48,716	13.3	-6,279
(Long-term loans payable)	25,748	6.9	15,728	4.3	-10,020
(Bonds payable)	20,000	5.4	20,000	5.5	0
Net assets	170,925	46.1	174,207	47.6	3,282
Owners' capital	155,593	42.0	158,682	43.4	3,088
(Capital stock)	17,479	4.7	17,479	4.8	0
(Capital surplus)	20,396	5.5	20,396	5.6	0
(Legal retained earnings)	125,677	33.9	127,633	34.9	1,956
Minority interests	15,331	4.1	15,525	4.2	193

<Trademark rights/ goodwill>
Decreases due to amortization of goodwill

<Current liabilities>
Decrease in accrued income taxes and Provision for bonuses

<Non-current liabilities>
Decrease in Long-term loans payable and increase in lease liability as a result of adopting IFRS 16

<Retained earnings>
Increases due to increased profit.

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There was no significant change in the balance sheet from the end of the previous fiscal year. The negative 5 billion in assets was mainly due to a decrease in cash and deposits. The negative 8.4 billion yen in liabilities was mainly due to a decrease in income taxes payable and provision for bonuses. The 3.2-billion-yen increase in net assets was mainly due to a 1.9-billion-yen increase in retained earnings. The equity ratio, which indicates soundness, improved from 42.0% at the end of the previous fiscal year to 43.4%.

Lastly, consolidated results for the first quarter of the current fiscal year saw an increase in sales and a decrease in profits. Again, we believe there were three main factors behind the decline in profits. First, the reduced number of working days had a negative impact of 1 billion yen in the Temporary Staffing Business. Second, the slump in the Staffing Business in the PROGRAMMED Segment. Finally, the temporary issues associated with the introduction of core systems in the PERSOLKELLY Segment.

In the Temporary Staffing Segment, there is no significant change on the business side, and we have been able to increase the number of workers dispatched and billing unit prices. We expect results to continue to improve steadily in the future. On the other hand, in the PROGRAMMED and PERSOLKELLY Segments, we are making a keen effort to recover from the negative trend in the first quarter. It is expected that a certain amount of time will be required for business performance to recover.

FY March 2020 Consolidated forecasts (After Aug 1, 2019 revision)

We have revised the forecast on Aug 1st due to the end of "an" business
It reflects only the impact of the end of the "an" business and has not reviewed the performance of existing businesses.

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(Unit:JPY million)

	FY Mar 2020 Forecast					
	1st half	Ratio (%)	Growth (%)	Full Year	Ratio (%)	Growth (%)
Net sales	482,500	100.0	+6.7	990,000	100.0	+6.9
EBITDA	29,700	6.2	+5.3	61,000	6.2	+1.7
Operating Profit	20,800	4.3	+1.7	43,000	4.3	-2.5
Net Profit Attributable to Owners of Parent	9,600	2.0	-19.9	21,700	2.2	-10.9
[Reference] Net Profit Prior to Amortization of Goodwill*	13,900	2.9	-	30,300	3.1	-8.1

＊Net Profit Prior to Amortization of Goodwill：Profit attributable to owners of parent company ＋amortization of goodwill

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With regard to the full-year earnings forecast for the current fiscal year, the Company revised the earnings forecast on August 1 in line with the termination of the “an” business. We will continue our efforts to achieve our revised operating income of 43 billion yen. This concludes my presentation, so I would like to move on to the question-and-answer session.

Question & Answer

Moderator: The first question is from Mr. Oda of SMBC Nikko Securities Inc.

Oda: First of all, a question about the short term. I understand that domestic ITO and engineering are progressing as planned. It seems to me that for the first half of the fiscal year have been slightly short compared to the planned for the period. Looking ahead to results for the first half or the full year, I would like whether this is part of the plan, and if you are worried about this in the short term?

Seki: Thank you for your question. ITO is in line with the plan, and we expect progress in the second half of the fiscal year to be in line with the plan. However, regarding the Engineering Segment, there are still structural issues, and there may be some elements of uncertainty in the second half of the fiscal year. However, we intend to manage the Segment toward achieving a certain amount of progress.

