

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FY2019 (June 1, 2019 to May 31, 2020)
 Nine Months Ended February 29, 2020

Listed company name: Pasona Group Inc.
 Listing stock exchange: The First Section of the Tokyo Stock Exchange
 Securities code number: 2168
 URL: <https://www.pasonagroup.co.jp>
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Scheduled filing date of quarterly report: April 13, 2020
 Supplemental materials prepared for quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(All amounts are in millions of yen rounded down unless otherwise stated)

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results

Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
		%		%		%		%
Nine months ended February 29, 2020	239,348	(1.6)	5,856	0.5	5,554	(1.1)	568	(38.1)
Nine months ended February 28, 2019	243,295	6.4	5,827	51.1	5,618	42.3	917	371.6

(Note) Comprehensive income 9M FY2019: ¥2,895 million 9M FY2018: ¥2,573 million

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended February 29, 2020	14.52	—
Nine months ended February 28, 2019	23.46	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
February 29, 2020	115,291	41,972	27.8
May 31, 2019	119,459	40,253	23.7

(Reference) Equity As of February 29, 2020: ¥32,035 million As of May 31, 2019: ¥28,355 million

2. DIVIDENDS PER SHARE

	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	—	0.00	—	18.00	18.00
FY2019	—	0.00	—	—	—
FY2019 (Forecast)	—	—	—	19.00	19.00

(Note) Revision to dividend forecast in the current quarter: None

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2020

Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Shares
		%		%		%		%	Yen
FY2019 Full Fiscal Year	344,000	5.2	11,000	16.2	10,700	15.8	2,300	16.4	58.80

(Note) Revision to forecast of results in the current quarter: None

4. NOTES

- (1) Changes in important subsidiaries during the current period: None
(Changes in specified subsidiaries that caused changes in the scope of consolidation)
- (2) Application of the special accounting practices in the preparation of quarterly consolidated financial statements:
None
- (3) Changes of accounting principles, changes in accounting estimates and retrospective restatement
 - 1) Changes of accounting principles in line with revisions to accounting and other standards: None
 - 2) Changes of accounting principles other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of shares issued and outstanding (Common shares)
 - 1) The number of shares issued and outstanding as of the period-end (including treasury shares)
February 29, 2020: 41,690,300 shares May 31, 2019: 41,690,300 shares
 - 2) The number of treasury shares as of the period-end
February 29, 2020: 2,574,776 shares May 31, 2019: 2,574,573 shares
 - 3) Average number of shares for the period (Quarterly cumulative period)
Nine months ended February 29, 2020: 39,115,612 shares
Nine months ended February 28, 2019: 39,109,987 shares

(Note)

The Company has introduced “Board Benefit Trust (BBT)” and “Employment Stock Ownership Plan (J-ESOP)”. The Company’s shares in the BBT and J-ESOP, which are reported as treasury shares under Shareholders’ equity, are counted as the number of treasury shares as of the average number of shares outstanding for the period for the purpose of not including for computing earnings and net assets per share.

The Quarterly Financial Report is not subject to a quarterly review conducted by CPA or audit firm.

Cautionary statement and other explanatory notes

The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results may differ materially from forecasts for a variety of reasons. Please refer to “Overview of Consolidated Forecasts” on page 5.

Method to obtain supplemental materials for quarterly financial results

Supplemental materials for the quarterly financial results have been posted on the Company’s website (<https://www.pasonagroup.co.jp/ir/>) since April 10, 2020.

Consolidated Financial Report

Nine Months Ended February 29, 2020

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9M FY2019 Consolidated Financial Report

(June 1, 2019 – February 29, 2020)

1. Information Concerning Quarterly Consolidated Business Results

(1) Consolidated Business Results

	(Millions of yen)		
	9M FY2018	9M FY2019	YoY
Net sales	243,295	239,348	(1.6)%
Operating income	5,827	5,856	0.5%
Ordinary income	5,618	5,554	(1.1)%
Profit attributable to owners of parent	917	568	(38.1)%

Segment Information (Figures include intersegment sales)

Consolidated Net Sales by Segment

	(Millions of yen)		
	9M FY2018	9M FY2019	YoY
HR Solutions	240,136	235,231	(2.0)%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	203,963	196,897	(3.5)%
Expert Services (Temporary staffing)	120,633	112,532	(6.7)%
BPO Services (Contracting)	70,538	72,229	2.4%
HR Consulting, Education & Training, Others	6,918	6,219	(10.1)%
Global Sourcing (Overseas)	5,872	5,916	0.7%
Career Solutions (Placement / Recruiting, Outplacement)	11,022	11,271	2.3%
Outsourcing	25,151	27,062	7.6%
Life Solutions	4,129	4,692	13.6%
Regional Revitalization Solutions	1,767	2,253	27.5%
Eliminations and Corporate	(2,737)	(2,828)	—
Total	243,295	239,348	(1.6)%

