

For Immediate Release

August 12, 2020

PERSOL HOLDINGS CO., LTD. (TSE 2181)**Consolidated Financial Results for the Three Months Ended June 30, 2020**

PERSOL HOLDINGS CO., LTD (the Company) today announced its consolidated financial results for the three months Ended June 30, 2020.

Consolidated Operating Highlights

1) Financial Results

(In millions of yen, unless otherwise stated)

	Three months ended June 30,		% change
	2019	2020	
Net sales	235,218	238,222	1.3
Operating profit	10,057	9,115	-9.4
EBITDA ¹	14,416	13,389	-7.1
Ordinary profit	10,368	9,173	-11.5
Net profit ²	5,466	4,670	-14.6
Net profit per share (yen)	23.42	20.21	-
Adjusted EPS ³	34.66	30.70	-11.4

Notes:

1. EBITDA=operating profit + depreciation + amortization of goodwill
2. Net profit attributable to owners of parent company
3. Adjusted EPS=adjusted profit^a/ (average number of shares during the period - number of treasury stock during the period)
 - a. Adjusted profit=profit attributable to owners of the parent ± adjustment items^b (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
 - b. Adjustment items=amortization of intangible assets except goodwill by acquisitions ± extraordinary income/losses

2) Balance Sheet Data

(In million yen, unless otherwise stated)

	As of March 31, 2020	As of June 30, 2020
Total assets	370,993	340,931
Net assets	163,906	158,492
Equity ratio	39.9%	41.8%
(Reference) Equity capital	147,850	142,615

3) Dividend Status

	Annual Dividend				
	End 1Q	End 2Q	End 3Q	End of FY	TOTAL
	JPY	JPY	JPY	JPY	JPY
FY ended Mar 2020	-	15.00	-	15.00	30.00
FY ending Mar 2021	-				
FY ending Mar 2021 (Forecast)		-	-	-	-

Note: Dividend forecast for the fiscal year ending March, 2021 will be disclosed immediately once investment plan and cash allocation including shareholder returns are confirmed.

4) Consolidated Financial Forecast for the Fiscal Year Ending March 2021 (April 1, 2020 - March 31, 2021)

(In millions of yen, unless otherwise stated)

	FY2020(1 st half)	% change	FY2020(full year)	% change
Net sales	453,100-468,000	-5.4% to -2.3%	913,400-945,800	-5.9% to -2.6%
Operating profit	9,000-10,000	-55.3% to -50.3%	18,000-22,000	-53.9% to -43.7%
Ordinary profit	9,000-10,000	-55.9% to -51.1%	18,000-22,000	-54.3% to -44.1%
Net profit*	3,800-4,500	-	8,300-11,100	9.0% to 45.8%
Net profit per share (yen)	16.79-19.78	-	36.15-48.10	-
(Reference)EBITDA	-	-	34,000-38,000	-

*Net profit attributable to owners of parent company

Disclaimer

The statements concerning the Company's future business performances in this material such as earnings forecasts are based on information currently available and certain assumptions deemed to be reasonable by the Company, and do not mean that we promise to achieve these figures. Actual results may differ materially from the statements due to a variety of factors.

1. Management Discussion and Analysis

(1) Result of Operations

The Group provides a wide range of human resources (HR) related services; temporary staffing and placement service as the core in Japan and Asia-Pacific (APAC) region.

In the first quarter of FY2020 ended June 30, 2020, social and economic activities were stagnating as a result of the effects of COVID-19 that was spreading worldwide, the HR market was also affected on a global basis. The ratio of job offers to job seekers in June 2020 in Japan rapidly dropped to 1.11 (seasonally adjusted).

Due to the spread of COVID-19, the Group's placement business was affected because companies showed a movement to restrain their personnel costs, etc. In APAC area in which the degree of seriousness and the measures against COVID-19 vary in different regions, the business operations mainly in China for the first quarter of FY2020 (corresponding to the three months from January to March 2020 for overseas subsidiaries) were largely affected. Furthermore, Australian dollar became weaker against Japanese yen, the same as in the previous fiscal year.

