

Results for the Fiscal Year Ended May 31, 2018

FY2017 (June 1, 2017 - May 31, 2018)

Pasona Group Inc.

First Section TSE (2168)

July 18, 2018

www.pasonagroup.co.jp/english/

FY2017 Results

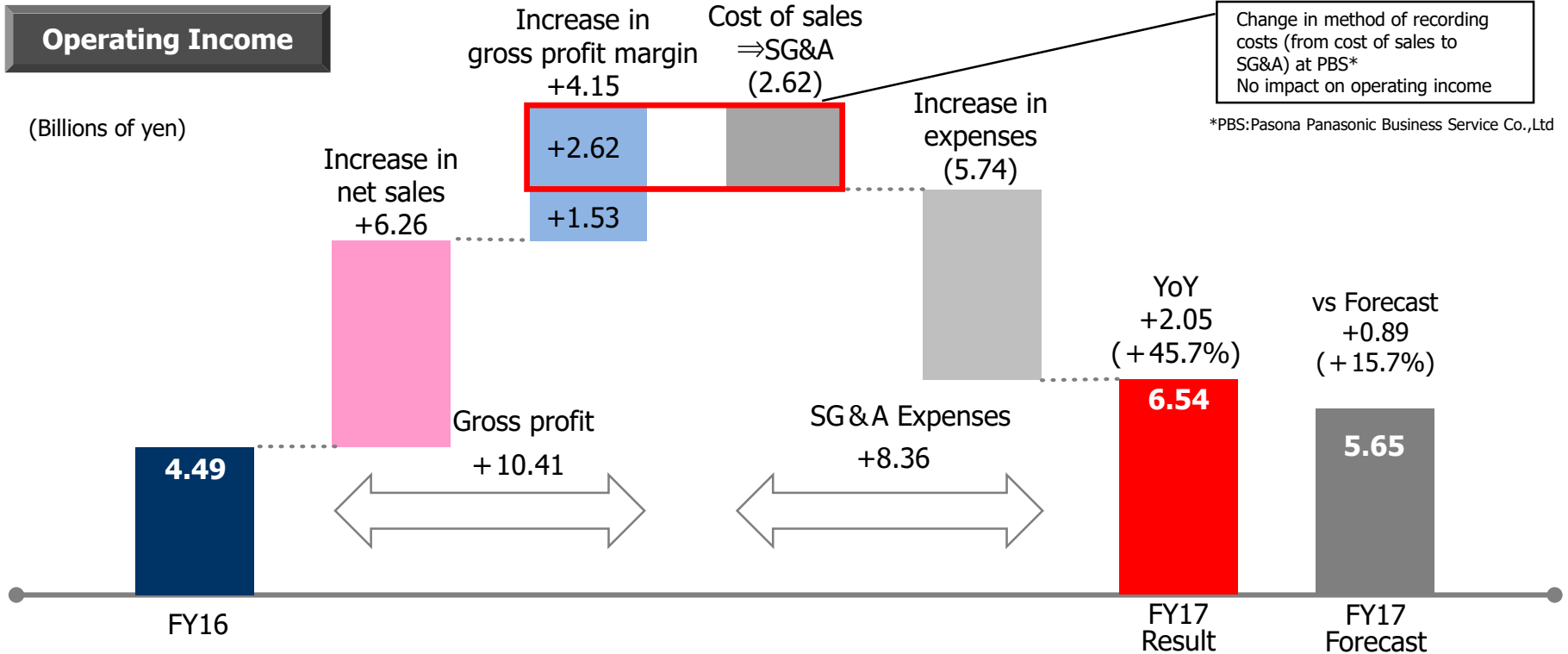


※Units in billions of yen have been rounded to the nearest first decimal place. Units in millions of yen have been rounded down.

Consolidated Results

(Millions of yen)	FY16		FY17		VS FY16 Increase /Decrease	FY17 (Forecast)	VS FY17(Forecast) Increase /Decrease
		(%)		(%)			
Net sales	280,395	100.0	311,410	100.0	+31,015 +11.1%	323,300	(11,889) (3.7)%
Cost of sales	223,778	79.8	244,382	78.5	+20,603 +9.2%	254,770	(10,387) (4.1)%
Gross profit	56,617	20.2	67,028	21.5	+10,411 +18.4%	68,530	(1,501) (2.2)%
SG & A expenses	52,128	18.6	60,489	19.4	+8,360 +16.0%	62,880	(2,390) (3.8)%
Operating income	4,488	1.6	6,539	2.1	+2,050 +45.7%	5,650	+889 +15.7%
Ordinary income	4,319	1.5	6,631	2.1	+2,311 +53.5%	5,600	+1,031 +18.4%
Profit (Loss) attributable to owners of parent	(129)	—	1,288	0.4	+1,417 —	1,000	+288 +28.8%
Gross profit ratio	20.2%		21.5%		+1.3pt	21.2%	+0.3pt
Operating income ratio	1.6%		2.1%		+0.5pt	1.7%	+0.4pt
ROE	(0.7)%		6.0%		+6.7pt	—	—

Operating Income



	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	*Reference FY17
Gross Profit margin	18.8%	18.6%	19.3%	19.3%	20.3%	20.0%	20.2%	21.5%	20.7%
SG&A ratio	17.4%	17.5%	17.8%	17.7%	18.7%	18.6%	18.6%	19.4%	18.6%

Major Item of Increase/Decrease

*Before changing in method of recording costs at PBS

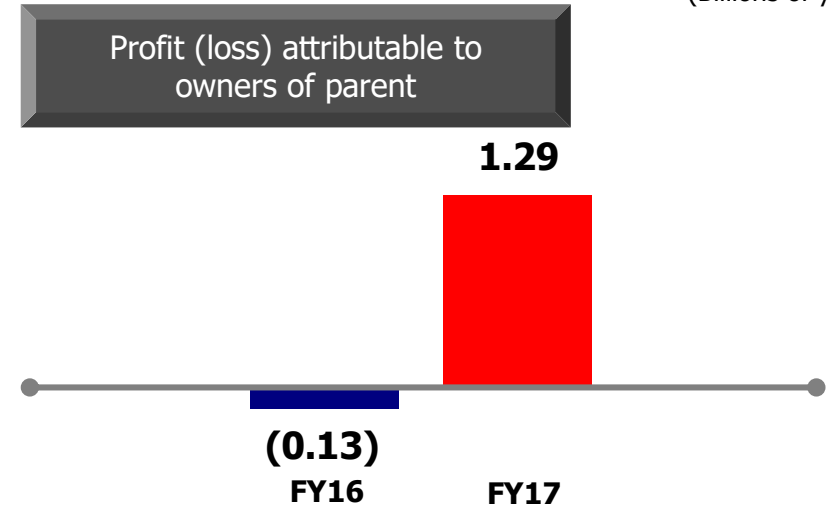
- **Gross profit** increase due to higher revenue, and gains in Insourcing and Career Solutions businesses.
- **SG&A expenses** increased as a result of M&A, higher sales and new businesses. At the same time, costs declined with the standardization of IT infrastructure, and retirement benefit costs decreased.

Consolidated Results

(Non-operating/Extraordinary income (loss))

(Billions of yen)

(Millions of yen)	FY16	FY17	Increase/ Decrease	YoY
Operating income	4,488	6,539	+2,050	+45.7%
Non-operating income	339	981	+641	+189.3%
Non-operating expenses	508	889	+380	+74.9%
Ordinary income	4,319	6,631	+2,311	+53.5%
Extraordinary income	36	601	+564	+1537.1%
Extraordinary loss	265	497	+231	+87.2%
Income before income taxes	4,090	6,735	+2,645	+64.7%
Income taxes - current	2,883	3,855	+972	+33.7%
Income taxes - deferred	(396)	(396)	(0)	-
Income taxes	2,487	3,458	+971	+39.1%
Profit attributable to non-controlling interests	1,732	1,988	+255	+14.8%
Profit (Loss) attributable to owners of parent	(129)	1,288	+1,417	-
ROE	(0.7)%	6.0%	+6.7pt	-



Major Items of Increase/Decrease

- **Non-operating income and expenses**
Increase due to subletting of portion of head office building
 - Real estate rents ¥ 603million (+¥ 528million)
 - Real estate leasing costs ¥ 473million (+ 433million)
 - Share of loss of entities accounted for using equity method ¥ 47million (¥(74)million)
- **Extraordinary income**
 - Gain on bargain purchase from M&A (Q1) ¥ 601million
- **Extraordinary loss**
 - Impairment loss on fixed assets (Q3) ¥ 190million

Consolidated Results by Segment

(Millions of yen)

Segment		Net sales				Operating income (loss)				Operating income ratio		
		FY16	FY17	Increase/ Decrease	YoY	FY16	FY17	Increase/ Decrease	YoY	FY16	FY17	Increase/ Decrease
①	Expert Services (Temporary Staffing)	142,662	159,851	+17,189	+12.0%	2,297	5,075	+2,778	+120.9%	1.0%	2.0%	+1.0pt
②	Insourcing (Contracting)	77,100	84,429	+7,329	+9.5%							
③	HR Consulting, Education, Training, etc.	6,133	7,283	+1,149	+18.7%							
④	Global Sourcing (Overseas)	6,388	7,216	+827	+13.0%							
Subtotal		232,285	258,781	+26,495	+11.4%							
⑤	Career Solutions (Placement/ Recruiting, Outplacement)	15,008	16,638	+1,629	+10.9%	1,992	3,020	+1,027	+51.6%	13.3%	18.2%	+4.9pt
⑥	Outsourcing	29,893	32,656	+2,762	+9.2%	5,782	6,211	+428	+7.4%	19.3%	19.0%	(0.3)pt
⑦	Life Solutions	4,657	5,129	+471	+10.1%	237	268	+31	+13.3%	5.1%	5.2%	+0.1pt
⑧	Public Solutions	1,670	2,277	+607	+36.3%	(450)	(1,536)	(1,085)	-	-	-	-
⑨	Eliminations and Corporate	(3,119)	(4,071)	(952)	-	(5,370)	(6,500)	(1,130)	-	-	-	-
Total		280,395	311,410	+31,015	+11.1%	4,488	6,539	+2,050	+45.7%	1.6%	2.1%	+0.5pt



Sale of Treasury Shares

With the need to increase productivity by utilizing IoT and AI, the company will develop new services in the HR tech sector, and build a system to allow for the sharing of human resources. We will also invest in IT systems to strengthen the internal foundation, and allocate a portion of funds to repay outstanding debt.

Overview

Item	Disposal of treasury shares through public offering
Number of shares	Total 2,300,000 • Disposal of treasury shares... 2,000,000 • O.A..... 300,000
Procurement amount	3,781 millions

Procurement funds used

Company	Segment	Equipment content	Priority strategy	Investment amount (millions)
Pasona Inc.	• Expert Services • Insourcing • Career Solutions	Business system	 	2,310
Job-Hub Inc.	Insourcing	Business system		500

▼ Selling result ▼

- ✓ Offering impact 5.5%
- ✓ No. of shareholders: 7,082 at FYE5/17 → 10,529 at FYE5/18
- ✓ Around 96% of shares distributed to individual investors
- ✓ Shares were sold broadly nationwide, along with expansion of the marketing base for company facilities aimed at regional revitalization, since shareholders = customers.

Balance sheet

(Billions of yen)

Major Item of Increase/Decrease	May 31,2017	May 31,2018	Increase/ Decrease
Assets	94.6	112.8	+18.2
Current assets	64.6	75.9	+11.3
Cash and deposits	21.8	25.4	+3.6
Notes and accounts receivable—trade	34.2	40.1	+5.9
Other	8.7	10.5	+1.8
Non-current assets	30.0	36.9	+6.9
Property, plant and equipment	9.3	15.4	+6.1
Intangible assets	9.1	9.6	+0.5
Investments and other assets	11.6	11.9	+0.3
Liabilities	66.5	78.9	+12.4
Current liabilities	49.8	57.6	+7.8
Accounts payable	5.9	6.5	+0.7
Short-term loans payable	5.4	6.2	+0.9
Accrued expenses	14.1	16.6	+2.4
Other	24.5	28.3	+3.8
Non-current liabilities	16.7	21.3	+4.6
Long-term loans payable	12.0	14.1	+2.1
Net assets	28.1	33.9	+5.8
Shareholders' equity	18.6	23.2	+4.6
Valuation and translation adjustments	0.5	0.4	(0.1)
Non-controlling interests	9.0	10.3	+1.3
Capital adequacy ratio	20.1%	20.9%	0.8pt

Major Items of Increase/Decrease

【Current Assets】

Cash and deposits	¥3.6 billion
Accounts receivable	¥5.9 billion

【Fixed Assets】

New businesses	¥5.1 billion
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【Liabilities】

Loans payable	+¥3.0 billion
Accrued expense	+¥2.4 billion
Lease obligation	+¥1.2 billion

【Shareholders' equity】

Disposal of treasury shares	+¥3.8 billion
Capital surplus	+¥2.0 billion
Treasury shares	+¥1.8 billion
Retained earnings	+¥0.9 billion
Profit attributable to owners of parent	+¥1.3 billion
Cash dividends payment	¥(0.4) billion

【Non-controlling interests】

Benefit One earnings distribution	¥1.9 billion
Cash dividends paid for Benefit One	¥(0.9) billion

Cash Flow

(Billions of yen)

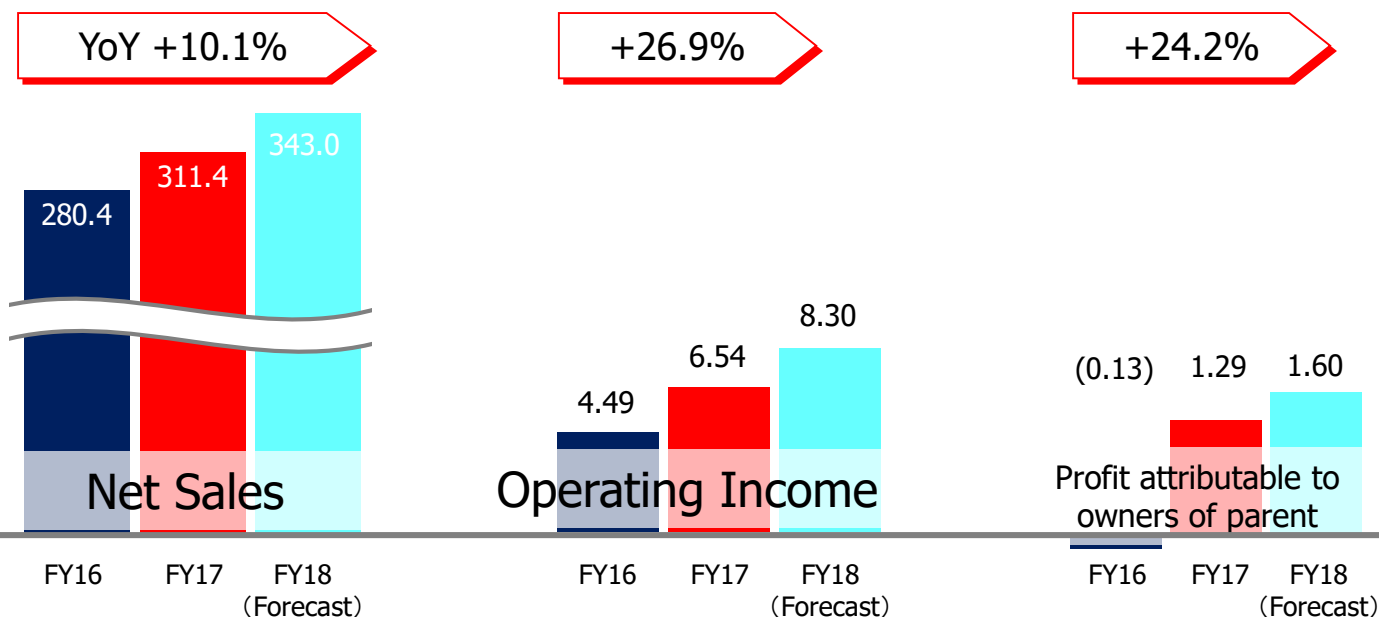
Major Item of Increase/Decrease	FY16	FY17	Increase/Decrease
Cash flows from operating activities	6.5	9.5	+3.0
Income before income taxes	4.1	6.7	+2.6
Depreciation and amortization	3.3	3.8	+0.5
Impairment loss	0.1	0.2	+0.1
Amortization of goodwill	1.0	1.0	+0.0
Gain on bargain purchase	-	(0.6)	(0.6)
Retirement benefits	0.7	(0.2)	(0.9)
Deposits received	0.1	1.1	+1.0
Income tax paid	(2.7)	(3.3)	(0.6)
Other	(0.1)	0.8	+0.9
Cash flows from investing activities	(3.7)	(12.0)	(8.3)
Purchase of property, plant and equipment	(1.3)	(8.6)	(7.3)
Purchase of intangible fixed assets	(1.4)	(2.0)	(0.6)
Expenditures for M&A	(0.1)	(1.9)	(1.8)
Other	(0.9)	0.5	+1.4
Cash flows from financing activities	1.9	6.5	+4.6
Proceeds from long-term loans payable	8.5	9.1	+0.6
Repayment of long-term loans payable	(5.0)	(6.1)	(1.1)
Cash dividends paid	(1.1)	(1.4)	(0.3)
Proceeds from sales of treasury shares	-	3.8	+3.8
Other	(0.5)	1.0	+1.6
Net increase (decrease) in cash and cash equivalents	4.6	4.0	(0.6)
Cash and cash equivalents at beginning of the period	16.4	21.1	+4.6
Cash and cash equivalents at the end of the period	21.1	25.1	+4.0
Free cash flows	2.8	(2.5)	(5.2)

