

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FY2020 (June 1, 2020 to May 31, 2021)
Three Months Ended August 31, 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: October 15, 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	
	Yen	%	Yen	%	Yen	%	Yen	%
Three months ended August 31, 2020	85,751	7.7	7,287	486.1	7,357	691.0	4,064	—
Three months ended August 31, 2019	79,626	(4.1)	1,243	(14.4)	930	(23.9)	46	—

(Note) Comprehensive income 3M FY2020: ¥4,946 million 3M FY2019: ¥821 million

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended August 31, 2020	103.91	—
Three months ended August 31, 2019	1.19	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
August 31, 2020	133,213	44,505	26.5
May 31, 2020	140,441	42,316	22.7

(Reference) Equity As of August 31, 2020: ¥35,237 million As of May 31, 2020: ¥31,811 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
FY2019	—	0.00	—	19.00	19.00
FY2020	—	—	—	—	—
FY2020 (Forecast)	—	0.00	—	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, 2021

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 Share	
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%
FY2020 Full Fiscal Year	310,000	(4.6)	10,000	(5.5)	10,000	(2.3)	2,500	320.3	63.91	—

(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)
August 31, 2020: 41,690,300 shares May 31, 2020: 41,690,300 shares
 - 2) The number of treasury shares as of the period-end
August 31, 2020: 2,556,938 shares May 31, 2020: 2,574,776 shares
 - 3) Average number of shares for the period (Quarterly cumulative period)
Three months ended August 31, 2020: 39,115,718 shares
Three months ended August 31, 2019: 39,115,651 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 October 15, 2020.

Consolidated Financial Report

Three Months Ended August 31, 2020

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3M FY2020 Consolidated Financial Report

(June 1, 2020 – August 31, 2020)

1. Information Concerning Quarterly Consolidated Business Results

(1) Consolidated Business Results

	(Millions of yen)		
	3M FY2019	3M FY2020	YoY
Net sales	79,626	85,751	7.7%
Operating income	1,243	7,287	486.1%
Ordinary income	930	7,357	691.0%
Profit attributable to owners of parent	46	4,064	8,650.2%

Segment Information (Figures include intersegment sales)

Consolidated Net Sales by Segment

	(Millions of yen)		
	3M FY2019	3M FY2020	YoY
<i>HR Solutions</i>	78,166	84,622	8.3%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	66,177	73,312	10.8%
Expert Services (Temporary staffing)	38,011	38,008	(0.0)%
BPO Services (Contracting)	23,765	32,140	35.2%
HR Consulting, Education & Training, Others	2,339	1,504	(35.7)%
Global Sourcing (Overseas)	2,060	1,658	(19.5)%
Career Solutions (Placement / Recruiting, Outsourcing)	3,309	3,061	(7.5)%
<i>Life Solutions</i>	1,527	1,563	2.4%
<i>Regional Revitalization Solutions</i>	815	479	(41.2)%
Eliminations and Corporate	(882)	(913)	—
Total	79,626	85,751	7.7%

Consolidated Operating Income (Loss) by Segment

	(Millions of yen)		
	3M FY2019	3M FY2020	YoY
<i>HR Solutions</i>	4,244	9,920	133.8%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	1,653	7,114	330.2%
Expert Services (Temporary staffing)	1,528	7,197	371.0%
BPO Services (Contracting)			
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas)	125	(83)	—
Career Solutions (Placement/Recruiting, Outplacement) Outsourcing	673	625	(7.2)%
<i>Life Solutions</i>	(12)	41	—
<i>Regional Revitalization Solutions</i>	(517)	(575)	—
Eliminations and Corporate	(2,470)	(2,099)	—
Total	1,243	7,287	486.1%

※ Since 3M FY2020, the segment of some subsidiaries has been changed with the reorganization of subsidiaries.

(2) Overview of Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

Assets

Total assets as of August 31, 2020 stood at ¥133,213 million, a decrease of ¥7,227 million or 5.1%, compared with May 31, 2020. This was mainly attributable to a decrease of ¥3,509 million in cash and deposits due to the payment of dividends and income taxes, and a decrease of ¥4,469 million in notes and accounts receivable-trade due to the progress of collection.

Liabilities

Total liabilities as of August 31, 2020 stood at ¥88,708 million, a decrease of ¥9,415 million or 9.6%, compared with May 31, 2020. This was mainly attributable to a decrease of ¥2,662 million in accounts payable-trade due to the progress of payment, a decrease of ¥1,875 million in accrued expenses due to the elimination of the effects of the bank holiday on May 31, 2020, a decrease of ¥1,653 million in income taxes payable due to the payment of income taxes, and a decrease of ¥936 million in provision for bonuses due to the payment of bonuses.

Net Assets

Net assets as of August 31, 2020 stood at ¥44,505 million, an increase of ¥2,188 million or 5.2%, compared with May 31, 2020. This was mainly attributable to an increase of ¥3,306 million in retained earnings due to profit attributable to owners of parent of ¥4,064 million in spite of dividends of ¥758 million, and a decrease of ¥1,237 million in non-controlling interests due to dividends of subsidiaries.

As a result, equity ratio improved by 3.8 percentage points from the end of previous consolidated fiscal year to 26.5% due to an increase of retained earnings.