In these severe business environment, although Staffing SBU, the Group core business and Professional Outsourcing SBU achieved a sales increase, sales of other segments were decreased which resulted in net sales of JPY 238,222 million at around the same level year-on-year (increased by 1.3% YoY). Operating profit was JPY 9,115 million (decreased by 9.4% YoY) because Career SBU that operates highly profitable placement business recorded a significant decline in profit as a result of suffering a large impact of COVID-19, despite increased profits recorded by Staffing SBU and Professional Outsourcing SBU. Ordinary profit was JPY 9,173 million (decreased by 11.5% YoY) and net profit attributable to owners of parent company was JPY 4,670 million (decreased by 14.6% YoY).

Results by SBU (before inter-segment elimination)

※Note that the classification of segments for report was changed from this fiscal year and the comparative analysis shown below was made in comparison of the restated figures in the same period of the previous year of new segments after re-classification.

1. Staffing SBU

In this segment, the Group operates temporary staffing business, including mainstay clerical and administrative staff dispatching and wide range of staffing service, BPO (Business Process Outsourcing) business and job referral service business mainly for administrative talents in Japan.

Sales were JPY 130,678 million (increased by 6.9% YoY) and operating profit was JPY 8,921 million (increased by 53.2% YOY). Sales was increased in temporary staffing business as a result of an increase of operating days by 2 from the same period of the previous year, increased number of active temporary workers in clerical and administrative area and increased unit billing rates in accordance with "equal pay for equal work". Also, in BPO business, sales were increased because of an increased number of outsourcing projects. Operating profit increased by sales expansion and proper cost management.

2. Career SBU

In this segment, the Group operates placement business, supporting corporate client mid-career hiring activities, and job recruitment media business.

Sales were JPY 16,827 million (decreased by 28.5% YoY) and operating profit was JPY1,505 million (decreased by 68.0% YoY). Sales was decreased mainly as a result of the effect on placement business of companies' restraint in recruitment activities due to an impact caused by COVID-19 and the termination of "an" business (in November 2019). Operating profit was decreased significantly as a result of declined sales despite the efforts to reduce marketing cost and other costs.

3. Professional Outsourcing SBU

In this segment, the Group operates manufacture and development outsourcing business in IT and engineering areas and temporary staffing business specialized in engineers dispatching.

Sales were JPY 26,415 million (increased by 10.0% YoY), and operating profit was JPY 315 million (increased by 16.0% YOY). Sales as a whole were increased because sales in engineering area was maintained at the same level of previous first quarter despite the effects of COVID-19 suffered such as decreased operation rate due to companies' movement to restrain their development investments and sales in outsourcing business which was robust in IT area were increased. Operation profit was increased because sales expansion absorbed the increased personnel cost associated with the expansion of engineering staff including hiring new graduates.

4. Solution SBU

In this segment, the Group creates new businesses through provision of digital solution services including hiring talents and human resource management, and incubation program.

Sales were JPY 952 million (decreased by 29.5% YoY), and operating loss was JPY 1,437 million (operating loss of JPY 299 million for the same period of the previous year). Sales were decreased due to a movement of companies to reduce personnel cost and hiring cost and a business suspension requests to restaurants to prevent COVID-19 from spreading. Operating loss recorded due to sales decrease.

5. Asia Pacific SBU

In this segment, that the Group operates temporary staffing business and placement business in Asia Pacific (APAC) area and human resource-related business and maintenance business in Australia (those businesses are operated under PERSOLKELLY brand in Asia and under PROGRAMMED brand in Australia).

Sales were JPY 65,980 million (decreased by 1.5% YoY), and operating loss was JPY 116 million (operating loss of JPY 156 million for the same period of the previous year). Sales were decreased as a result of weak Australian dollar although sales on a local currency basis were increased because of the growth of temporary staffing business in Singapore and solid results of maintenance business in Australia that is not susceptible to the effect of economic conditions.

Operating loss recorded because there were factors that placement business in China for Japanese companies was greatly affected by COVID-19 and that the restructuring cost was booked in Australia.

The business impacts caused by spreading new coronavirus (COVID-19) infection

In Japan, even after the emergency declaration was lifted in late May, the number of infected people has been increasing again since July mainly in Tokyo metropolitan area and outlook is becoming increasingly unclear. In overseas situation, COVID-19 is spreading and government policy to restrict outing continues in some regions in APAC area where our company operates business.