Major Items of Increase/Decrease	
【Profit before amortization】 ¥11.1 billion (¥2.6 billion)	
【Retirement benefits】 Retirement benefits ¥(0.9) billion	
【Purchase of fixed assets】 Head office relocation ¥(1.2) billion New businesses ¥(5.1) billion	
【Purchase of intangible assets】 IT related ¥(0.6) billion	
【Expenditures for M&A】 Purchase of shares of subsidiaries +¥1.1 billion Payments for transfer of business ¥(0.7) billion	
【Increase/Decrease in long-term loan payable】 Proceeds from long-term loans payable +¥0.6 billion Repayment of long-term loan payable ¥(1.1) billion	
【Proceeds from disposal of treasury shares】 +¥3.8 billion	

FY2018 Forecasts

FY2018 Consolidated Forecasts

(Billions of yen)

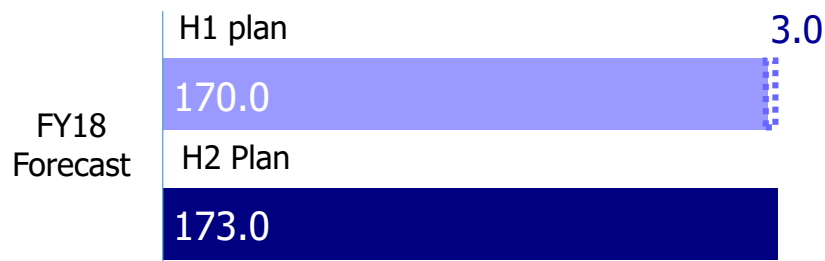


(Millions of yen)	FY16	to net sales %	FY17	to net sales %	FY18 Forecast	to net sales %	vs FY17 Increase/Decrease	YoY
Net sales	280,395	100.0	311,410	100.0	343,000	100.0	+31,589	+10.1%
Cost of sales	223,778	79.8	244,382	78.5	267,000	77.8	+22,617	+9.3%
Gross profit	56,617	20.2	67,028	21.5	76,000	22.2	+8,971	+13.4%
SG&A expenses	52,128	18.6	60,489	19.4	67,700	19.7	+7,210	+11.9%
Operating income	4,488	1.6	6,539	2.1	8,300	2.4	+1,760	+26.9%
Ordinary income	4,319	1.5	6,631	2.1	8,400	2.4	+1,768	+26.7%
Profit (Loss) attributable to owners of parent	(129)	-	1,288	0.4	1,600	0.5	+311	+24.2%

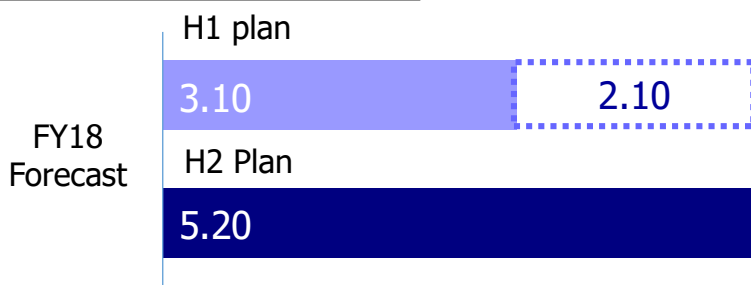
FY2018 Difference Between the First and Second Half

Net Sales

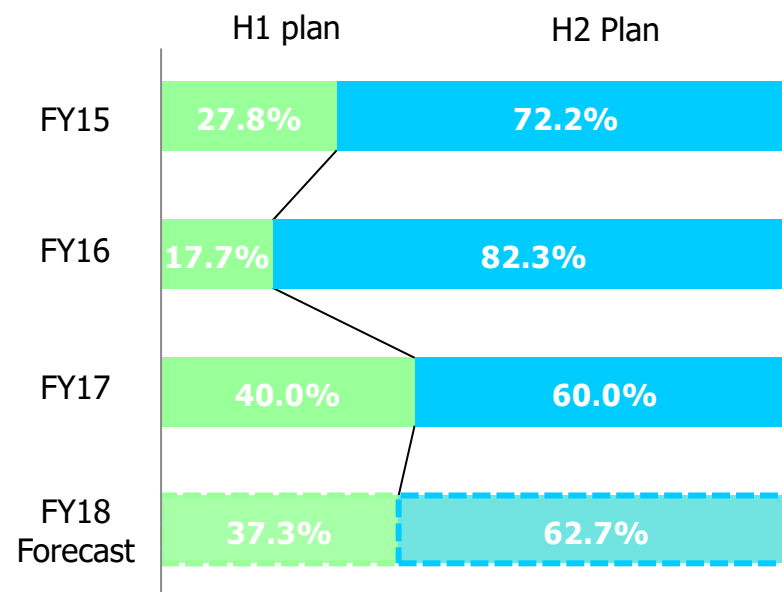
(Billions of yen)



Operating Income



Operating Income Balance Between H1 and H2



(Millions of yen)	FY17 H1	FY18 H1	to net sales	vsFY17 %	FY17 H2	FY18 H2	to net sales	vsFY17 %	FY17	FY18	to net sales	vsFY17 %
Net Sales	150,619	170,000	100.0	12.9%	160,791	173,000	100.0	7.6%	311,410	343,000	100.0	10.1%
Cost of sales	118,687	133,300	78.4	12.3%	125,694	133,700	77.3	6.4%	244,382	267,000	77.8	9.3%
Gross profit	31,931	36,700	21.6	14.9%	35,096	39,300	22.7	12.0%	67,028	76,000	22.2	13.4%
SG&A expenses	29,313	33,600	19.8	14.6%	31,176	34,100	19.7	9.4%	60,489	67,700	19.7	11.9%
Operating income	2,618	3,100	1.8	18.4%	3,920	5,200	3.0	32.6%	6,539	8,300	2.4	26.9%
Ordinary income	2,634	3,100	1.8	17.7%	3,996	5,300	3.1	32.6%	6,631	8,400	2.4	26.7%
Profit(Loss) attributable to owners of parent	470	350	0.2	(25.6)%	817	1,250	0.7	52.8%	1,288	1,600	0.5	24.2%

FY2018 Consolidated Forecasts by Segment

(Millions of yen)

Segment	Sales				Operating income (loss)				Operating income margin		
	FY17	FY18 Forecast	VS FY17 Increase/Decrease	VS FY17 %	FY17	FY18 Forecast	VS FY17 Increase/Decrease	VS FY17 %	FY17	FY18 Forecast	VS FY17 Increase/Decrease
Expert Services (Temporary Staffing)	159,851	172,800	+12,948	+8.1%	5,075	5,900	+824	+16.3%	2.0%	2.1%	+0.1pt
Insourcing (Contracting)	84,429	91,800	+7,370	+8.7%							
HR Consulting, Education, Training, etc.	7,283	8,900	+1,616	+22.2%							
Global Sourcing (Overseas)	7,216	8,100	+883	+12.2%							
Subtotal	258,781	281,600	+22,818	+8.8%							
Career Solutions (Placement/Recruiting, Outplacement)	16,638	18,800	+2,161	+13.0%	3,020	2,880	(140)	(4.7)%	18.2%	15.3%	(2.8)pt
Outsourcing	32,656	37,600	+4,943	+15.1%	6,211	7,540	+1,328	+21.4%	19.0%	20.1%	+1.0pt
Life Solutions	5,129	5,900	+770	+15.0%	268	170	(98)	(36.7)%	5.2%	2.9%	(2.4)pt
Public Solutions	2,277	3,200	+922	+40.5%	(1,536)	(1,300)	+236	-	-	-	-
Elimination/Corporate	(4,071)	(4,100)	(28)	-	(6,500)	(6,890)	(389)	-	-	-	-
Consolidated	311,410	343,000	+31,589	+10.1%	6,539	8,300	+1,760	+26.9%	2.1%	2.4%	+0.3pt

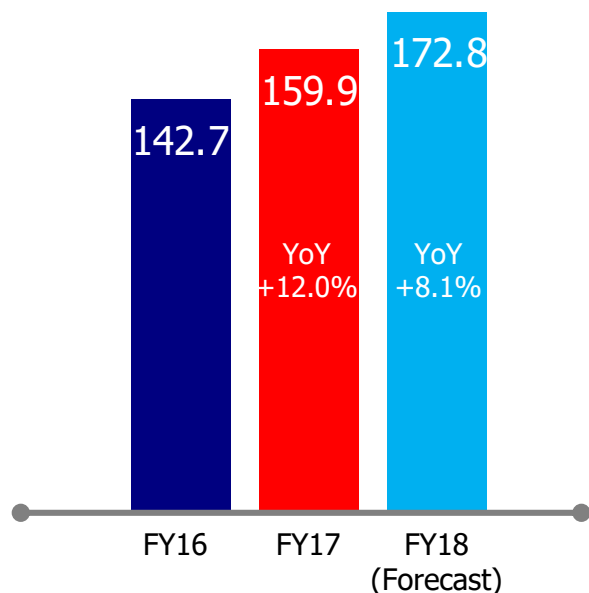
Segments

Expert Services (Temporary staffing)

Net Sales

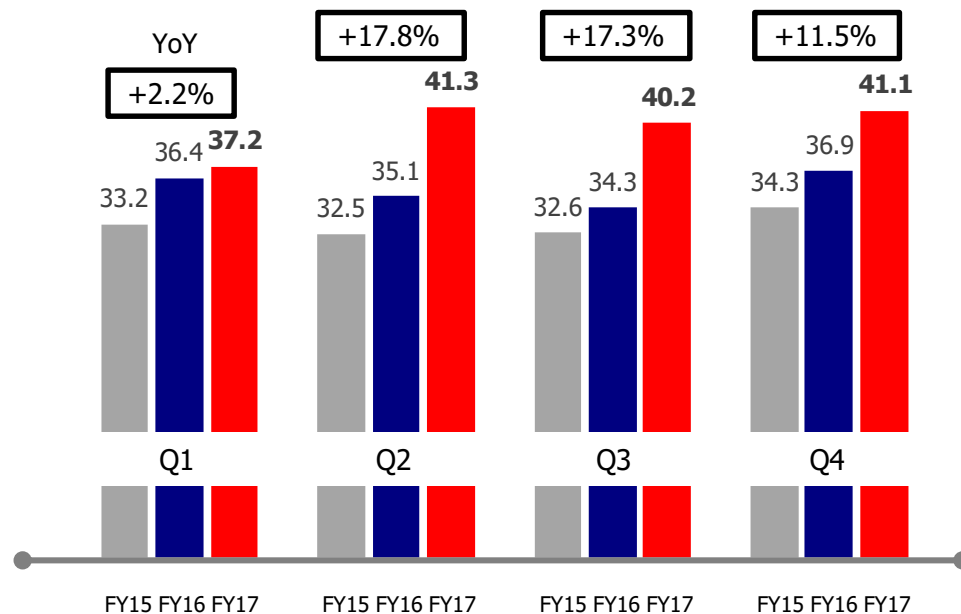
※ Segment figures include intersegment sales

(Billions of yen)



Sales Trends

(Billions of yen)



Business Conditions

●FY17 (result)

- Growth in specialist positions such as accounting, foreign languages, and IT.
- Increase in direct hiring by client companies due to the impact of the Labor Contract Act.
- Net sales increased by double digits, partly due to M&A with NTT's human resource company.

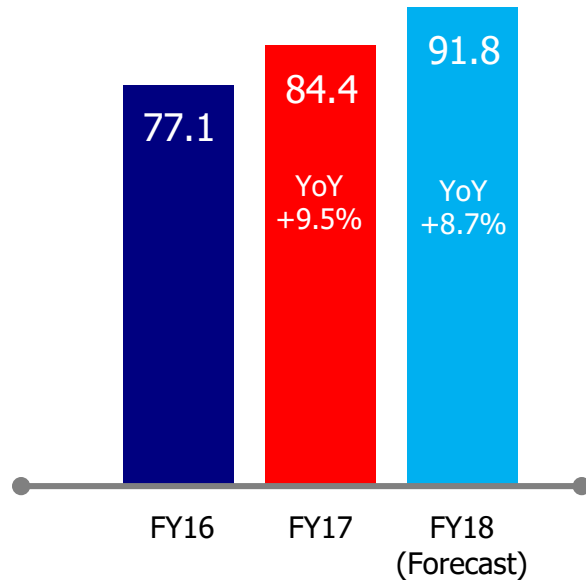
●FY18 (plan)

- Strengthen specialist personnel training with technology, such as robotic process automation (RPA).
- Aim to improve profitability through integration of the corporate group with IT system.
- Utilize AI and other technologies to increase productivity.

In sourcing (Contracting)

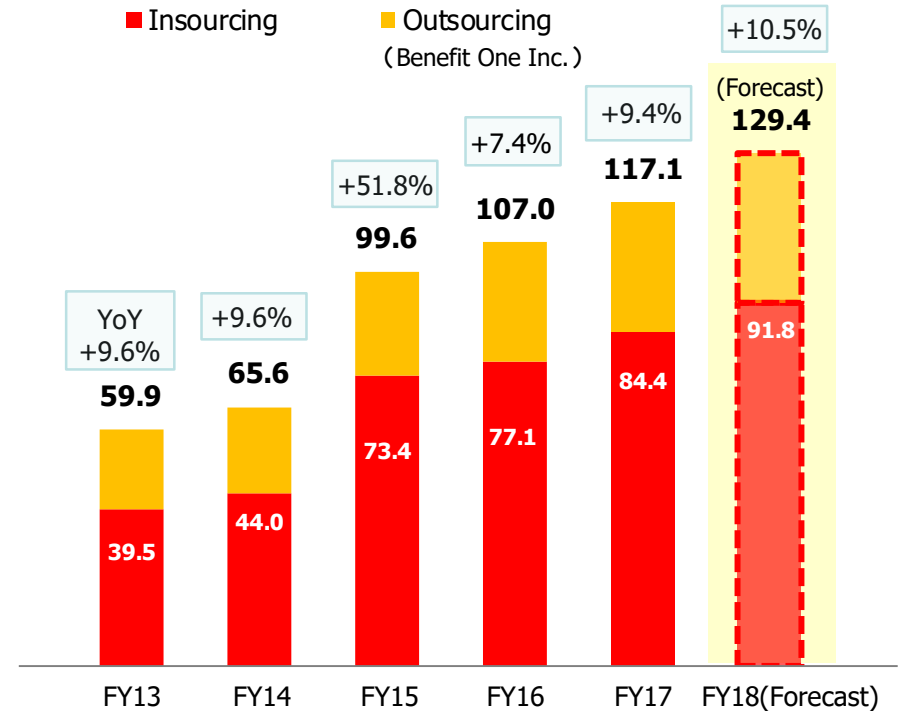
Net Sales

(Billions of yen)



BPO Sales Trend

(Billions of yen)



Business Conditions

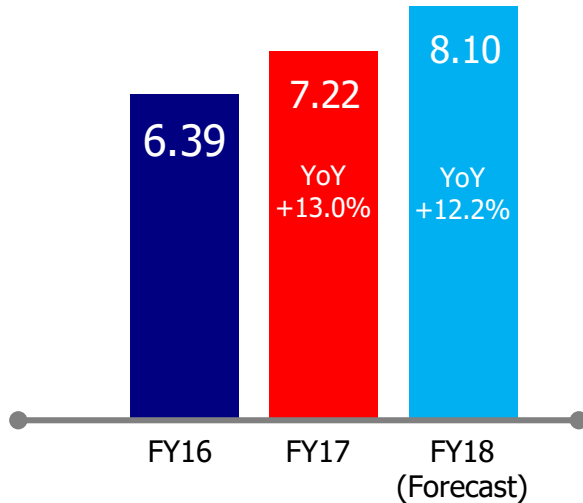
- **FY17 (result)**
 - Continued increase in administrative affairs representation for government bodies.
 - Closer cooperation among group companies, and growth at administrative-related PBS with development of workplace environment, and Bewith, Inc. on successful strengthening of structures.

