

# CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)

## FY2020 (June 1, 2020 to May 31, 2021)

### First Half Ended November 30, 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>  
 Representative: Yasuyuki Nambu, Group CEO and President  
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Scheduled filing date of quarterly report: January 14, 2021  
 Supplemental materials prepared for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(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	
		%		%		%		%
First Half ended November 30, 2020	164,906	2.3	10,802	176.9	10,854	201.0	4,278	989.1
First Half ended November 30, 2019	161,229	(2.1)	3,901	4.5	3,606	1.9	392	(37.8)

(Note) Comprehensive income H1 FY2020: ¥5,678 million H1 FY2019: ¥1,884 million

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
First Half ended November 30, 2020	109.35	—
First Half ended November 30, 2019	10.04	—

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
November 30, 2020	137,757	45,200	25.8
May 31, 2020	140,441	42,316	22.7

(Reference) Equity As of November 30, 2020: ¥35,533 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	—	0.00	—	—	—
FY2020 (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, 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 Shares
		%		%		%		%	Yen
FY2020 Full Fiscal Year	326,000	0.3	15,000	41.8	15,000	46.5	4,700	690.1	120.08

(Note) Revision to forecast of results in the current quarter: Yes

## 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)  
November 30, 2020: 41,690,300 shares    May 31, 2020: 41,690,300 shares
  - 2) The number of treasury shares as of the period-end  
November 30, 2020: 2,550,899 shares    May 31, 2020: 2,574,776 shares
  - 3) Average number of shares for the period (Quarterly cumulative period)  
First Half ended November 30, 2020: 39,125,391 shares  
First Half ended November 30, 2019: 39,115,655 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 6.

We are planning to hold a financial results meeting for analysts and institutional investors on January 19, 2021. Supplemental materials for the meeting will be posted on the Company’s website (<https://www.pasonagroup.co.jp/ir/>) in a timely manner.

# Consolidated Financial Report

First Half Ended November 30, 2020

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# H1 FY2020 Consolidated Financial Report

(June 1, 2020 - November 30, 2020)

## 1. Information Concerning Quarterly Consolidated Business Results

### (1) Consolidated Business Results

	(Millions of yen)		
	H1 FY2019	H1 FY2020	YoY
Net sales	161,229	164,906	2.3%
Operating income	3,901	10,802	176.9%
Ordinary income	3,606	10,854	201.0%
Profit attributable to owners of parent	392	4,278	989.1%

### Segment Information (Figures include intersegment sales)

#### Consolidated Net Sales by Segment

	(Millions of yen)		
	H1 FY2019	H1 FY2020	YoY
<b>HR Solutions</b>	158,294	162,385	2.6%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	133,585	138,908	4.0%
Expert Services (Temporary staffing)	76,459	75,439	(1.3)%
BPO Services (Contracting)	48,449	56,917	17.5%
HR Consulting, Education & Training, Others	4,638	3,210	(30.8)%
Global Sourcing (Overseas)	4,038	3,341	(17.3)%
Career Solutions (Placement / Recruiting, Outplacement)	6,752	6,286	(6.9)%
Outsourcing	17,957	17,190	(4.3)%
<b>Life Solutions</b>	3,104	3,238	4.3%
<b>Regional Revitalization Solutions</b>	1,638	1,360	(17.0)%
Eliminations and Corporate	(1,808)	(2,077)	—
Total	161,229	164,906	2.3%

#### Consolidated Operating Income (Loss) by Segment

	(Millions of yen)		
	H1 FY2019	H1 FY2020	YoY
<b>HR Solutions</b>	9,352	16,269	74.0%
Expert Services (Temporary staffing), BPO Services (Contracting), Others	4,155	10,419	150.7%
Expert Services (Temporary staffing)			
BPO Services (Contracting)	3,904	10,438	167.3%
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas)	251	(19)	—%
Career Solutions (Placement / Recruiting, Outplacement)	1,434	1,381	(3.7)%
Outsourcing	3,762	4,469	18.8%
<b>Life Solutions</b>	53	158	197.0%
<b>Regional Revitalization Solutions</b>	(861)	(1,087)	—
Eliminations and Corporate	(4,642)	(4,539)	—
Total	3,901	10,802	176.9%

※Since the first quarter of FY2020, the segment of some subsidiaries has been changed with the reorganization of subsidiaries.