Oda: Thank you. My second question concerns Overseas Business. First of all, I would like to ask about the issues affecting PERSOLKELLY in Australia. It was mentioned that the hurdle might increase a little over the full year, but are these issues still ongoing? Could you tell us about the current situation, and if these issues are still ongoing, when you expect them to be resolved?

Seki: Thank you for your question. Regarding the system issues affecting PERSOLKELLY in Australia, we have not yet completely resolved the situation. We are working to provide backup by allocating the necessary local resources, but I think that it will be the end of the first half of the fiscal year before we achieve recovery and get back on course. We will continue to allocate resources to our backup and recovery activities, as this recovery is required for growth in the current fiscal year and beyond.

Oda: Understood. Last but not least, I think that while operating profit is positive at PROGRAMMED, there may be some positive impact from the IFRS or other factors that have pushed up profits slightly. The current situation has been discussed, but it's only been a few months since the guidance was issued, and the outlook is slightly different from the start. Please tell us about the factors surrounding this.

Seki: Yes, thanks. Although there are several factors, I believe that a major factor is Australia's economy. The economic growth rate in Australia is around 1.8%, which is slightly below the 2% forecast. This is a significant macroeconomic factor. Then there's the Staffing Business. In order to revitalize this area, this fiscal year we have begun reallocating marketing and sales resources. However, we believe that to a certain extent, results have not been achieved. This is due to a reduction in activity with respect to cultivating customers among SMEs and new project discovery. We believe that these are two factors that have not proceeded according to our initial plan.

Oda: Thank you.

Seki: Thank you.

Moderator: Ms. Nakahara of Goldman Sachs Japan Co., Ltd. Please go ahead.

Nakahara: First, for your Temporary Staffing Business, I understand that it will cost 1 billion yen a year to cover PMI costs and there will be further costs this year relating to working style reforms. What progress is there in this project in the first quarter, and what are your plans for PMI costs from the second quarter onwards?

Seki: Thank you for your question. As you mentioned in your question, the cost of the PMI and work style reform is expected to be about 1 billion yen a year, as planned. We have made progress roughly according to plan, with costs amounting to 0.23 billion yen per quarter.

Nakahara: Do you anticipate that this pace will continue?

Seki: Yes.

Nakahara: Thanks. Second, what was the growth rate for the Placement business under Recruiting segment this quarter?

Seki: The growth rate for Placement business alone was 18.2%.

Nakahara: Is this progressing as predicted at the beginning of the term?

Seki: We think the progress is as planned.

Nakahara: Thank you. Finally, I understand that there is an anticipated cost of 2.5 billion yen for new business investments this period. Will these costs be split evenly across each quarter, or is there likely to be an increase at some point?

Seki: We are planning to invest 2.5 billion yen on a P&L basis for the year. The overall plan is to have a slightly larger amount in the second half of the year than in the first half in terms of overall activity and costs. Looking at the results for the first quarter, there are still some areas where spending has been less than planned. However, this area is an extremely important element of our growth strategy for the current fiscal year, and we will continue to invest in this area.

Nakahara: Understood. If results for other businesses are not as strong as expected, will new business investments be curbed?

Seki: Naturally, the cost of new services and new businesses as well as promotional costs for other brands will be determined by balancing overall projects, business performance, and results.

Nakahara: Understood. Thank you very much.

Seki: Thank you.

Moderator: Next, Ms. Arai from Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

Arai: I think the comments earlier suggested that first quarter progress as a whole was in line with the plan, but if we deduct this from the plan for the first half, the second quarter would be expected to have a 9% increase in sales, and a 20% increase in operating profit. With this in mind, could you tell us about your predictions for the second quarter? Thank you very much.

Seki: Thank you for your question. Obviously, we were in line with the plan, but exchange rate fluctuations had an unforeseen effect, particularly for the top line of the first quarter.

Arai: There was a mention about the current exchange rates affecting sales, but what is your view about operating profit in the second quarter?

Seki: As planned, there was a 1-billion-yen impact in the first quarter, but I do not think there will be an impact on the second quarter.

Arai: Understood. Thank you very much.

Seki: Thank you.

Moderator: We will now conclude the teleconference on the first quarter of the fiscal year ending March 31, 2020 for PERSOL HOLDINGS CO., LTD. Thank you for your attendance 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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