- **FY18 (plan)**
 - Enhance efficiency by accumulating know-how and progress management with BPO management system.
 - Expand market share, by using M&A.
 - upgrading the service lineup.

Global Sourcing (Overseas)

Net Sales

(Billions of yen)



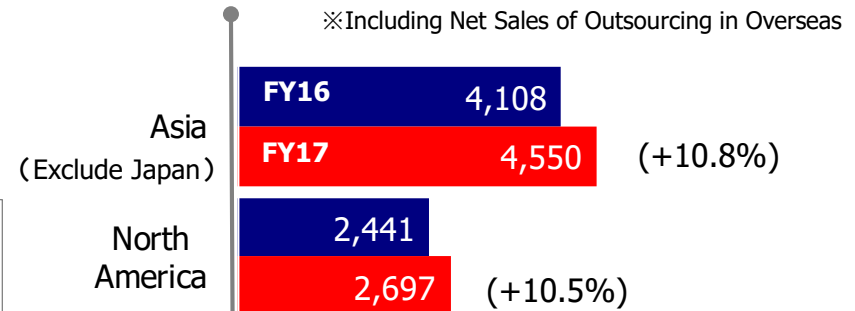
Sales by Business Segment

(Millions of yen)

	FY16	FY17	YoY
Temporary Staffing	2,707	3,257	+20.4%
Placement / Recruiting	1,778	1,879	+5.7%
Contracting (Payroll, others)	1,180	1,325	+12.2%
Others	723	753	+4.3%
Total	6,388	7,216	+13.0%

Sales by Region

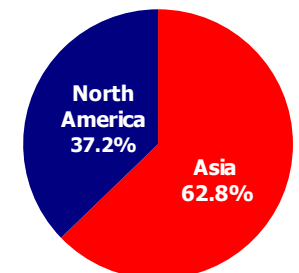
(Millions of yen)



Business Conditions

- **FY17 (result)**
 - Growth in temporary staffing centered on North America and Indonesia.
 - In Vietnam, training of engineers through industry-academia collaboration, and increase in demand from Japanese companies.
- **FY18 (plan)**
 - Support borderless career development for foreign workers through JOB Haku (job fair).
 - Strengthen market development in new areas, such as South America and South Africa.

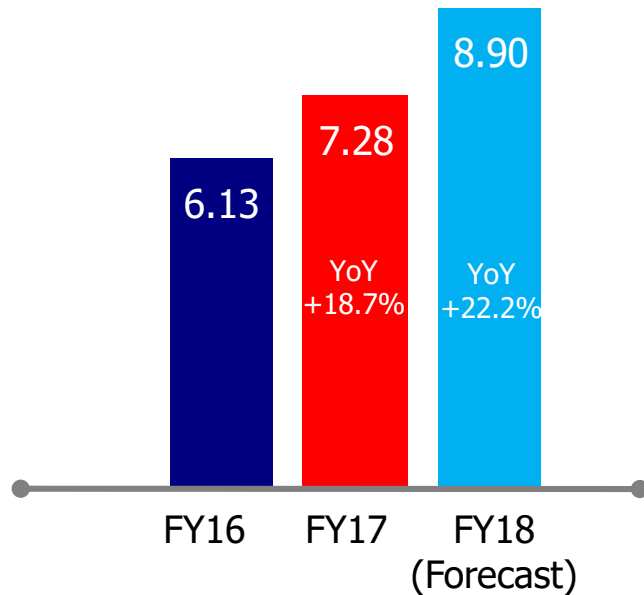
Sales composition



HR Consulting, etc. / Operating Income by Segments

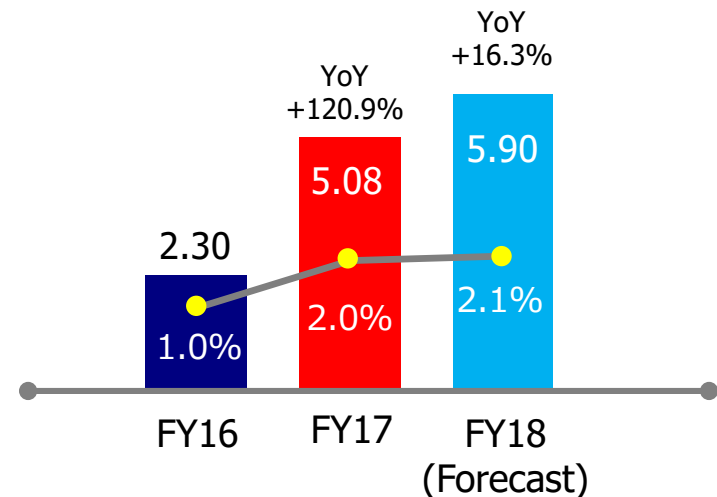
Net Sales (HR Consulting, education, training, etc.)

(Billions of yen)



ES~GS Operating Income

※ES~GS: Expert Service, Insourcing, HR Consulting, Global Sourcing
(Billions of yen)



Business Conditions

- **FY17 (result)**
 - Increase in training needs, such as customer service training for overseas tourists.
 - Increase in placement fees through TTP, due to effects from the Labor Contract Act.
- **FY18 (plan)**
 - In response to working-style reforms, strengthen sales activities for talent management system.

Business Conditions

- **FY17 (result)**
 - Increase in revenue, and earnings improvement in Insourcing.
 - Lower retirement benefits expenses.
- **FY18 (plan)**
 - Enhance efficiency with standardization of IT system.

Career Solutions (Placement/Recruiting, Outplacement)

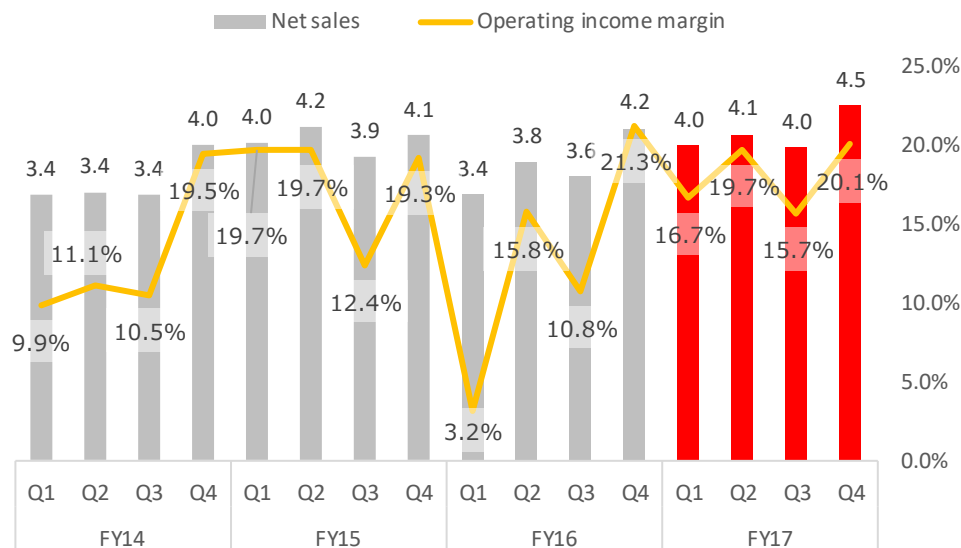
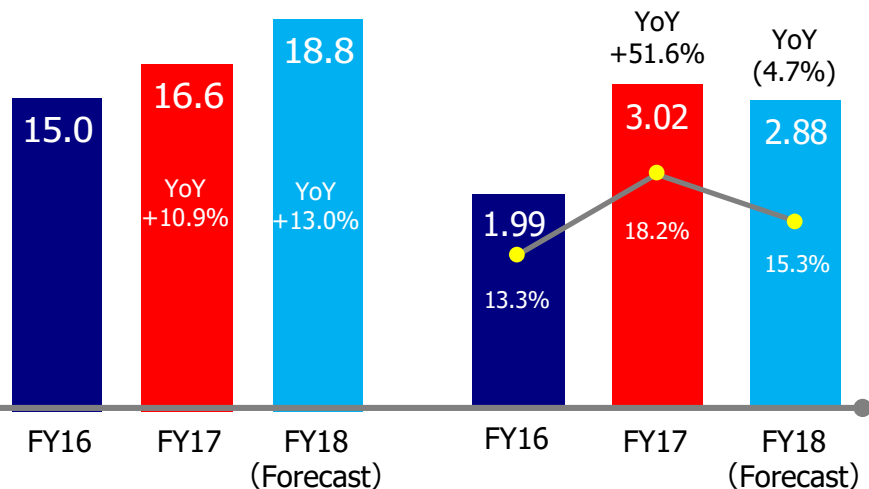
Net Sales

(Billions of yen)

Operating Income, Operating Income Margin

Trends in Net Sales & Operating Income Margin

(Billions of yen)



※FY2013-2014 are reference figure before change of segment classification.

Business Conditions

• FY17 (result)

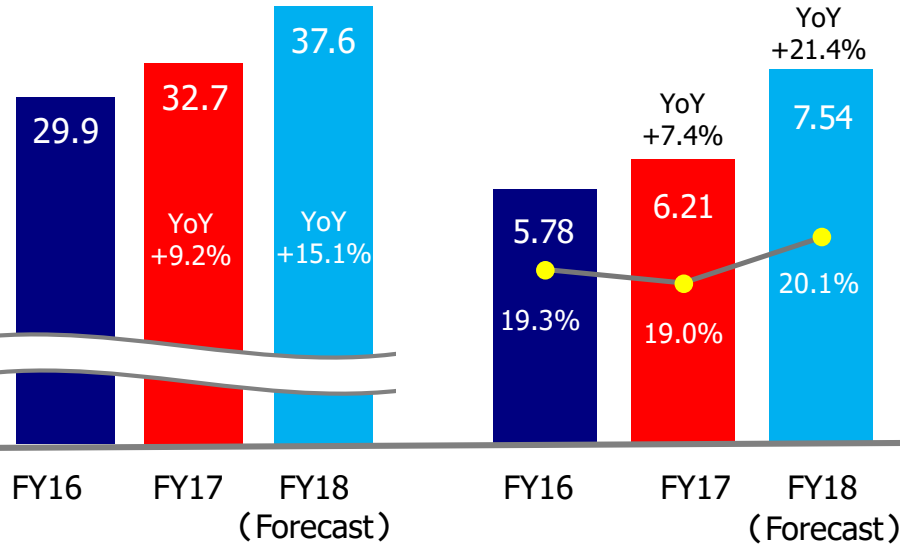
- Steady increase in business for management positions and IT personnel, as well as outplacement support for women.
- Shifted to a comprehensive marketing structure. Sales grew in regional areas utilizing network of over 80 locations nationwide.

• FY18 (plan)

- Develop new HR tech services using IT, such as direct recruiting.
- Begin with integration and development of IT system.

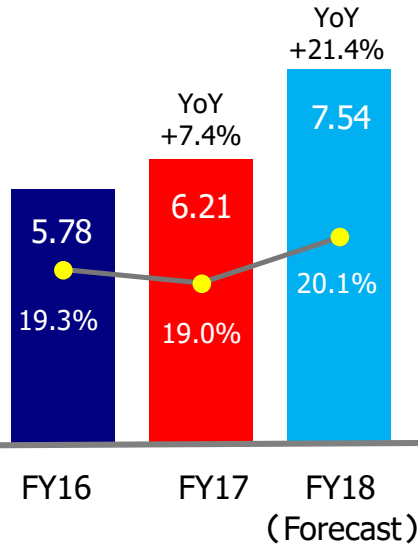
Outsourcing (Benefit One Inc.)

Net Sales



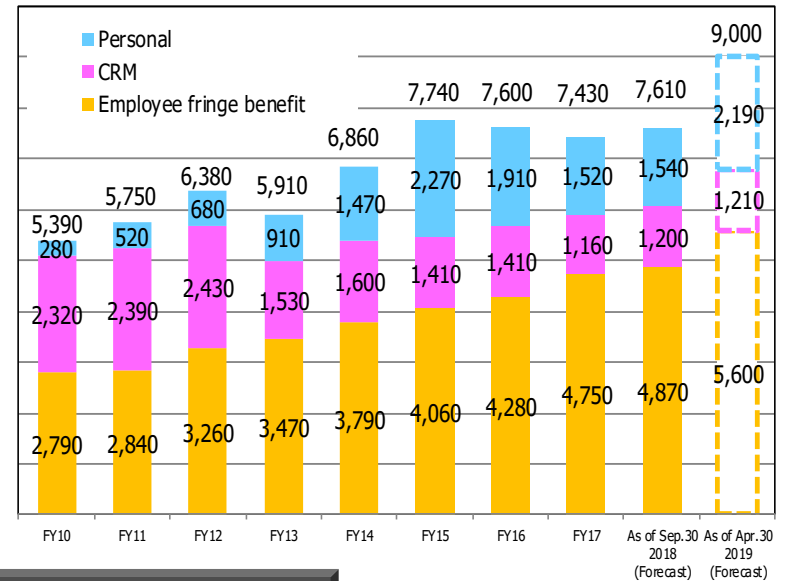
Operating Income, Operating Income Margin

(Billions of yen)

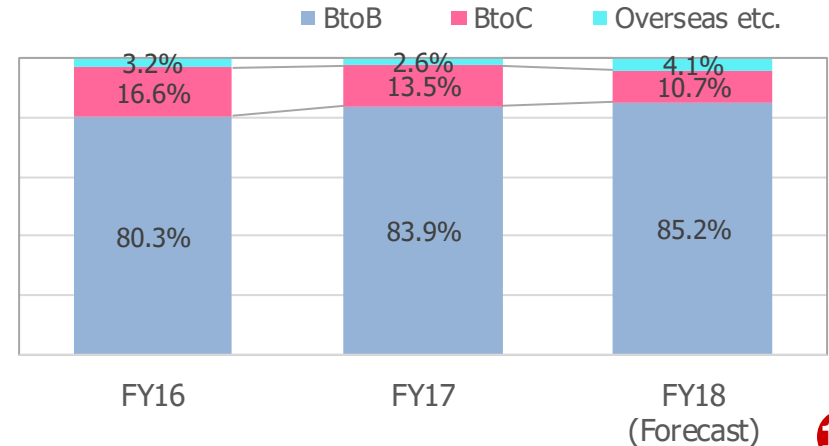


Benefit One Membership

(Thousand people)



Sales Composition



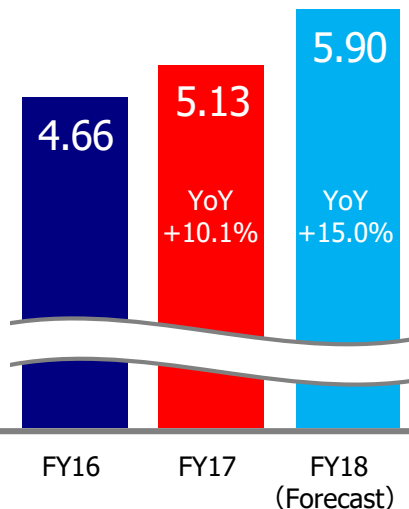
Business Conditions

- **FY17 (result)**
 - Steady growth in employee fringe benefit services in response to working-style reforms.
 - Health care business results expanded on greater use of outsourcing.
- **FY18 (plan)**
 - Aim to expand market share through tie-up with Japan Post Co., Ltd.
 - Begin providing service for NTT Group employees.