## **(2) Overview of Consolidated Financial Position**

### **1) Status of Assets, Liabilities and Net Assets**

#### **Assets**

Total assets as of November 30, 2020 stood at ¥137,757 million, a decrease of ¥2,684 million or 1.9%, compared with May 31, 2020. This was mainly attributable to a decrease of ¥1,606 million in cash and deposits due to the payment of dividends and income taxes, a decrease of ¥2,628 million in notes and accounts receivable-trade due to the progress of collection, and an increase of ¥1,063 million in inventories.

#### **Liabilities**

Total liabilities as of November 30, 2020 stood at ¥92,556 million, a decrease of ¥5,568 million or 5.7%, compared with May 31, 2020. This was mainly attributable to a decrease of ¥2,176 million in accounts payable-trade due to the progress of payment, a decrease of ¥2,014 million in accrued expenses due to the elimination of the effects of the bank holiday on May 31, 2020.

#### **Net Assets**

Net assets as of November 30, 2020 stood at ¥45,200 million, an increase of ¥2,884 million or 6.8%, compared with May 31, 2020. This was mainly attributable to an increase of ¥3,520 million in retained earnings due to profit attributable to owners of parent of ¥4,278 million in spite of dividends of ¥758 million, and a decrease of ¥837 million in non-controlling interests due to dividends of subsidiaries.

As a result, equity ratio improved by 3.1 percentage points from the end of previous consolidated fiscal year to 25.8 %.

### **2) Status of Cash Flows**

Cash and cash equivalents (hereafter “net cash”) as of November 30, 2020 decreased by ¥1,113 million, compared with previous fiscal year end to ¥47,033 million.

#### **Cash Flows from Operating Activities**

Net cash provided in operating activities in H1 FY2020 amounted to ¥4,899 million (increase in ¥1,495 million in H1 FY2019).

Major cash inflows included income before income taxes totaling ¥9,639 million (¥3,160 million in H1 FY2019), depreciation and amortization totaling ¥1,807 million (¥1,979 million in H1 FY2019), impairment loss ¥1,092 million (¥396 million in H1 FY2019), and a decrease in notes and accounts receivable-trade totaling ¥2,647 million (increase ¥1,462 million in H1 FY2019) due to the progress of collection.

Principal cash outflows included a decrease in operating debt totaling ¥3,825 million (decrease ¥224 million in H1 FY2019) due to the elimination of the effects of the bank holiday on May 31, 2020, and income taxes paid totaling ¥4,136 million (¥2,981 million in H1 FY2019).

#### **Cash Flows from Investing Activities**

Net cash used in investing activities in H1 FY2020 amounted to ¥2,818 million (decrease in ¥2,981 million in H1 FY2019).

Major cash outflows were purchase of property, plant and equipment with the establishment of commercial facilities in regional revitalization totaling ¥2,580 million (¥1,996 million in H1 FY2019), and purchase of intangible assets with system investment totaling ¥681 million (¥853 million in H1 FY2019).

### **Cash Flows from Financing Activities**

Net cash used in financing activities in H1 FY2020 amounted to ¥3,193 million (decrease in ¥4,132 million in H1 FY2019).

Major cash inflows were proceeds from long-term loans payable totaling ¥4,500 million (none in H1 FY2019) to prepare for securing long-term working capital and financial needs in case of emergence of COVID-19 infection and increasing liquidity at hand.

Principal cash outflows were repayment of long-term loans payable amounting to ¥4,418 million (¥3,154 million in H1 FY2019), and payment of dividends totaling ¥2,796 million (¥2,760 million in H1 FY2019).

### **(3) Overview of Consolidated Forecasts**

Regarding the results for the consolidated cumulative period for the second quarter, because the demand for new human resources was suppressed due to the impact of the spread of COVID-19 infection, demand for BPO services that outsource operations expanded although demand decreased in the temporary staffing and recruitment services business. The number of limited-time projects related to prevention of the spread of COVID-19 infection has increased more than expected at the beginning of the term. Profitability increased due to efficient management of contracted businesses. Therefore, sales and profits increased in first half ended November 30, 2020 from the same period of the previous year. About forecast of results for the fiscal year ending May 31, 2021, although the timing of COVID-19 infection convergence remains uncertain and new job openings are expected to remain sluggish, demand for BPO services remains strong. Therefore, forecast of results for the fiscal year ending May 31, 2021 announced on July 17, 2020 has been revised.