Consolidated Operating Income (Loss) by Segment

	(Millions of yen)		
	9M FY2018	9M FY2019	YoY
HR Solutions	12,361	13,756	11.3%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	4,531	5,460	20.5%
Expert Services (Temporary staffing)			
BPO Services (Contracting)	4,023	5,200	29.2%
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas)	507	260	(48.7)%
Career Solutions (Placement / Recruiting, Outplacement)	2,438	2,340	(4.0)%
Outsourcing	5,392	5,954	10.4%
Life Solutions	131	149	13.5%
Regional Revitalization Solutions	(968)	(1,301)	—
Eliminations and Corporate	(5,697)	(6,746)	—
Total	5,827	5,856	0.5%

※Since 3M FY2019, “Insourcing” has been changed to “BPO Services”, and “Public Solutions” has been changed to “Regional Revitalization Solutions”. In line with the segment name changes, the segment of some subsidiaries has been changed at the same time. With regard to the operating income(loss) by segment, “Global Sourcing” has been individually disclosed as an independent segment. The above tables regarding results in FY 2018 show the figures reclassified into the new segment classification.

(2) Overview of Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

Assets

Total assets as of February 29, 2020 stood at ¥115,291 million, a decrease of ¥4,167 million or 3.5%, compared with May 31, 2019. This was mainly attributable to a decrease of ¥5,405 million in cash and deposits, and an increase of ¥1,048 million in property, plant and equipment.

Liabilities

Total liabilities as of February 29, 2020 stood at ¥73,319 million, a decrease of ¥5,886 million or 7.4%, compared with May 31, 2019. This was mainly attributable to a decrease of ¥2,780 million in accounts payable-trade, a decrease of ¥4,994 million in loans payable, and an increase of ¥1,395 million in accrued consumption taxes included in other item of current liabilities.

Net Assets

Net assets as of February 29, 2020 stood at ¥41,972 million, an increase of ¥1,718 million or 4.3%, compared with May 31, 2019. This was mainly due to profit attributable to owners of parent of ¥568 million, an increase of ¥5,956 million in capital surplus due to the partial sales of shares of one of our subsidiaries, a decrease of ¥2,370 million in capital surplus due to acquisition of treasury shares of one of our subsidiaries by the subsidiary, the payment of dividends totaling ¥712 million, and a decrease of ¥1,961 million in non-controlling interests.

As a result, equity ratio improved by 4.1 percentage points from the end of previous consolidated fiscal year to 27.8%.

(3) Overview of Consolidated Forecasts

While the convergence of the spread of the new coronavirus infection is still invisible, the effects are continuing to spread, such as postponement of various events and self-restraint of corporate activities. If it becomes necessary to revise the forecasts due to the effects from now on, it will be promptly announced.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2019	As of February 29, 2020
ASSETS		
Current assets		
Cash and deposits	32,305	26,899
Notes and accounts receivable-trade	39,412	39,183
Inventories	2,035	2,623
Other	6,672	7,080
Allowance for doubtful accounts	(107)	(98)
Total current assets	80,317	75,689
Non-current assets		
Property, plant and equipment	16,725	17,774
Intangible assets		
Goodwill	3,029	2,415
Other	5,222	5,168
Total intangible assets	8,252	7,584
Investments and other assets		
Other	14,289	14,371
Allowance for doubtful accounts	(126)	(127)
Total investments and other assets	14,163	14,244
Total non-current assets	39,141	39,602
Total assets	119,459	115,291

	As of May 31, 2019	As of February 29, 2020
LIABILITIES		
Current liabilities		
Accounts payable-trade	6,534	3,754
Short-term loans payable	9,391	6,062
Accrued expenses	15,090	15,846
Income taxes payable	2,708	2,637
Provision for bonuses	4,143	2,426
Provision for directors' bonuses	41	12
Asset retirement obligations	1	7
Other	21,206	24,240
Total current liabilities	59,116	54,987
Non-current liabilities		
Bonds payable	288	260
Long-term loans payable	12,806	11,141
Provision for directors' stock benefit	315	309
Provision for employees' stock grant	257	289
Net defined benefit liability	1,996	2,114
Asset retirement obligations	1,854	1,969
Other	2,570	2,247
Total non-current liabilities	20,089	18,331
Total liabilities	79,206	73,319
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	10,263	14,095
Retained earnings	14,907	14,760
Treasury shares	(2,185)	(2,429)
Total shareholders' equity	27,985	31,426
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	447	643
Foreign currency translation adjustment	14	(13)
Remeasurements of defined benefit plans	(91)	(22)
Total accumulated other comprehensive income	370	608
Non-controlling interests	11,898	9,937
Total net assets	40,253	41,972
Total liabilities and net assets	119,459	115,291