Life Solutions (Childcare, Nursing care)

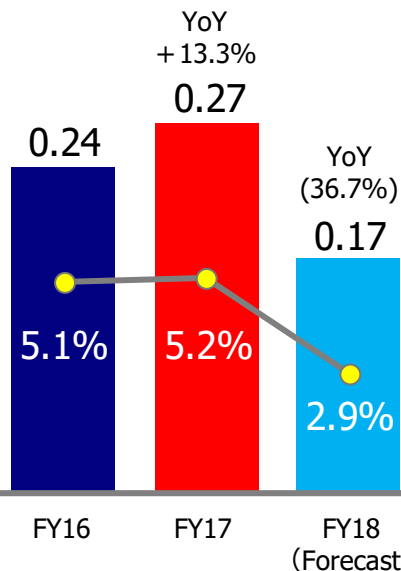


Net Sales



Operating Income, Operating Income Margin

(Billions of Yen)



Pasona Foster

- Began providing new type of in-company childcare jointly for three companies in the construction consultant industry (Apr. 2018).

【The number of facilities (YoY)】 ※As of May.31, 2018

- Daycare facilities 38 (+7)
- After-school children's clubs 42 (+5)

Pasona Life Care

- Opened Pasona Life Care Sakaedani in Wakayama-shi, a combined day service nursing facility and home-visit/in home care support office (Apr. 2018).
- Held a "Managing Work and Nursing Care Seminar" in Osaka (May 2018).

【The number of facilities】

- Nursing care facilities 25 ※ As of May.31, 2018

Business Conditions

● FY17 (result)

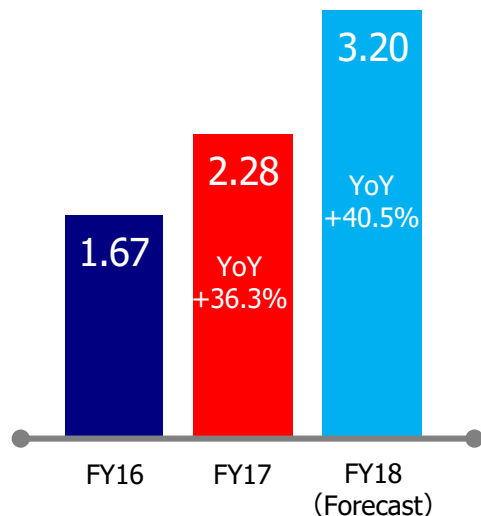
- Pasona Foster Care Inc. : Steady increase in contracts for daycare facilities and in-company childcare; 12 facilities added during the subject fiscal year.
- Pasona Life Care Inc. : Sales growth on increase in use of nursing care and housekeeping services, along with various types of consulting.

● FY18 (plan)

- Open new facilities and strengthen event childcare, while also securing childcare workers and improving working conditions.
- Strengthen housekeeping services and modern-day services to prevent people leaving work to provide nursing care.

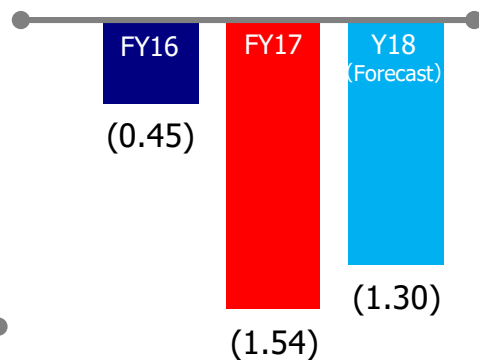
Public Solutions (Regional Revitalization, etc.)

Net Sales



Operating Income

(Billions of Yen)



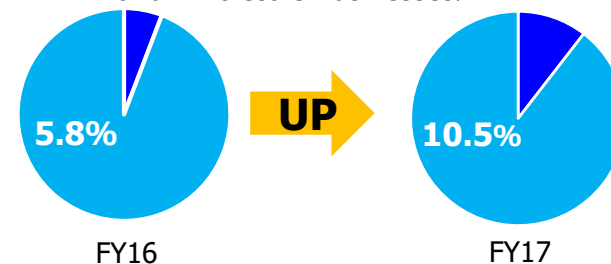
Business Conditions

- **FY17 (result)**
 - Tango Kingdom Inc.: Strengthened external sales as regional trading company. Steady increase in revenue and earnings improvement.
- **FY18 (plan)**
 - Begun full-fledged operations at Hello Kitty Smile.
 - Aim for synergistic effect between Nijigennomori and glamping.

Tango Kingdom Inc.

• Beyond just operating Michi-no-Eki (roadside rest areas), as regional trading company, strengthen external sales of homemade products, and wholesale of agricultural products.

<Proportion of Sales from the External Sales and Wholesale Businesses>



- Craft beer brewed at Tango Kingdom won award at global beer competition.
- Decided to hold "Michi-1 Grand Prix 2018" event to select the best gourmet foods at Michi-no-Eki facilities nationwide.

Nijigennomori Inc.

- 「Nijigennomori」Open (July 2017)
- 「Hello Kitty Smile」Open (Apr. 2018)
- 「Grand Chariot over the Big Dipper 135°」Open (May 2018)



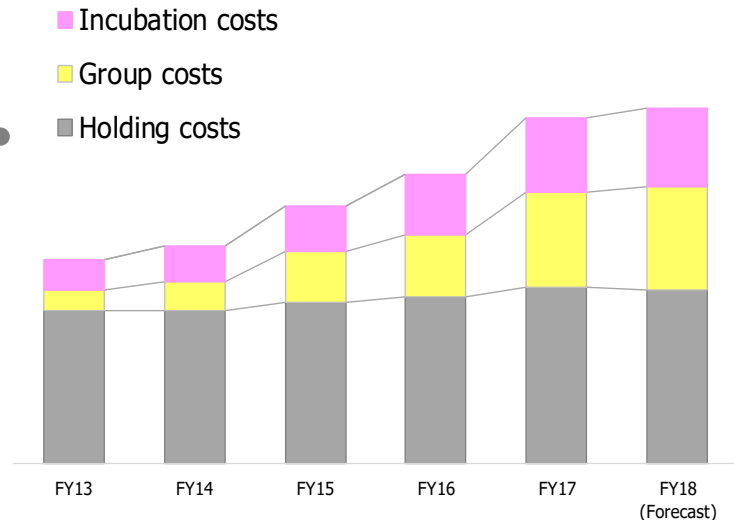
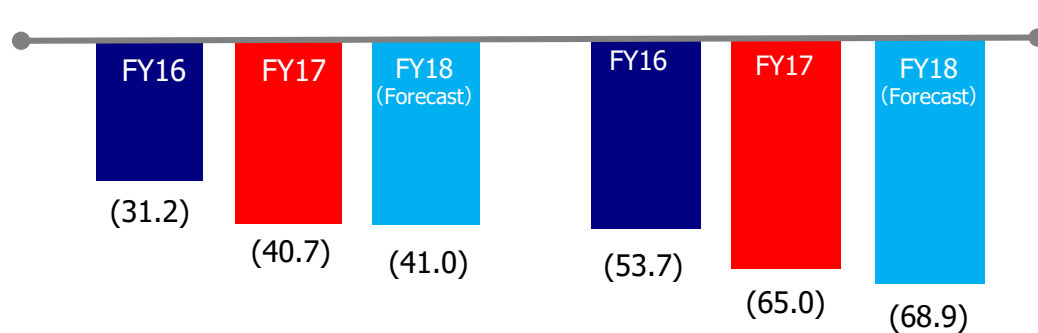
Elimination/Corporate Segment Costs

Net Sales

Operating Income

Costs Trends

(Billions of yen)



Main Reasons for Cost Increase

● FY17 (result)

Holding costs: Management costs as holding company

- +0.2 billion YoY due to management enhancement.

Group costs: Costs to maximize group synergies

- +0.6 billion YoY due to one-time costs from relocation of Tokyo head office building, recurrent education, and IT infrastructure.

Incubation costs: Costs for development and launch of new businesses

- +0.3 billion YoY due to new business startup costs.

● FY18 (plan)

- Costs anticipated for Osaka office relocation.
- Group costs anticipated as Olympic Sponsor.

Returns to Shareholders

Returns to Shareholders

Pasona considers shareholder returns to be priority issue for management. To further enhance returns, we have raised the target consolidated payout ratio to **30%** from 25%, and will increase dividends for the end of fiscal year by **one yen, to 13 yen per share**.

Dividend Policy

Basic policy to deliver adequate returns to shareholders relative to corporate performance, consolidated payout ratio 30% while at the same time endeavor to provide continuous and stable dividends

Dividends

Plan to pay **¥14 per share for the fiscal year ending May 31, 2019**

- **FY2017 Dividend per share** **¥13** **Period-End** **¥13**
- **FY2018 Dividend forecast per share** **¥14** **Period-End** **¥14**

	FY13	FY14	FY15	FY16	FY17	FY18 (Forecast)
Dividend per share	¥10	¥12	¥12	¥12	¥13	¥14
Dividend payout ratio (consolidated)	71.2%	206.3%	181.3%	-	37.2%	34.2%

FY2018

Group Priority strategy

FY2018 Group Priority Strategy

FY2017

Strategy I

Strengthen responsiveness to changes in the business environment

Strategy II

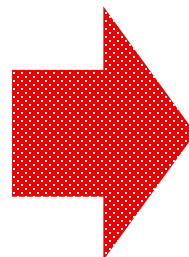
Pursue cost synergies and enhance profitability

Strategy III

Create social value

Strategy IV

Strive to achieve a society of personal independence



FY2018

Strategy I

Establish business base responsive to changes in the industrial structure

Strategy II

Enhance business efficiency and strengthen earning capacity

Strategy III

Promote regional revitalization

FY2018 Group Priority Strategy

Strategy I

Establish business base responsive to changes in the industrial structure

- Promote HR Tech
- Expand our market share in the BPO business
- Strengthen our senior business

Strategy II

Enhance business efficiency and strengthen earning capacity

Strategy III

Promote regional revitalization

FY2018 Group Priority Strategy

Strategy I

Establish business base responsive to changes in the industrial structure

- Promote HR Tech
- Expand our market share in the BPO business
- **Strengthen our senior business**

Strategy II

Enhance business efficiency and strengthen earning capacity

Strategy III

Promote regional revitalization

Strengthen our senior business

▶ Further strengthen the Senior Business (begun in 1980) in anticipation of the continued employment system and era of lifespans of 100 years

Company or business

Business contents

This term

Apr. 2018

Pasona Masters

Pasona Inc. "Mastrer's HR service"

+

Nihon Employment Creation Organization Inc.

- ✓ Temporary staffing and placement for seniors
- ✓ Utilize group synergies to provide benefits for seniors etc.



Seek growth in the temporary staffing business with strength of retired employees of major corporations

Pasona Knowledge Partner

- ✓ Joint venture with Panasonic IP Management
- ✓ Patent search utilizing practical know-how regarding IP etc.



Strengthen the BPO business through group synergies

Knowledge bank

- ✓ Prior technological document reviewed by senior technical specialists etc.



Two new business offices (Shizuoka and Fukuoka Prefectures) scheduled to open in April 2019
(Currently there are offices in Tokyo and Osaka)

Komon Network

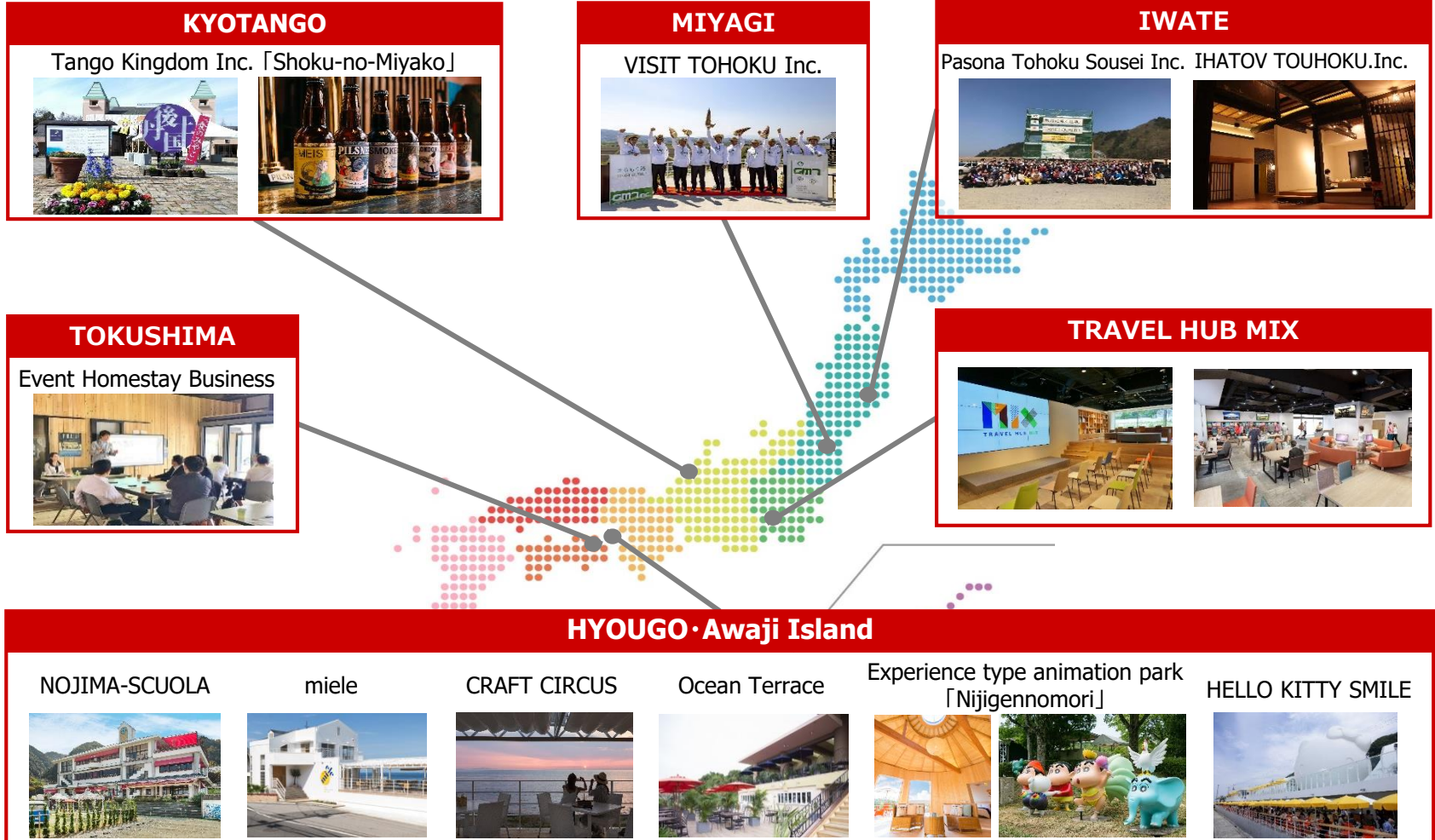
- ✓ Solving of management issues by over 5,000 retired senior executives in listed companies



Strengthen sales capabilities, and focus on temporary staffing to seek growth

Promote regional revitalization

▶ Efforts across the country





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July.2017

Opening of "Nijigennomori" Japan's first immersive entertainment animation park





May.2018

Opening of the "Hoshi no Furu Oka" glamping facility "Grand Chariot over the Big Dipper 135°"



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Apr.2018

Opening of creative oriental restaurant “HELLO KITTY SMILE”
on Awaji Island, the treasure ingredients of food

Promote regional revitalization

▶ Enhance our various business models in regional areas



- ✓ As regional trading company, plan and sell our local products, and expand sales channels nationwide and overseas

- ✓ Hold Michi1 Grand Pix



- ✓ Enhance Inbound business
- ✓ Establish a DMO* to support tourism
- ✓ Farmhouse accommodation using old traditional houses
- ✓ Staffing support for the Rugby World Cup (Kamaishi)

※ Destination Management Organization – A corporation familiar with the tourism assets of a particular region, including its tourist sites, nature, food, arts, customs, and manners, and that works with local regions to develop tourism destinations.