For details, please refer to “Notice regarding revision of full-year earnings forecast” announced today, or on January 13, 2021.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2020	As of November 30, 2020
<b>ASSETS</b>		
Current assets		
Cash and deposits	49,122	47,515
Notes and accounts receivable-trade	42,744	40,115
Inventories	2,250	3,314
Other	6,985	7,080
Allowance for doubtful accounts	(124)	(162)
Total current assets	100,977	97,864
Non-current assets		
Property, plant and equipment	16,606	17,327
Intangible assets		
Goodwill	2,140	1,800
Other	5,040	4,619
Total intangible assets	7,181	6,420
Investments and other assets		
Other	15,623	15,993
Allowance for doubtful accounts	(135)	(26)
Total investments and other assets	15,488	15,967
Total non-current assets	39,275	39,714
Deferred assets	187	178
Total assets	140,441	137,757

(Millions of yen)

	As of May 31, 2020	As of November 30, 2020
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable-trade	5,704	3,528
Short-term loans payable	8,640	8,971
Accrued expenses	17,324	15,309
Income taxes payable	3,700	4,243
Provision for bonuses	4,111	4,468
Provision for directors' bonuses	14	13
Asset retirement obligations	2	51
Other	24,982	22,813
<b>Total current liabilities</b>	<b>64,482</b>	<b>59,400</b>
Non-current liabilities		
Bonds payable	2,482	2,329
Long-term loans payable	23,158	22,920
Provision for directors' stock benefit	318	433
Provision for employees' stock grant	303	398
Net defined benefit liability	2,172	2,151
Asset retirement obligations	1,971	1,943
Other	3,236	2,979
<b>Total non-current liabilities</b>	<b>33,642</b>	<b>33,155</b>
<b>Total liabilities</b>	<b>98,124</b>	<b>92,556</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	14,013	14,015
Retained earnings	14,789	18,309
Treasury shares	(2,442)	(2,417)
<b>Total shareholders' equity</b>	<b>31,360</b>	<b>34,907</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	499	688
Foreign currency translation adjustment	(90)	(84)
Remeasurements of defined benefit plans	41	21
<b>Total accumulated other comprehensive income</b>	<b>451</b>	<b>625</b>
Non-controlling interests	10,504	9,667
<b>Total net assets</b>	<b>42,316</b>	<b>45,200</b>
<b>Total liabilities and net assets</b>	<b>140,441</b>	<b>137,757</b>



**(2) Quarterly Consolidated Statements of Income**

(Millions of yen)

	H1 FY2019	H1 FY2020
Net sales	161,229	164,906
Cost of sales	123,831	122,915
Gross profit	37,397	41,991
Selling, general and administrative expenses	33,496	31,189
Operating income	3,901	10,802
Non-operating income		
Interest income	17	21
Subsidy	25	329
Real estate rent	361	376
Other	225	144
Total non-operating income	629	871
Non-operating expenses		
Interest expenses	95	147
Share of loss of entities accounted for using equity method	10	229
Commitment fee	28	33
Rent expenses on real estates	299	328
Commission fee	411	—
Other	79	80
Total non-operating expenses	925	819
Ordinary income	3,606	10,854
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	4	—
National subsidies	—	5
Total extraordinary income	4	5
Extraordinary loss		
Loss on sales and retirement of non-current assets	13	107
Impairment loss	396	1,092
Loss on tax purpose reduction entry of non-current assets	—	5
Loss on valuation of investment securities	26	14
Loss on valuation of shares of subsidiaries and associates	12	—
Total extraordinary loss	450	1,220
Income before income taxes	3,160	9,639
Income taxes-current	1,548	4,830
Income taxes-deferred	(30)	(504)
Income taxes	1,518	4,325
Profit	1,642	5,314
Profit attributable to non-controlling interests	1,249	1,035
Profit attributable to owners of parent	392	4,278

**(3) Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	H1 FY2019	H1 FY2020
Profit	1,642	5,314
Other comprehensive income		
Valuation difference on available-for-sale securities	273	366
Foreign currency translation adjustment	(78)	14
Remeasurements of defined benefit plans	46	(15)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	241	364
Comprehensive income	1,884	5,678
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	533	4,452
Comprehensive income attributable to non-controlling interests	1,350	1,226

**(4) Quarterly Consolidated Statements of Cash Flows**

(Millions of yen)