Temporary staffing business in the PERSOL Group's domestic operations was affected, resulting in decreased operating ratio and operating hours in marketing area due to shorter operating hours of stores and reduction of staff, etc. On the other hand, most of the staff in the core clerical and administrative area returned to normal working style after the emergency declaration was lifted. Additionally, in BPO business, demand for new contracts is increasing. In placement business, most counseling sessions and interviews that used to be performed face to face are now switched to online. The business has been significantly affected by the trend of companies to reconsider HR plans and cut labor costs, including longer time taken for hiring decision and pullout of hiring.

In overseas operations, business conditions vary from country to country. In Asia, temporary staffing business in countries such as Singapore, Malaysia and Hong Kong is stable as a whole because temporary workers are working from home. In placement business, on the other hand, there is a temporary trend of declining demand for HR due to spreading COVID-19 and the business is affected by companies' pullout of hiring, etc. Also, in Australia and New Zealand where economy became stagnant due to COVID-19, staffing business suffers from effects including decreasing number of active temporary workers and maintenance business does from decreasing number of projects.

(2) Financial Position

(a) Consolidated Balance Sheet

Total assets decreased by JPY 30,062 million compared with the end of the previous fiscal year. Current assets decreased by JPY 20,807 million, and fixed assets decreased by JPY 9,255 million. The main reason for the decrease in current assets was a decrease in cash and deposits by JPY 14,808 million, etc. The main reasons for the decrease in fixed assets were: a decrease in goodwill by JPY 5,521 million, and a decrease in deferred tax assets by JPY 2,575 million, etc.

Liabilities decreased by 24,648 million compared to the end of the previous fiscal year. Current liabilities decreased by JPY 13,748 million, and non-current liabilities decreased by JPY 10,899 million. The main reasons for the decrease in current liabilities were corporate bonds to be redeemed within one year increased by JPY 10,000 million, however on the other hand, long-term loans payable within one year decreased by JPY 10,000 million, provision for bonuses decreased by JPY 6,029 million and income taxes payable, etc. decreased by JPY 5,545 million. The main reason for the decrease in non-current liabilities was a decrease in corporate bonds by JPY 10,000 million, etc.

Net assets were decreased by JPY 5,413 million compared to the end of the previous fiscal year. This was mainly caused by: payment of dividends of surplus of JPY 3,474 million, and posting JPY 4,670 million in quarterly net profit attributable to parent company shareholders, etc. which resulted in increased retained earnings of JPY 1,196 million and on the other hand, foreign currency translation adjustments decreased by JPY 7,804 million, etc.

	As of March 31, 2020	As of June 30, 2020
Return on assets (ROA) for the period	2.3%	1.4%
Return on equity (ROE) for the period	5.0%	3.2%
Ratio of operating profit to sales	4.0%	3.8%
Ratio of ordinary profit to sales	4.1%	3.9%
Current ratio	159.6%	160.5%
Fixed assets ratio	99.7%	96.9%
Equity ratio	39.9%	41.8%
Total assets (JPY million)	370,993	340,931
Equity capital (JPY million)	147,850	142,615
Cash and cash equivalents etc. at end of period (JPY million)	78,037	63,278

(b) Issues to be addressed in our business and financial operations

There were no new business and financial challenges requiring addressing during three months ended June 2020.

(3) Explanation regarding future forecast information

In May 2020, only net sales and operating profit forecast for the first quarter of FY2020 ended June 30, 2020 were disclosed on a range basis. Full-year financial forecast of FY2020 was undecided because reasonable predictions were not possible with respect to the degree and scope of the effects of COVID-19 pandemic, an impact on real economy and the timing of economic recovery, etc.

Although business outlook is still somewhat unforeseen as of August 12, 2020, financial forecasts of FY2020 are disclosed on a range basis on the assumption that corporate needs for hiring talents in Japan will gradually pick up toward the end of this fiscal year because it is on a track of recovery after the lift of the emergency declaration, and that also in APAC region except for some areas, like in Japan, the same needs will be recovering gradually in general toward the end of this fiscal year. Revision of the forecasts will be disclosed promptly if necessary, considering the market conditions and business trends in future, including an impact of the COVID-19 pandemic.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(in millions of yen)	
	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	78,247	63,439
Notes and accounts receivable-trade	128,571	120,080
Work in process	7,618	8,228
Other	9,820	11,568
Allowance for doubtful accounts	-707	-575
Total current assets	223,549	202,742
Non-current assets		
Tangible assets		
Buildings and structures, net	3,675	3,676
Tools, furniture and fixtures, net	2,013	2,011
Right-of-use-assets	3,904	3,222
Land	997	799
Other, net	2,011	1,866
Total tangible assets	12,603	11,576
Intangible assets		
Trademark rights	9,671	8,752
Goodwill	72,562	67,041
Other	22,348	21,653
Total intangible assets	104,582	97,446
Investments and other assets		
Investment securities	8,146	10,085
Deferred tax asset	9,063	6,487
Other	14,444	13,804
Allowance for doubtful accounts	-1,397	-1,211
Total investments and other assets	30,257	29,165
Total non-current assets	147,444	138,189
Total Assets	370,993	340,931