Weizen craft beer brewed at Tango Kingdom that received a bronze medal



Rinderwurst homemade additive-free beef sausage



Local trading company GM7 established in Marumori, Miyagi Prefecture in April



Hiraizumi Club Farm & Resort, an accommodation facility in a renovated old, traditional house in Hiraizumi, Iwate Prefecture

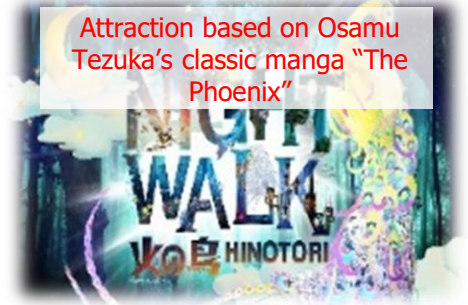
Promote regional revitalization

▶ Enhance our various business models in regional areas



- ✓ Focus on new business model utilizing the **Park-PFI** system*
- ✓ Promote Japanese animation characters domestically and overseas

* The Park-PFI (private finance initiative) system is a system to allow ordinary private companies greater participation in park development and business projects for municipal parks, from regular park facilities such as restaurants and shops, to specific park facilities such as neighboring open spaces.



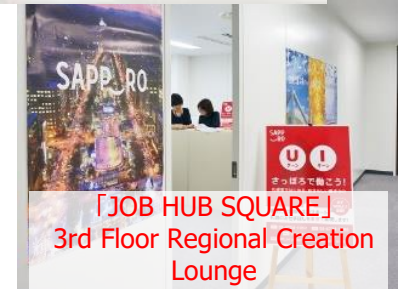
©Tezuka Productions



- ✓ Contract management and management of local administration for local government
⇒ **Around 330** local government bodies in **47** prefectures



- ✓ Manage consultation services for people returning to their home towns for work.
⇒ People hoping for immigration : **cumulative of 80,000 people**
⇒ immigration : **cumulative of 5,500 people**



FY2018

Group Priority strategy

Focus①

FY2018 Group Priority Strategy

Strategy I

Establish business base responsive to changes in the industrial structure

➤ Promote HR Tech

- Expand our market share in the BPO business
- Strengthen our senior business

Strategy II

Enhance business efficiency and strengthen earning capacity

Strategy III

Promote regional revitalization

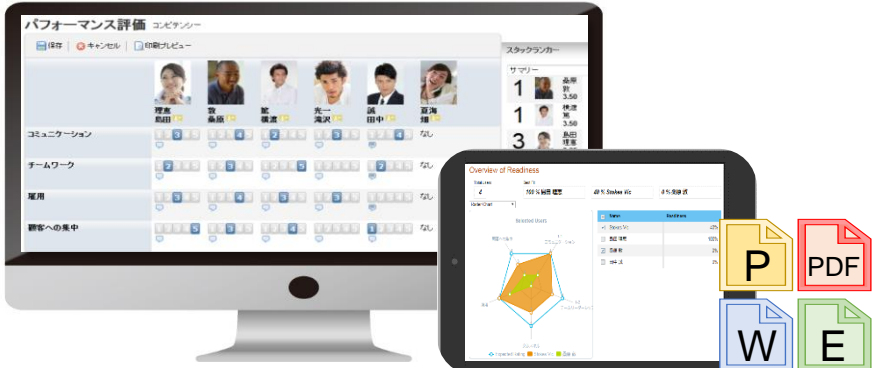
Promote HR Tech

HR (Human Resources) × Tech (Technology)



Talent Management

▶ Utilize a global HCM (human capital management) system to provide strategic HR to support end-to-end corporate business strategies.

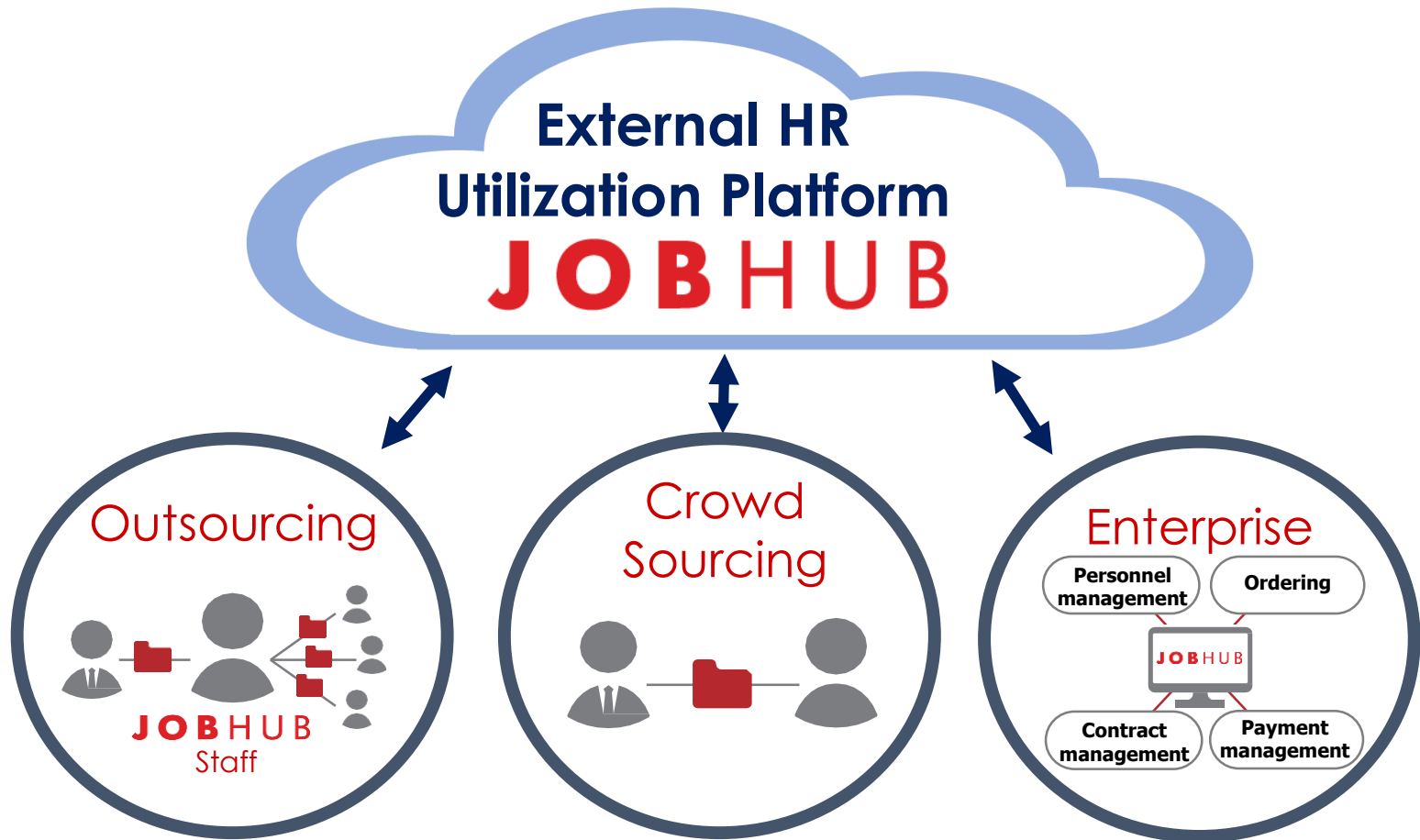


- ✓ Visualize human resource information
- ✓ Assessment according to strategy or results
- ✓ Analysis of employee data
- ✓ Human resource group mapping
- ✓ Human resource development • Personnel placement • Human Resources succession plan
- ✓ Payroll and attendance management

etc.

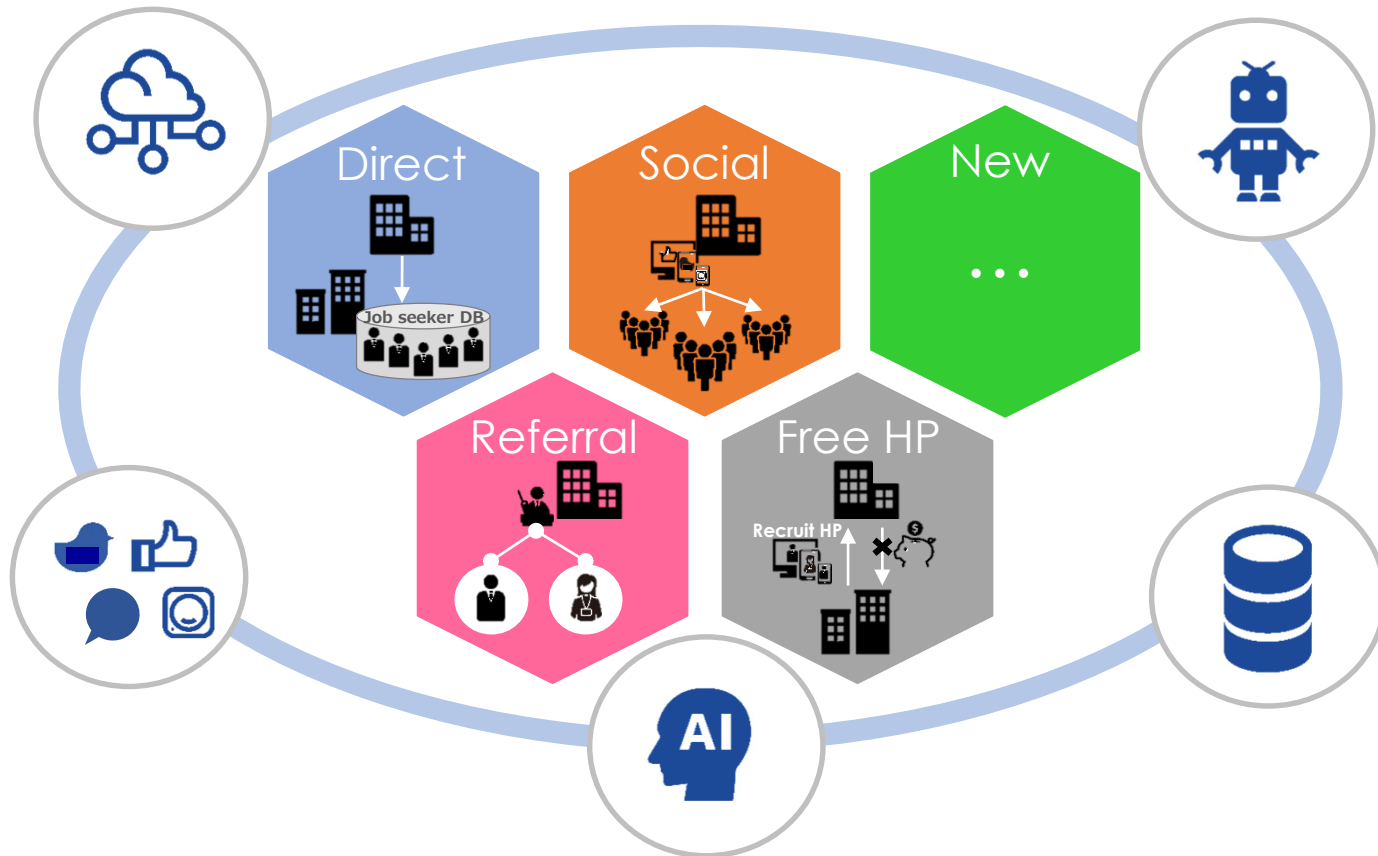
Crowd Sourcing (Utilization of external human resources)

- ▶ Establish Job-Hub Inc. to allow for sharing of human resources, and expand IT system investment.



Development of new HR Tech service

- ▶ Develop new IT-based personnel services, such as cloud-based retention service, and direct recruiting.



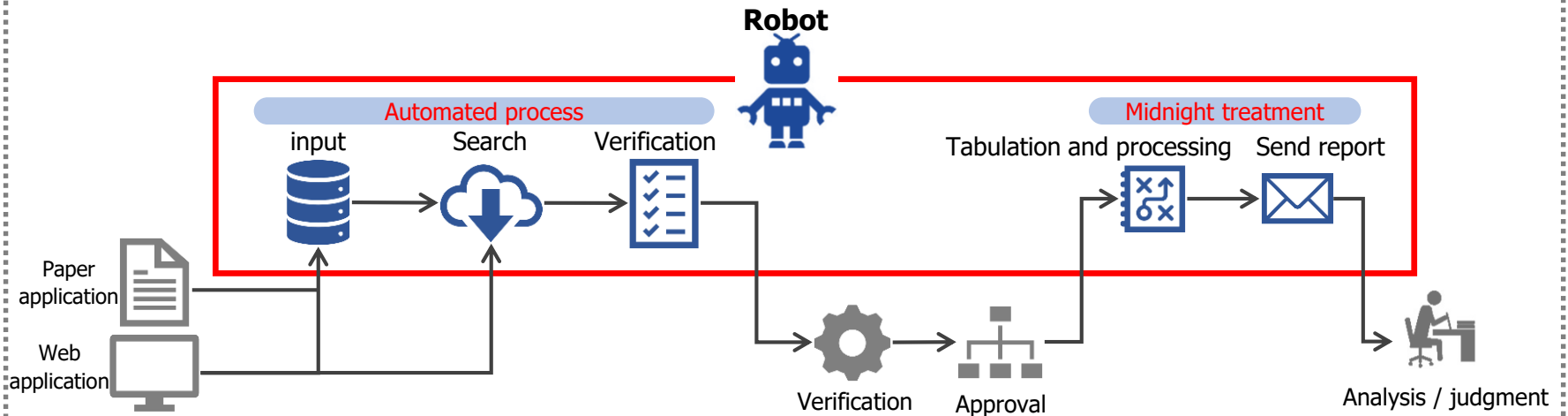
Promote HR Tech

「Tech (Technology)」 × 「HR」 = Professional occupation (RPA)

RPA

Robotic Process Automation

A technology and system in which software-based robots (RPA tools) are installed on computers to automate routine administrative procedures previously performed by people (see diagram below)



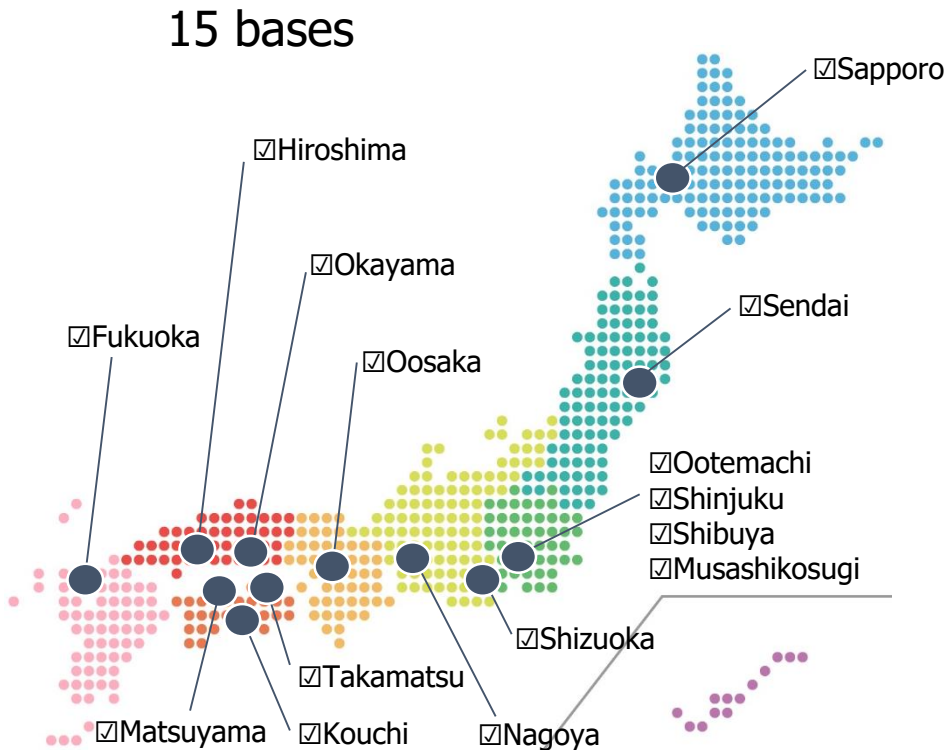
Application example ▶ Accounting , Human Resources · Payroll , Sales office etc.