	H1 FY2019	H1 FY2020
Cash flows from operating activities		
Income before income taxes	3,160	9,639
Depreciation and amortization	1,979	1,807
Impairment loss	396	1,092
Amortization of goodwill	409	340
Increase (decrease) in allowance for doubtful accounts	(2)	(70)
Increase (decrease) in provision for bonuses	39	356
Increase (decrease) in provision for directors' bonuses	(19)	(0)
Increase (decrease) in net defined benefit liability	68	4
Decrease (increase) in net defined benefit asset	39	(88)
Interest and dividends income	(32)	(40)
Interest expenses	95	147
Subsidy income	(25)	(335)
Share of (profit) loss of entities accounted for using equity method	10	229
Loss (gain) on sales and retirement of non-current assets	13	107
Loss (gain) on sales of shares of subsidiaries and associates	(4)	—
Decrease (increase) in notes and accounts receivable-trade	(1,462)	2,647
Increase (decrease) in operating debt	(224)	(3,825)
Increase (decrease) in accrued consumption taxes	369	(618)
Other	(305)	(2,595)
Subtotal	4,506	8,796
Interest and dividends income received	43	53
Interest expenses paid	(99)	(149)
Proceeds from subsidy	25	335
Income taxes paid	(2,981)	(4,136)
Net cash provided by (used in) operating activities	1,495	4,899

	H1 FY2019	H1 FY2020
Cash flows from investment activities		
Purchase of property, plant and equipment	(1,996)	(2,580)
Proceeds from sales of property, plant and equipment	0	4
Purchase of intangible assets	(853)	(681)
Purchase of investment securities	(178)	(5)
Payments of loans receivable	(2)	(27)
Payments for lease and guarantee deposits	(126)	(116)
Proceeds from collection of lease and guarantee deposits	114	105
Payments for transfer of business	(0)	(7)
Other	60	491
Net cash provided by (used in) investment activities	(2,981)	(2,818)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,997)	12
Proceeds from long-term loans payable	—	4,500
Repayment of long-term loans payable	(3,154)	(4,418)
Repayments of finance lease obligations	(330)	(318)
Redemption of bonds	(28)	(153)
Purchase of treasury shares of subsidiaries	(3,526)	(0)
Proceeds from disposal of treasury shares of subsidiaries	6	—
Cash dividends paid	(710)	(755)
Dividends paid to non-controlling interests	(2,049)	(2,040)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	8,658	—
other	(0)	(19)
Net cash provided (used in) by financing activities	(4,132)	(3,193)
Effect of exchange rate change on cash and cash equivalents	(86)	(2)
Net increase (decrease) in cash and cash equivalents	(5,704)	(1,113)
Cash and cash equivalents at the beginning of the period	31,793	48,147
Net increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(116)	—
Cash and cash equivalents at the end of the period	25,972	47,033

(5) Notes to Going Concern Assumption

Not applicable

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

Not applicable

(7) Additional Information:

Accounting estimates with the spread of COVID-19 infections

There are no significant changes to the assumption including future spread and convergence time of COVID-19 infections, which is described in “Additional Information” of “Consolidated Financial Report FY2019 (June 1, 2019 to May 31, 2020).

(8) Segment Information

i) First Half ended November 30, 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	132,298	6,725	17,737	3,001	1,466	161,229	—	161,229
(2) Intersegment sales and transfers	1,286	26	219	103	171	1,808	(1,808)	—
Total	133,585	6,752	17,957	3,104	1,638	163,037	(1,808)	161,229
Operating income (loss)	4,155	1,434	3,762	53	(861)	8,544	(4,642)	3,901

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 ¥(4,642) million with Operating income (loss) includes corporate expenses of ¥(4,672) 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 ¥29 million.
3. Segment income is adjusted with operating income under consolidated statements of income.

b) Information regarding impairment loss of non-current assets or goodwill by reporting segment

Impairment loss of non-current assets in “Regional Revitalization Solutions” segment has amounted to ¥396 million in first half of FY2019.

ii) First Half ended November 30, 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	137,500	6,274	16,891	3,087	1,151	164,906	—	164,906
(2) Intersegment sales and transfers	1,407	12	298	150	208	2,077	(2,077)	—
Total	138,908	6,286	17,190	3,238	1,360	166,984	(2,077)	164,906
Operating income (loss)	10,419	1,381	4,469	158	(1,087)	15,341	(4,539)	10,802

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 ¥(4,539) million with Operating income (loss) includes the corporate expenses of ¥(4,576) 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 ¥37 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 has been recorded in the way of new segment classification method.

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

The total impairment loss of non-current assets in first half of FY2020 has amounted to ¥1,092 million; ¥639 million in “Expert Services, BPO Services, Others” segment and ¥452 million in “Regional Revitalization Solutions” segment.

(9) Important Subsequent Events

Not applicable