(Consolidated Balance Sheet)

	(in millions of yen)	
	As of March 31, 2020	As of June 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable – trade	782	741
Short-term loans payable	5,300	5,890
Current portion of corporate bonds	—	10,000
Current portion of long-term loans payable	10,000	0
Accounts payable	69,266	66,970
Accrued income taxes	6,755	1,209
Accrued consumption taxes	17,764	16,741
Provision for bonuses	12,687	6,658
Reserve for bonuses for Directors	56	18
Provisions - other	772	775
Other	16,665	17,296
Total current liabilities	140,052	126,303
Non-current liabilities		
Corporate bonds	20,000	10,000
Long-term loans payable	35,728	35,728
Lease debts	2,456	2,015
Deferred tax liabilities	4,860	4,521
Liabilities related to retirement benefits	989	938
Allowance for share benefits	383	475
Allowance for Directors' share benefits	449	470
Provisions - other	72	94
Other	2,094	1,891
Total non-current liabilities	67,035	56,135
Total liabilities	207,087	182,439
Equity		
Shareholders' equity		
Capital	17,479	17,479
Capital surplus	20,396	20,396
Retained earnings	126,285	127,482
Treasury shares	-9,369	-9,342
Total shareholders' equity	154,792	156,015
Accumulated other comprehensive income		
Valuation difference on marketable securities	471	1,819
Foreign currency translation adjustment	-7,414	-15,218
Total accumulated other comprehensive income	-6,942	-13,399
Non-controlling interests	16,056	15,876
Total net assets	163,906	158,492
Total liabilities and equity	370,993	340,931

(2) Consolidated income Statements

	(in millions of yen)	
	Year ended June 30,	
	2019	2020
Net sales	235,218	238,222
Cost of sales	181,391	186,341
Gross profit	53,826	51,880
Selling, general and administrative expenses (SGA)	43,769	42,764
Operating Profit	10,057	9,115
Non-operating income		
Interest income	16	13
Dividends income	110	126
Subsidy income	195	187
Share of profit of entities accounted for using equity method	124	—
Other	11	25
Total non-operating income	458	353
Non-operating expenses		
Interest expenses	116	98
Losses on foreign exchange	22	79
Commission paid	—	94
Share of loss of entities accounted for using equity method	—	22
Other	8	0
Total non-operating expenses	147	296
Ordinary profit	10,368	9,173
Extraordinary income		
Gain on sales of fixed assets	29	67
Gain on sales of investment securities	7	11
Gain on transfer of business	33	—
Employment adjustment subsidies	—	8
Total extraordinary income	69	87
Extraordinary losses		
Business reorganization losses	495	148
Loss on valuation of investment securities	—	32
Casual loss	—	407
Total extraordinary losses	495	588
Net profit before taxes etc.	9,942	8,671
Corporate tax, resident tax, and business tax	2,846	1,441
Corporate tax etc.-deferred	1,370	2,278
Total corporate taxes etc.	4,217	3,719
Net profit for the period	5,725	4,952
Net profit attributable to non-controlling interests	259	282
Net profit attributable to owners of parent	5,466	4,670

(Consolidated profit and loss statement)

	(in millions of yen)	
	Three months ended June 30,	
	2019	2020
Net Profit for the period	5,725	4,952
Other comprehensive income		
Valuation difference on marketable securities	523	1,347
Foreign currency translation adjustment	655	-8,038
Share of other comprehensive income of associates accounted for using equity method	11	-63
Total other comprehensive income	1,190	-6,754
Comprehensive income	6,915	-1,801
(Break down)		
Comprehensive income attributable to owners of parent	6,591	-1,786
Comprehensive income attributable to non-controlling interests	324	-15