▽ Expected effect ▽



「Tech (Technology)」 × 「HR」 = Professional occupation (RPA)

▶ Conduct the RAGORA work training and support program to cultivate specialists in RPA. Establish 15 RPA training centers, and train 10,000 people by 2020.



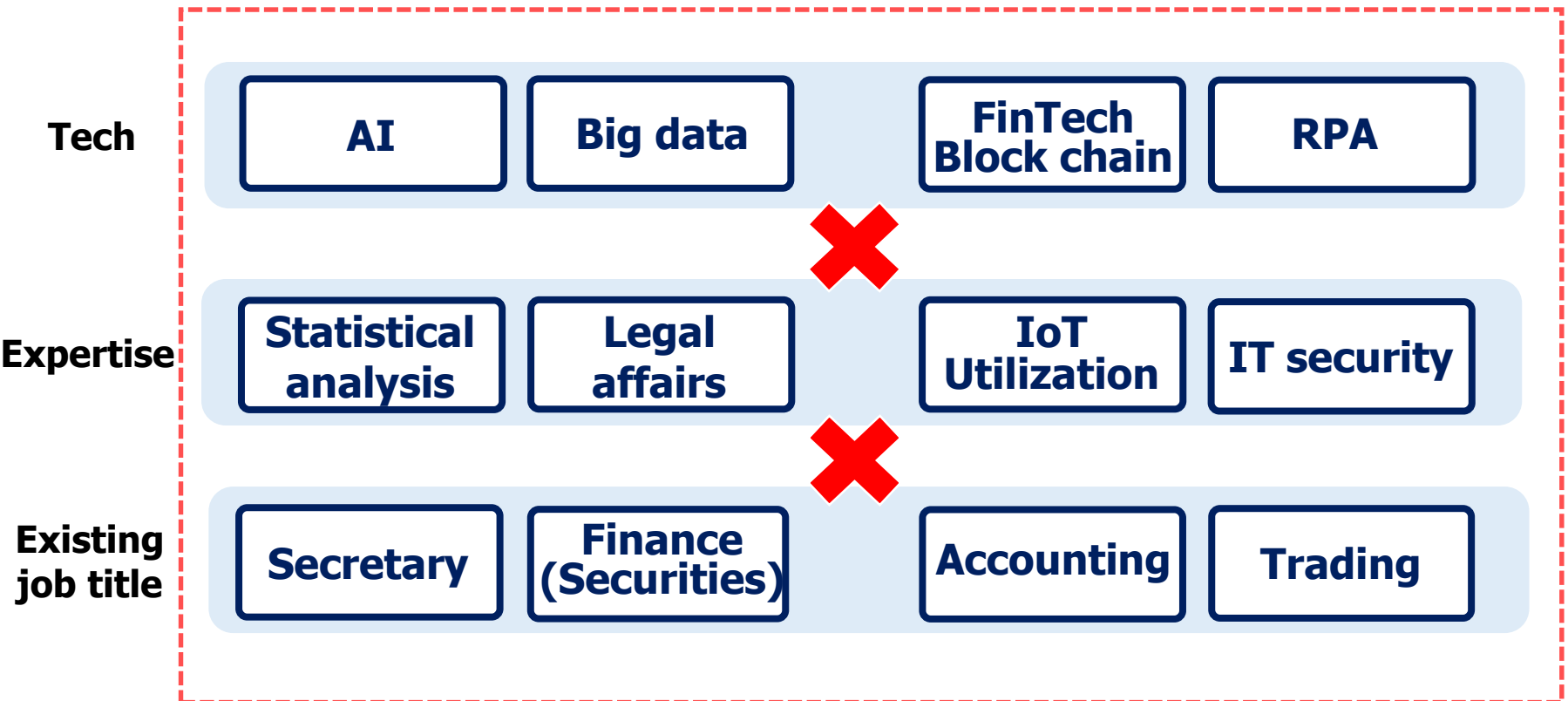
- RAGORA(※)
- ① RPA expert development program
 - ② RPA OJT-training
 - ③ RPA self-training
 - ④ help desk

*The name "RAGORA" was coined by combining "R" for "robot" with "agora," the Greek word for a central public space.

Expansion of professional occupation

- ▶ Combine technology with existing occupation to develop more specialized positions.

「Tech (Technology) 」×「Existing job title」



FY2018 Group Priority Strategy

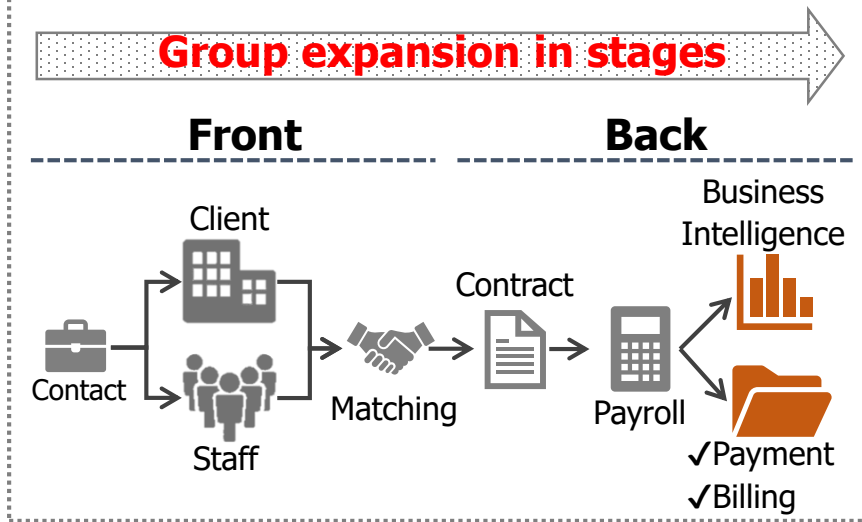
Strategy II

Enhance business efficiency and strengthen earning capacity

Segments	Implementation content
A Expert Services (Temporary staffing)	Group consolidation of the IT system in the temporary staffing business
B Expert Services (Temporary staffing)	R&D for utilization of AI
C Insourcing (Contracting)	Build and develop a management system for the BPO business
D Career Solutions (Placement/Recruiting, Outplacement)	Build and integrated IT system in the Placement/Recruiting and Outplacement businesses (First Phase)

A Group consolidation of the IT system in the temporary staffing business

Expert Service Enterprise

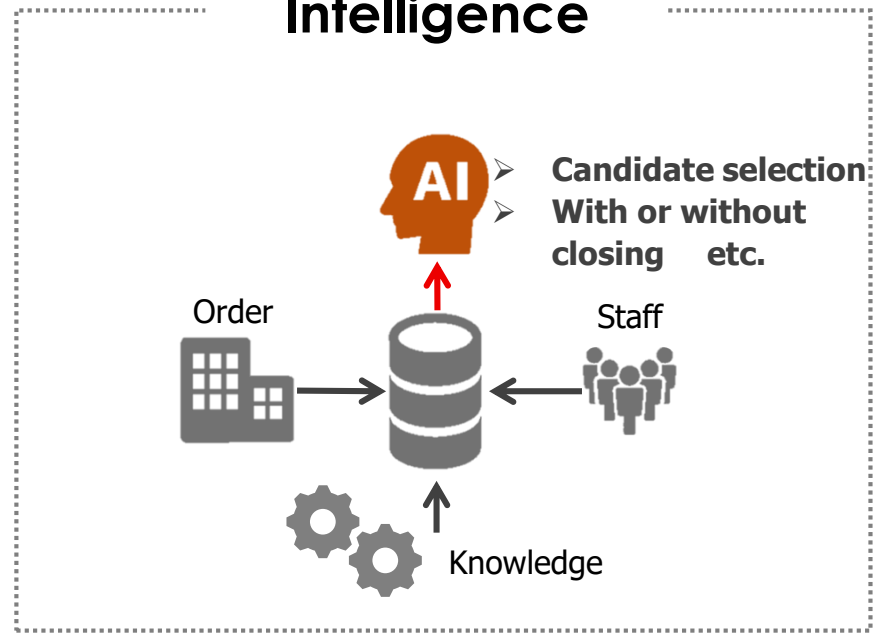


▽ Expected effect ▽

- ✓ Standardization of administrative processes
- ✓ Lower back office costs
- ✓ Increased security and compliance

B R&D for utilization of AI

Intelligence

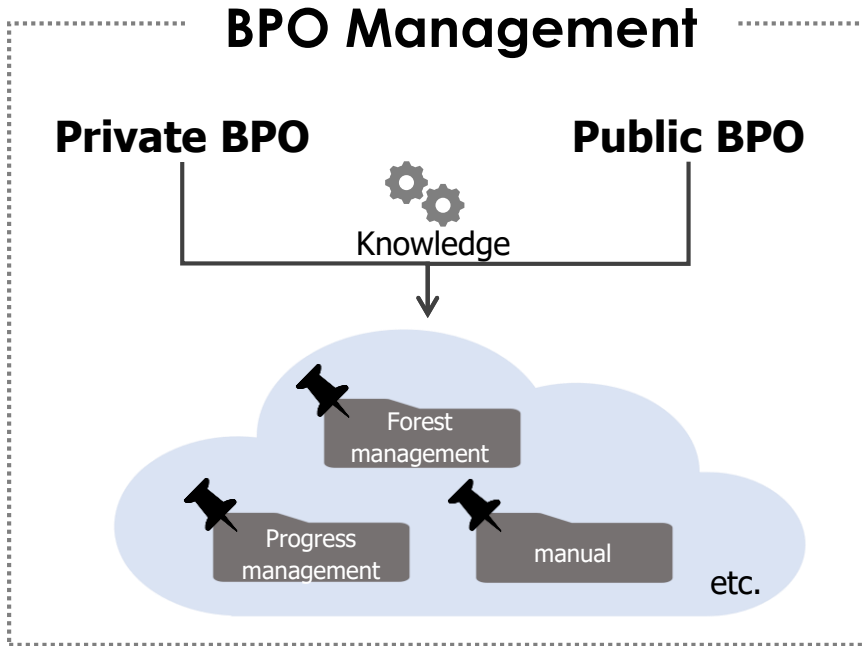


▽ Expected effect ▽

- ✓ Improved matching rate
- ✓ Greater productivity
- ✓ Better customer service

Insourcing • Career Solutions

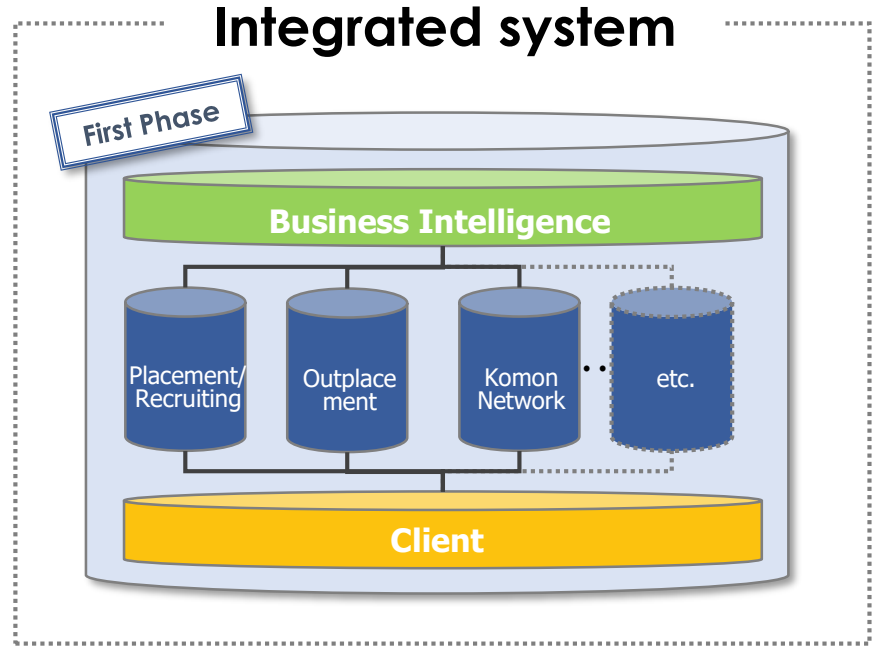
C Build and develop a management system for the BPO business



▽ **Expected effect** ▽

- ✓ Increased operational efficiency
- ✓ Uniform management of projects and status
- ✓ Develop solutions through accumulation of know-how

D Build and integrated IT system in the Placement/Recruiting and Outplacement businesses



▽ **Expected effect** ▽

- ✓ Increased operational efficiency
- ✓ More upselling and cross-selling with sales channel integration
- ✓ Enhance formulation of sales strategies

FY2018

Priority strategy

Focus②

FY2018 Group Priority Strategy

Strategy I

Establish business base responsive to changes in the industrial structure

- Promote HR Tech
- **Expand our market share in the BPO business**
- Strengthen our senior business