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	9M FY2018	9M FY2019
Net sales	243,295	239,348
Cost of sales	189,059	183,717
Gross profit	54,236	55,631
Selling, general and administrative expenses	48,408	49,774
Operating income	5,827	5,856
Non-operating income		
Interest income	26	25
Subsidy	38	46
Real estate rent	563	546
Other	187	247
Total non-operating income	815	866
Non-operating expenses		
Interest expenses	163	141
Commitment fee	40	40
Share of loss of entities accounted for using equity method	44	15
Rent expenses on real estates	447	451
Commission fee	236	412
Other	93	109
Total non-operating expenses	1,025	1,168
Ordinary income	5,618	5,554
Extraordinary income		
Gain on sales of non-current assets	17	—
Gain on sales of shares of subsidiaries and associates	—	4
Total extraordinary income	17	4
Extraordinary loss		
Loss on sales and retirement of non-current assets	41	64
Impairment loss	—	396
Loss on valuation of investment securities	5	29
Loss on valuation of shares of subsidiaries and associates	—	17
Total extraordinary loss	46	507
Income before income taxes	5,589	5,051
Income taxes-current	1,560	1,961
Income taxes-deferred	1,183	589
Income taxes	2,743	2,551
Profit	2,845	2,499
Profit attributable to non-controlling interests	1,928	1,931
Profit attributable to owners of parent	917	568

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	9M FY2018	9M FY2019
Profit	2,845	2,499
Other comprehensive income		
Valuation difference on available-for-sale securities	(223)	357
Foreign currency translation adjustment	(19)	(30)
Remeasurements of defined benefit plans	(29)	69
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(272)	396
Comprehensive income	2,573	2,895
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	755	806
Comprehensive income attributable to non-controlling interests	1,817	2,089

(4) Notes to Going Concern Assumption

Not applicable

(5) Notes on Significant Changes in the Shareholders' Equity

During the first quarter of FY2019, the Company sold a portion of the shares of consolidated subsidiary Benefit One Inc.. During the second and third quarter of FY2019, Benefit One Inc. acquired treasury shares. Therefore, the capital surplus increased by ¥3,832 million. As a result, the capital surplus at the end of the third quarter of FY2019 was ¥14,095 million.

(6) Segment Information

i) Nine months ended February 28, 2019

a) Information regarding net sales and segment income (loss) by reporting segment

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others (Note 1)	Career Solutions	Outsourcing					
Net sales								
(1) Sales to outside customers	202,021	10,962	24,888	4,021	1,401	243,295	—	243,295
(2) Intersegment sales and transfers	1,942	59	262	108	365	2,737	(2,737)	—
Total	203,963	11,022	25,151	4,129	1,767	246,033	(2,737)	243,295
Operating income (loss)	4,531	2,438	5,392	131	(968)	11,524	(5,697)	5,827

Notes:

1. The “Expert Services, BPO Services, Others” segment includes each of the businesses of Expert Services (Temporary staffing), BPO Services (Contracting), HR Consulting/Education & Training/Others and Global Sourcing (Overseas).
2. Adjustments of ¥(5,697) million with Operating income (loss) includes corporate expenses of ¥(5,708) million which primarily consist of Group management costs relating to the Company and incubation cost for our new business and the elimination of intersegment transactions of ¥11 million.
3. Segment income is adjusted with operating income under consolidated statements of income.

ii) Nine months ended February 29, 2020

a) Information regarding net sales and segment income (loss) by reporting segment

(Millions of yen)

	Reporting segments					Total	Adjustment (Note 2)	Figures in consolidated statements of income (Note 3)
	HR Solutions			Life Solutions	Regional Revitalization Solutions			
	Expert Services, BPO Services, Others (Note 1)	Career Solutions	Outsourcing					
Net sales								
(1) Sales to outside customers	194,921	11,223	26,656	4,545	2,001	239,348	—	239,348
(2) Intersegment sales and transfers	1,976	47	405	146	251	2,828	(2,828)	—
Total	196,897	11,271	27,062	4,692	2,253	242,177	(2,828)	239,348
Operating income (loss)	5,460	2,340	5,954	149	(1,301)	12,603	(6,746)	5,856

Notes:

1. The “Expert Services, BPO Service, Others” segment includes each of the businesses of Expert Services (Temporary staffing), BPO Services (Contracting), HR Consulting/Education & Training/Others and Global Sourcing (Overseas).
2. Adjustments of ¥(6,746) million with Operating income (loss) includes the corporate expenses of ¥(6,778) million which primarily consist of Group management costs relating to the Company and incubation cost for our new business and the elimination of intersegment transactions of ¥31 million.
3. Segment income is adjusted with operating income under consolidated statements of income.

b) Matters concerning changes in reporting segment

Since the first quarter of FY2019, “Insourcing” has been changed to “BPO Services”, and “Public Solutions” has been changed to “Regional Revitalization Solutions”. In line with the segment name changes, the segment of some subsidiaries has been changed at the same time.

The segment information in the previous fiscal year was recorded in the way of new segment classification method.

c) The information of impairment loss of fixed assets or goodwill every segment

Impairment loss of fixed assets is accounted with “Regional Revitalization Solutions” segment. The total impairment loss in the third quarter of FY2019 was ¥396 million.

(7) Important Subsequent Events

Not applicable