(3) Overview of Consolidated Forecasts

Continued attention to new coronavirus infections is needed, because the number of people infected with the new coronavirus has started to increase again even after the state of emergency had been lifted. Although improvement can be seen little by little in economic activity and social activities that involve the movement of people, the effects of prolonged new coronavirus infections have already spread to many industries, and the future outlook for the domestic employment situation and the Japanese economy remains highly uncertain. Therefore, the forecasts previously announced on July 17, 2020 remain unchanged.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2020	As of August 31, 2020
ASSETS		
Current assets		
Cash and deposits	49,122	45,612
Notes and accounts receivable-trade	42,744	38,274
Inventories	2,250	2,407
Other	6,985	6,974
Allowance for doubtful accounts	(124)	(197)
Total current assets	100,977	93,072
Non-current assets		
Property, plant and equipment	16,606	17,878
Intangible assets		
Goodwill	2,140	1,963
Other	5,040	4,884
Total intangible assets	7,181	6,848
Investments and other assets		
Other	15,623	15,259
Allowance for doubtful accounts	(135)	(28)
Total investments and other assets	15,488	15,231
Total non-current assets	39,275	39,958
Deferred assets	187	183
Total assets	140,441	133,213

(Millions of yen)

	As of May 31, 2020	As of August 31, 2020
LIABILITIES		
Current liabilities		
Accounts payable-trade	5,704	3,042
Short-term loans payable	8,640	8,646
Accrued expenses	17,324	15,448
Income taxes payable	3,700	2,047
Provision for bonuses	4,111	3,175
Provision for directors' bonuses	14	13
Asset retirement obligations	2	9
Other	24,982	23,561
Total current liabilities	64,482	55,943
Non-current liabilities		
Bonds payable	2,482	2,482
Long-term loans payable	23,158	22,556
Provision for directors' stock benefit	318	301
Provision for employees' stock grant	303	307
Net defined benefit liability	2,172	2,152
Asset retirement obligations	1,971	1,965
Other	3,236	2,999
Total non-current liabilities	33,642	32,765
Total liabilities	98,124	88,708
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	14,013	14,013
Retained earnings	14,789	18,095
Treasury shares	(2,442)	(2,424)
Total shareholders' equity	31,360	34,685
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	499	576
Foreign currency translation adjustment	(90)	(55)
Remeasurements of defined benefit plans	41	31
Total accumulated other comprehensive income	451	552
Non-controlling interests	10,504	9,267
Total net assets	42,316	44,505
Total liabilities and net assets	140,441	133,213

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	3M FY2019	3M FY2020
Net sales	79,626	85,751
Cost of sales	61,356	63,419
Gross profit	18,270	22,332
Selling, general and administrative expenses	17,026	15,044
Operating income	1,243	7,287
Non-operating income		
Interest income	8	8
Share of profit of entities accounted for using equity method	18	—
Subsidy	18	198
Real estate rent	178	190
Other	133	49
Total non-operating income	357	447
Non-operating expenses		
Interest expenses	49	75
Commitment fee	9	11
Share of loss of entities accounted for using equity method	—	86
Rent expenses on real estates	146	163
Commission fee	409	—
Other	55	39
Total non-operating expenses	670	377
Ordinary income	930	7,357
Extraordinary loss		
Loss on sales and retirement of non-current assets	4	37
Impairment loss	—	36
Loss on valuation of investment securities	7	—
Total extraordinary loss	11	73
Income before income taxes	918	7,284
Income taxes-current	(202)	2,472
Income taxes-deferred	480	67
Income taxes	278	2,540
Profit	640	4,743
Profit attributable to non-controlling interests	593	679
Profit attributable to owners of parent	46	4,064

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	3M FY2019	3M FY2020
Profit	640	4,743
Other comprehensive income		
Valuation difference on available-for-sale securities	223	165
Foreign currency translation adjustment	(65)	45
Remeasurements of defined benefit plans	23	(7)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	181	203
Comprehensive income	821	4,946
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	153	4,165
Comprehensive income attributable to non-controlling interests	667	781

(4) Notes to Going Concern Assumption

None

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

None

(6) Additional Information:

Accounting estimates with the spread of new coronavirus infections

There are no significant changes to the assumption including future spread and convergence time of new coronavirus infections, which is described in “Additional Information” of “Consolidated Financial Report FY2019 (June 1, 2019 to May 31, 2020).

(7) Segment Information

i) Three months ended August 31, 2019

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	65,541	3,298	8,589	1,471	725	79,626	—	79,626
(2) Intersegment sales and transfers	636	10	89	56	90	882	(882)	—
Total	66,177	3,309	8,679	1,527	815	80,509	(882)	79,626
Operating income (l oss)	1,653	673	1,916	(12)	(517)	3,714	(2,470)	1,243

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 ¥(2,470) million with Operating income (loss) includes corporate expenses of ¥(2,475) 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 ¥5 million.
3. Segment income is adjusted with operating income under consolidated statements of income.

ii) Three months ended August 31, 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	72,674	3,056	8,116	1,501	403	85,751	—	85,751
(2) Intersegment sales and transfers	638	5	132	62	75	913	(913)	—
Total	73,312	3,061	8,248	1,563	479	86,665	(913)	85,751
Operating income (l oss)	7,114	625	2,181	41	(575)	9,386	(2,099)	7,287

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 ¥(2,099) million with Operating income (loss) includes corporate expenses of ¥(2,113) 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 ¥13 million.
3. Segment income is adjusted with operating income under consolidated statements of income.

b) Matters regarding changes in reporting segment

Since the first quarter of FY2020, considering the actual situation of the business, the segment of some subsidiaries has been changed from “Career Solutions” to “Expert Services, BPO Services, Others”.

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

c) Information regarding impairment loss of non-current assets or goodwill

The impairment loss of non-current assets in the “Regional Revitalization Solutions” segment has amounted to ¥36 million in the first quarter of FY2020.

(8) Important Subsequent Events

None