Strategy II

Enhance business efficiency and strengthen earning capacity

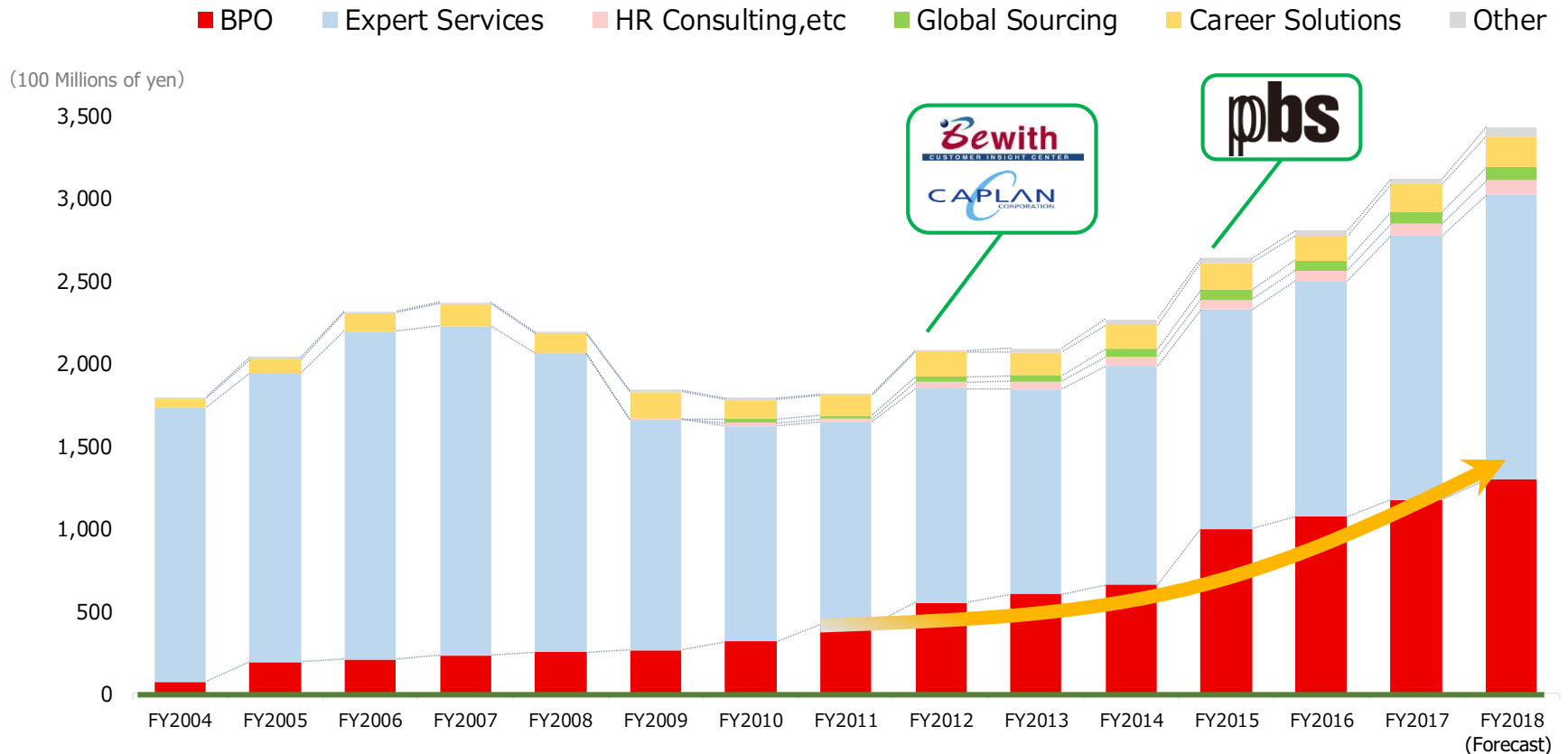
Strategy III

Promote regional revitalization

BPO Business in Consolidated Results

▶ Expand BPO results through M&A and development of new service sectors

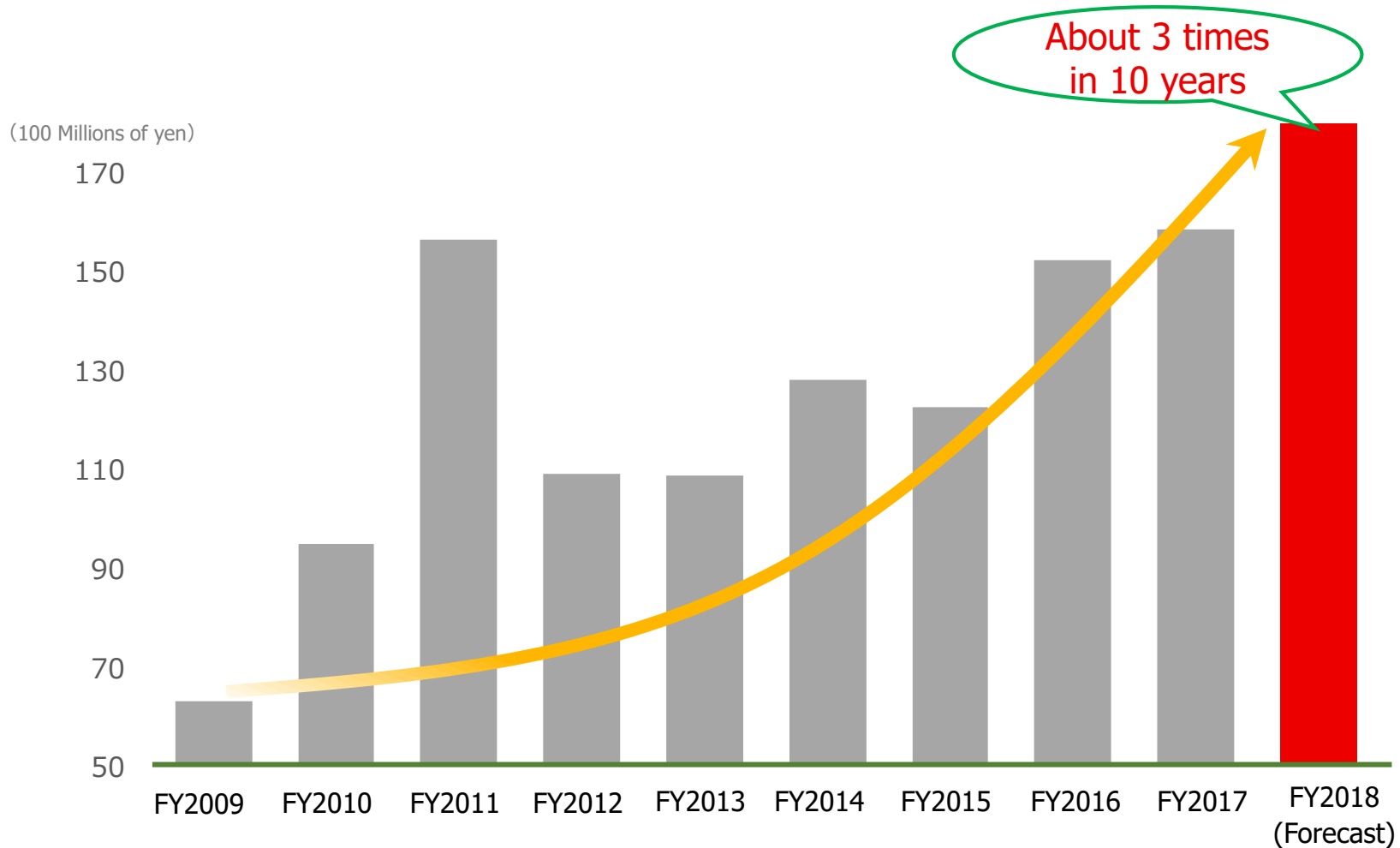
*1. Here and in the following pages, "BPO" (business process outsourcing) refers to the combined total of insourcing and outsourcing.



※2 : Created by Pasona Group Co., Ltd. based on "results of tabulated worker dispatching business report" (Ministry of Health, Labor and Welfare)

Public sector (Pasona Inc.)

- ▶ Growth in public solutions will generate synergistic benefit, and growth in the public sector



BPO service

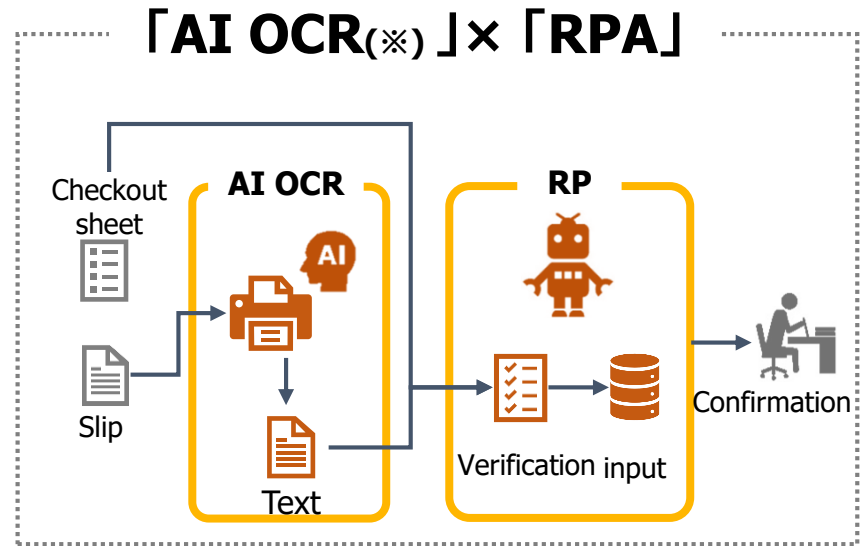
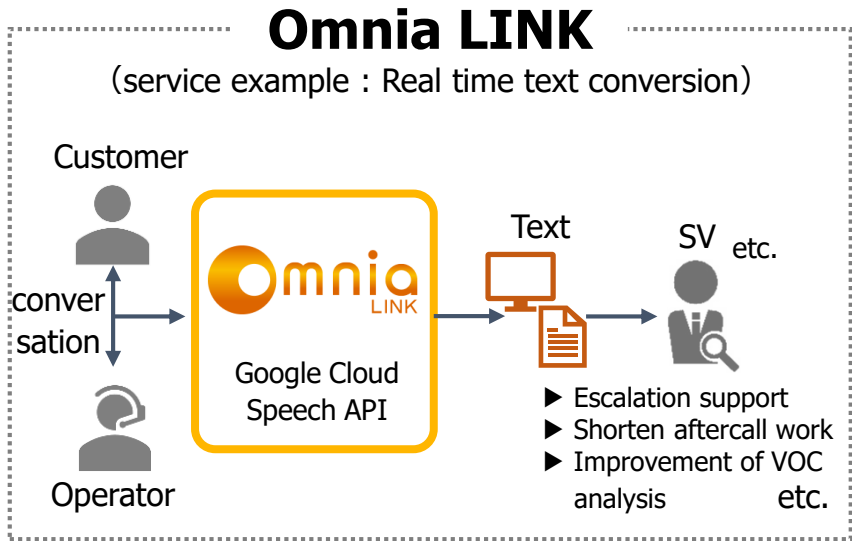
► Varied service lineup to meet the growing needs of the BPO sector



BPO strategy

- ① **Strategic M&A including in-house firms of major corporations and shared companies**
- ② **More advanced service lineup**
- ③ **Develop services by combining BPO and technology**

▽ Example of ③ ▽



※AI OCR:Artificial Intelligence Optical Character Recognition/Reader)

Appendix

External Recognition of the Pasona Group

Oct,2017

Top-rank "Eruboshi" Certification

Pasona Group and Pasona were certified as top-ranked Level 3 "Eruboshi" companies, recognizing particularly outstanding efforts to promote the advancement of women in the workplace. We also placed 4th overall in Nikkei Woman's 2018 ranking of the "100 Best Companies Where Women Actively Take Part."



Feb,2018

"2018 Certified Health & Productivity Management Outstanding Organization"

Pasona Group, Pasona, Benefit One, and Benefit One Health Care were all recognized as outstanding enterprises working to advance health and productivity management. Benefit One was also selected for inclusion in the "2018 Health & Productivity Stock Selection."



May,2018

"Fifty Companies Providing Successful Careers for Highly-skilled Foreign Professionals"

ECOLOVE has recruited global human resources from around the world, and utilized this foreign talent to expand business, including discovering sports not played in Japan, having non-Japanese workers negotiate rights in their home countries and handle business development in Japan, establishing the "Global Salon" in the office to offer English education, and managing business based on their own curriculum.

"Fifty Companies Providing Successful Careers for Highly-skilled Foreign Professionals"

Japan's Ministry of Economy, Trade and Industry (METI) selects 50 case studies of leading companies that have proactively employed non-Japanese human assets with advanced knowledge and skills ("highly-skilled foreign professionals") and achieved expansion of business overseas.

May,2018

First in degree in the item of most recommended agency in the "29th Temporary Staff Satisfaction Survey"*1

Other examples of external recognition

- ✓ Ranking of popular employers (HR services division) – First Place*2
- ✓ Companies where workers sympathize with management or vision – Second Place*3

1. Conducted by Jinzai Business

2. Mynavi and Nikkei ranking of employers popular with 2019 graduates

3. Rakuten ranking of companies popular with 2018 graduates (Attractive points of the company)

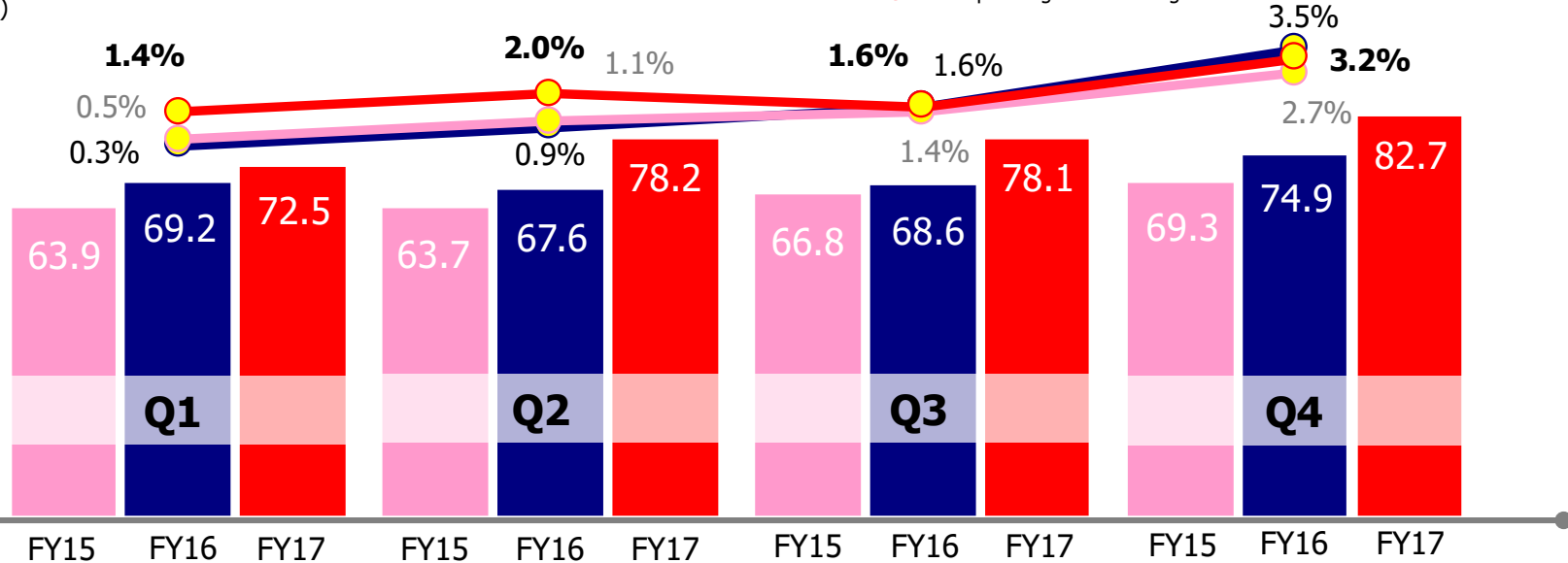
Quarterly Earnings Trends

Net Sales

(Billions of yen)

Operating Income Margin

- Operating Income Margin FY15
- Operating Income Margin FY16
- Operating Income Margin FY17



(Millions of yen)

	Q1 (June to August)					Q2 (September to November)					Q3 (December to February)					Q4 (March to May)				
	FY15	FY16	YoY	FY17	YoY	FY15	FY16	YoY	FY17	YoY	FY15	FY16	YoY	FY17	YoY	FY15	FY16	YoY	FY17	YoY
Net sales	63,891	69,231	+8.4%	72,458	+4.7%	63,710	67,636	+6.2%	78,160	+15.6%	66,827	68,613	+2.7%	78,070	+13.8%	69,297	74,915	+8.1%	82,720	+10.4%
Gross profit	13,412	13,372	(0.3)%	15,256	+14.1%	12,023	13,628	+13.3%	16,675	+22.4%	13,041	13,529	+3.7%	16,083	+18.9%	14,331	16,086	+12.3%	19,013	+18.2%
SG&A expenses	13,061	13,156	+0.7%	14,222	+8.1%	11,300	13,048	+15.5%	15,090	+15.6%	12,111	12,446	+2.8%	14,844	+19.3%	12,473	13,476	+8.0%	16,331	+21.2%
Operating income	350	215	(38.5)%	1,033	+378.9%	722	579	(19.8)%	1,585	+173.8%	929	1,083	+16.5%	1,238	+14.4%	1,857	2,610	+40.5%	2,681	+2.7%
Ordinary income	256	174	(32.1)%	1,006	+476.5%	720	585	(18.8)%	1,628	+178.3%	956	1,039	+8.7%	1,313	+26.4%	1,921	2,520	+31.2%	2,683	+6.5%
Profit (Loss) attributable to owners of parent	(323)	(539)	-	533	-	(10)	(276)	-	(62)	-	(119)	(98)	-	(275)	-	697	785	+12.6%	1,093	+39.3%
Gross profit margin	21.0%	19.3%	(1.7)pt	21.1%	+1.8pt	18.9%	20.1%	+1.2pt	21.3%	+1.2pt	19.5%	19.7%	+0.2pt	20.6%	+0.9pt	20.7%	21.5%	+0.8pt	23.0%	+1.5pt
SG&A expense ratio	20.4%	19.0%	(1.4)pt	19.6%	+0.6pt	17.7%	19.3%	+1.6pt	19.3%	+0.0pt	18.1%	18.1%	+0.0pt	19.0%	+0.9pt	18.0%	18.0%	+0.0pt	19.7%	+1.7pt
Operating income margin	0.5%	0.3%	(0.2)pt	1.4%	+1.1pt	1.1%	0.9%	(0.2)pt	2.0%	+1.1pt	1.4%	1.6%	+0.2pt	1.6%	+0.0pt	2.7%	3.5%	+0.8pt	3.2%	(0.3)pt
Ordinary income margin	0.4%	0.3%	(0.1)pt	1.4%	+1.1pt	1.1%	0.9%	(0.2)pt	2.1%	+1.2pt	1.4%	1.5%	+0.1pt	1.7%	+0.2pt	2.8%	3.4%	+0.6pt	3.2%	(0.2)pt
Profit attributable to owners of parent margin	-	-	-	0.7%	-	-	-	-	-	-	-	-	-	-	-	1.0%	1.0%	+0.0pt	1.3%	+0.3pt

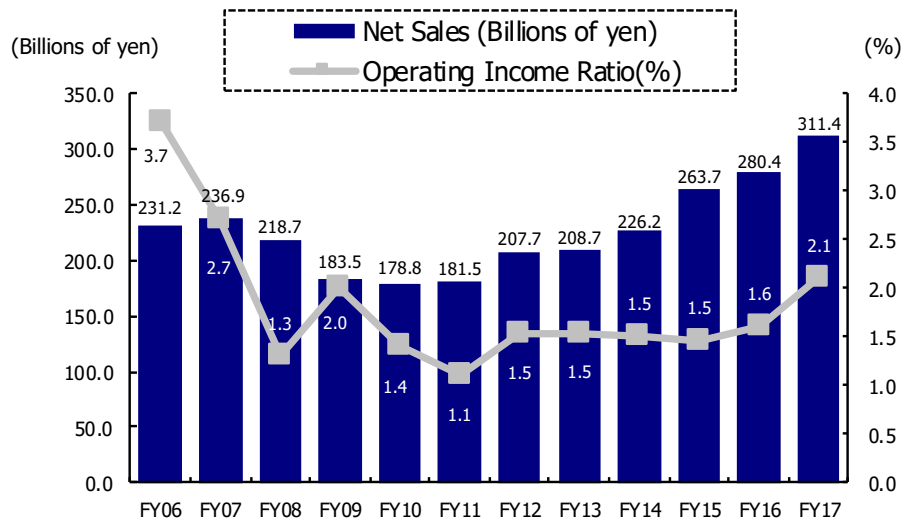
Quarterly Earnings Trends by Segment

(Millions of yen)

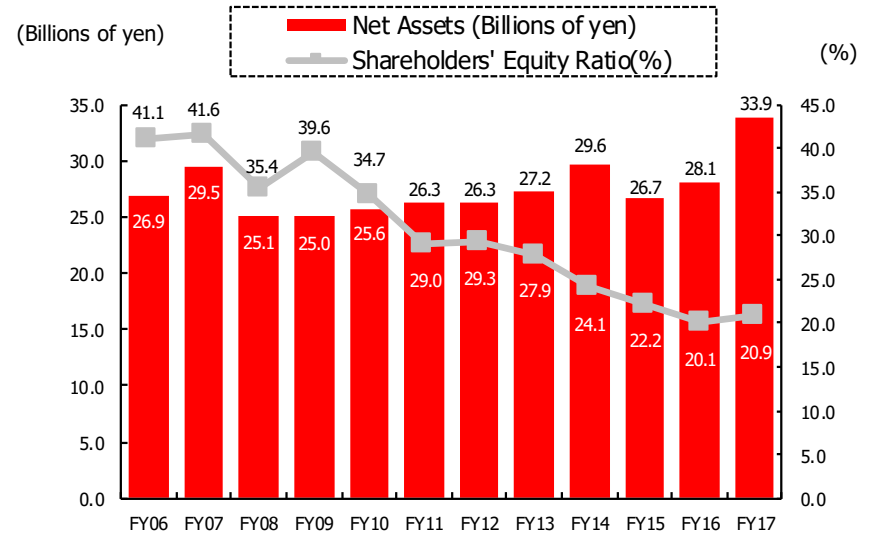
Segment	Sales									Operating income (loss)								
	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	YoY	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	YoY
Expert Services (Temporary Staffing)	36,378	35,090	34,298	36,894	37,172	41,319	40,224	41,135	+11.5%									
Insourcing (Contracting)	18,174	17,908	19,338	21,679	19,449	19,747	21,248	23,984	+10.6%									
HR Consulting, Education, Training, etc.	1,541	1,376	1,666	1,548	1,580	1,656	1,876	2,169	+40.1%	380	56	397	1,463	851	1,479	729	2,015	+37.7%
Global Sourcing (Overseas)	1,536	1,530	1,509	1,811	1,724	1,781	1,839	1,870	+3.3%									
Subtotal	57,631	55,905	56,813	61,934	59,926	64,505	65,188	69,160	+11.7%									
Career Solutions (Placement/Recruiting, Outplacement)	3,386	3,791	3,607	4,223	4,004	4,147	3,978	4,508	+6.8%	107	597	388	899	670	819	626	905	+0.6%
Outsourcing	7,478	7,066	7,408	7,939	7,775	8,473	8,118	8,288	+4.4%	1,134	1,348	1,659	1,640	1,184	1,330	1,757	1,939	+18.2%
Life Solutions	1,116	1,138	1,137	1,264	1,250	1,260	1,270	1,347	+6.6%	40	34	65	96	49	61	76	81	(15.7)%
Public Solutions	391	459	418	399	462	735	563	515	+28.9%	(140)	(95)	(116)	(98)	(124)	(607)	(340)	(463)	-
Eliminations and Corporate	(773)	(726)	(772)	(846)	(961)	(962)	(1,047)	(1,100)	-	(1,305)	(1,361)	(1,311)	(1,391)	(1,597)	(1,496)	(1,610)	(1,795)	-
Total	69,231	67,636	68,613	74,915	72,458	78,160	78,070	82,720	+10.4%	215	579	1,083	2,610	1,033	1,585	1,238	2,681	+2.7%

Full-Year Key Indicators

Net Sales and Operating Income Ratio



Net Assets and Shareholders' Equity Ratio



Results

Key Indicators	'07/05	'08/05	'09/05	'10/05	'11/05	'12/05	'13/05	'14/05	'15/05	'16/05	'17/05	'18/05
Net Sales	231,231	236,945	218,699	183,515	178,806	181,498	207,685	208,660	226,227	263,728	280,395	311,410
Gross Profit Margin	20.3%	20.8%	19.9%	20.0%	18.8%	18.6%	19.3%	19.3%	20.3%	20.0%	20.2%	21.5%
SG&A Expenses	38,542	42,925	40,735	33,070	31,125	31,840	36,898	37,029	42,381	48,948	52,128	60,489
SG&A Expense Ratio	16.6%	18.1%	18.6%	18.0%	17.4%	17.5%	17.8%	17.7%	18.7%	18.6%	18.6%	19.4%
Operating Income	8,507	6,444	2,850	3,660	2,432	1,964	3,176	3,210	3,490	3,860	4,488	6,539
Operating Income Ratio	3.7%	2.7%	1.3%	2.0%	1.4%	1.1%	1.5%	1.5%	1.5%	1.5%	1.6%	2.1%
Ordinary Income	8,807	6,637	3,361	4,044	2,571	2,091	3,187	3,135	3,343	3,855	4,319	6,631
Ordinary Income Ratio	3.8%	2.8%	1.5%	2.2%	1.4%	1.2%	1.5%	1.5%	1.5%	1.5%	1.5%	2.1%
Net Income *4	4,198	2,962	312	204	412	29	610	526	214	243	(129)	1,288
Net Income Ratio	1.8%	1.3%	0.1%	0.1%	0.2%	0.0%	0.3%	0.3%	0.1%	0.1%	-	0.4%
Total Assets	54,425	58,513	55,468	52,269	60,564	70,889	71,276	75,615	88,641	85,356	94,584	112,795
Net Assets *1	26,904	29,468	25,148	24,979	25,642	26,295	26,253	27,181	29,620	26,735	28,062	33,889
Shareholders' Equity Ratio *2	41.1%	41.6%	35.4%	39.6%	34.7%	29.0%	29.3%	27.9%	24.1%	22.2%	20.1%	20.9%
Return on Equity *3	18.2%	12.7%	1.4%	1.0%	2.0%	0.1%	2.9%	2.5%	1.0%	1.2%	(0.7)%	6.0%
Number of Employees (exclude contract workers)	3,126	3,647	3,671	3,643	3,956	4,452	4,778	5,022	6,584	7,144	7,238	7,716

Notes: 1. Presentation of shareholders' equity amended to a net assets basis in line with changes to accounting standards and policies. Non-controlling interests included in presentation of net assets since the fiscal year ended May 31, 2007.

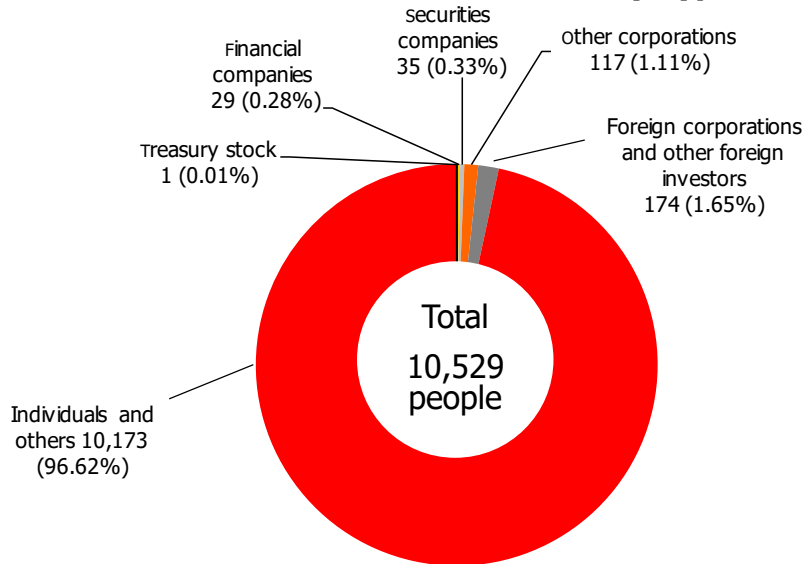
2. Despite changes in calculation methods for net assets following the introduction of changes to accounting standards and policies, the shareholders' equity ratio since the fiscal year ended May 31, 2007 is calculated utilizing an amount equivalent to net assets applicable to common shares.

3. The data for the periods up to and including the fiscal year ended May 31, 2007 are consolidated data for Pasona Inc. The data for the periods commencing the fiscal year ended May 31, 2008 and beyond are consolidated data for Pasona Group Inc.

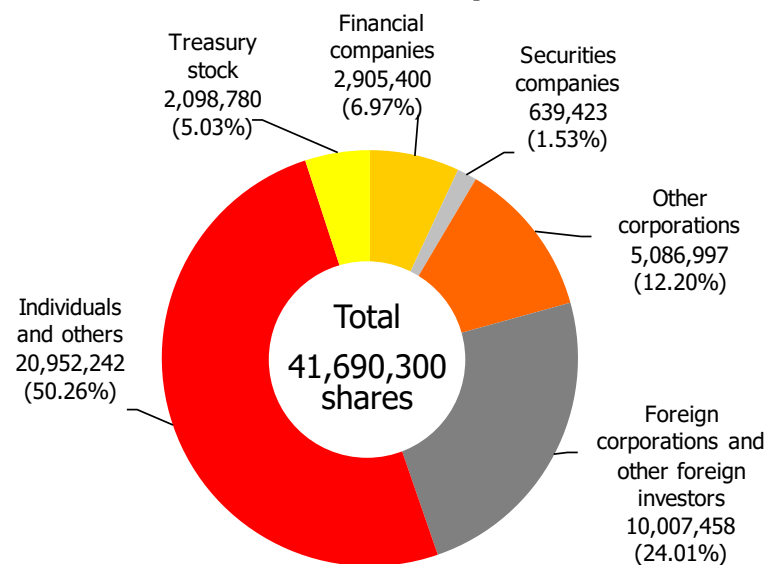
4. Since the fiscal year ended on May 31, 2016, net income has been referred to profit attributable to owners of parent.

Stock Information (As of May. 31, 2018)

Breakdown of Shareholders by Type



Breakdown of Shareholders by Number of Share Held



Principal Shareholders

	No. of Shares Held	%
Yasuyuki Nambu	14,763,200	35.41%
Nambu Enterprise Inc.	3,737,800	8.97%
Pasona Group Inc.	2,098,780	5.03%
BNYM NON—TREATY DTT	1,986,600	4.77%
OASIS INVESTMENTS II MASTER FUND LTD.	1,251,000	3.00%
JP MORGAN CHASE BANK 380621	817,500	1.96%
Credit Suisse AG Hong Kong Trust A/C Client	690,800	1.66%
Pasona Group Employees' Shareholding Association	642,800	1.54%
Gratitude Inc.	596,600	1.43%
State Street Bank and Trust Company 505004	585,100	1.40%

1. The Company's treasury stock (2,098,780 shares, 5.03% of total issued shares) ranked third. In accordance with Article 308.2 of the Corporations Law, there are no voting rights attached to treasury stock.

2. Pasona Group received a notification from Tempered Investment Management LTD. , that it held 2,550,800 shares as of June 12, 2018 outlined the delivery of a Substantial Shareholding Report submitted to the Kanto Local Finance Bureau on June 14, 2018. As the Company is unable to confirm the number of shares held as of 31 May, 2018, Tempered Investment Management LTD. has been omitted from the list of major shareholders identified.

Group Companies (by segment)

Expert Services, Insourcing HR Consulting, Education and Training, Others

Pasona Inc.	CAPLAN Corporation	
Pasona Tech, Inc.	YASKAWA BUSINESS STAFF CORPORATION	
Pasona Okayama Inc.	Bewith, Inc.	
PASONA LOGICOM Inc.	Asahi Beer Communications Co, Ltd.	
Pasona Masters Inc.	ECOLOVE Inc.	
Pasona Marketing, Inc.	Pasona Panasonic Business Service Co.,Ltd	
Pasona Agri-Partners Inc.	Pasona Knowledge Partner Inc.	
Pasona Tech Systems Inc.	Pasona Job Support Inc.	
Shin nihon kogyo Co.,Ltd.	Pasona Human Solutions Inc.	
Pasona Tquila Inc.	Smart Style Co.,Ltd.	
Nagasaki diamond staff	Job-Hub Inc.	Others *

Global Sourcing

Pasona N A, Inc.	PASONA CANADA, INC.	
Pasona Taiwan Co., Ltd.	Pasona Singapore Pte. Ltd.	
Pasona Asia Co., Limited	PT Pasona HR Indonesia	
Pasona Korea Co., Ltd	Pasona India Private Limited	
MGR Consulting Co., Ltd	Pasona Tech Vietnam Co., Ltd.	
Pasona Human Resources (Shanghai) Co., Ltd.		
Pasona HR Consulting Recruitment (Thailand) Co., Ltd.		
Pasona Education Co. Limited		
Pasona HR Malaysia Sdn. Bhd.		
PT. Dutagriya Sarana		
CAPLAN (Thailand) Co., Ltd.		Others

Career Solutions

Pasona Inc.	Pasona Fortune Inc.	Others
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Outsourcing

Benefit One Inc.		
Benefit One Health care Inc.		
Benefit One Solutions Inc.		
Benefit One Payroll Inc.		
Benefit One Asia Pte. Ltd.		
贝那商务咨询（上海）有限公司		
Benefit One USA,INC.		
Benefit One (THAILAND) Co., Ltd.		
PT. BENEFIT ONE INDONESIA		
Benefit One Deutschland GmbH		
REWARDZ PRIVATE LIMITED		
DG1 Inc.		
National Examination Center Inc.*		Other *

Life Solutions

Pasona Foster Inc.
Pasona Life Care Inc.

Public Solutions

Pasona Heartful Inc.		
Pasona Furusato Incubation Inc.		
Tango Kingdom Inc.		
Pasona Tohoku Sousei Inc.		
Nijigennomori Inc.		Others

● Consolidated subsidiaries 66
Equity-method affiliates 3*

(As of May. 31, 2018)

Corporate Information

Tokyo Stock Exchange, 1st Section 2168

Corporate Name	Pasona Group Inc.	
Headquarters	Shin Marunouchi Bldg. 1-5-1, Marunouchi, Chiyoda-ku, Tokyo 100-6514	<u>Comprehensive Group office</u> Otemachi 2-6-2 Chiyoda-ku, Tokyo 100-8228 Phone 03-6734-0200
Established	December 3, 2007 (Founding February 1976)	
Paid-in Capital	5,000 million yen	
Representative	Yasuyuki Nambu	
Business Activities	Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting, education and training, others Global Sourcing (Overseas) Career Solutions (Placement/Recruiting, Outplacement) Outsourcing Life Solutions, Public Solutions	
Number of Employees	9,074 (Consolidated, including contract workers)	
Consolidated Group Companies	Subsidiaries 66 , Affiliates 3	
URL	www.pasonagroup.co.jp/english/	

(As of May. 31, 2018)