

For Immediate Release

November 10, 2020

PERSOL HOLDINGS CO., LTD. (TSE 2181)
 Consolidated Financial Results for the Six Months
 Ended September 30, 2020

PERSOL HOLDINGS CO., LTD (the Company) today announced its consolidated financial results for the six months ended September 30, 2020 and revised consolidated financial forecasts for Fiscal Year 2020, ending March 31, 2021.

Consolidated Operating Highlights

1) Financial Results

(In millions of yen, unless otherwise stated)

	Six months ended September 30,		% change
	2019	2020	
Net sales	478,956	465,755	-2.8
Operating profit	20,116	13,875	-31.0
EBITDA ¹	28,948	22,351	-22.8
Ordinary profit	20,429	15,339	-24.9
Net profit ²	-5,177	7,644	-
Net profit per share (yen)	-22.20	33.08	-
Adjusted EPS ³ (yen)	68.30	52.28	-23.5

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=net profit attributable to owners of parent company ± 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 September 30, 2020
Total assets	370,993	353,179
Net assets	163,906	166,890
Equity ratio	39.9%	42.5
(Reference) Equity capital	147,850	149,968

3) Dividend Status

(In yen, unless otherwise stated)

	Annual Dividend				
	End 1Q	End 2Q	End 3Q	End of FY	TOTAL
FY ended Mar 2020	-	15.00	-	15.00	30.00
FY ending Mar 2021	-	13.00			
FY ending Mar 2021 (Forecast)			-	13.00	26.00

4) Consolidated Financial Forecast for the Fiscal Year Ending March 2021

(In millions of yen, unless otherwise stated)

	FY2020 (full year)	% change
Net sales	940,000	-3.1
Operating profit	25,000	-36.0
EBITDA	41,700	-
Ordinary profit	27,000	-31.4
Net profit ¹	14,500	90.5
Net profit per share (yen)	63.11	-
Adjusted EPS (yen)	98.58	-

Note:

1. 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 the Company promises to achieve these figures. Actual results may differ materially from the statements due to a variety of factors.

Management Discussion and Analysis

(1) Result of Operations

PERSOL GROUP (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 six months ended September 30, 2020, although COVID-19 pandemic was still expanding, regulations imposed have been loosen since around June 2020, which began to work as the brakes on the worsening business climate. However, many companies remained prudent in their business activities out of concerns about future outlook and the HR market was also affected as the ratio of active job openings to applicants in September 2020 in Japan was continuously down to 1.03 (seasonally adjusted).

The Company's placement business was still being affected by COVID-19 because companies in Japan were careful in recruitment decision although current state of orders received have been showing a trend of slow recovery since July 2020. In APAC area in which the degree of seriousness of the pandemic conditions vary in different regions, the business operations mainly in placement business and temporary staffing business in manufacturing industry for the six months ended September 30, 2020 (corresponding to a period from January to June 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, total sales amount was JPY 465,755 million (decreased by 2.8% year-on-year) as a result of reduced sales due to termination of "an" business and significant decreases in sales of Career SBU which operate placement business and APAC SBU due to COVID-19, although Staffing SBU and Professional Outsourcing SBU achieved a sales increase. In terms of profit, operating profit was JPY 13,875 million (decreased by 31.0% 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. Ordinary profit was JPY 15,339 million (decreased by 24.9% YoY) and net profit attributable to owners of parent company was JPY 7,644 million (net loss of JPY 5,177 million for the same period of the previous year due to extraordinary loss including goodwill impairment loss).

Results by SBU (before inter-segment elimination)

*Note that the classification of segments for report was changed from the first quarter of FY2020 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 for the six months ended September 30, 2020 were JPY 260,283 million (increased by 4.8% YoY) and operating profit was JPY 16,309 million (increased by 46.2% YoY).

Sales were increased in temporary staffing business as a result of an increase of operating days by 1 from the same period of the previous year and increased unit billing rates in accordance with "equal pay for equal work". Also, BPO business contributed to sales increase because of an

increased number of outsourcing projects. Operating profit increased as a result of the improvement of profitability partly due to contribution made by highly profitable BPO business in addition to the impact of the increase in sales.

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 29,715 million (decreased by 35.1% YoY) and operating profit was JPY 138 million (decreased by 98.5% YoY).

Sales were decreased mainly because placement business was affected by the trend of companies' restraint in recruitment activities due to an impact caused by COVID-19 and "an" business was terminated (in November 2019). Operating profit was decreased 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 53,696 million (increased by 7.1% YoY), and operating profit was JPY 989 million (decreased by 42.5% YoY).

Sales as a whole were increased because sales in IT area increased due to robust demand that was continuing in the same area, despite the fact that sales decreased continuously in engineering area as a result of the effect of manufacturers' cutting their development budgets. Operation profit was decreased because personnel cost increased as a result of increasing the number of staffs including new graduate employees at the beginning of this fiscal year as well as an increased labor costs-to-sales ratio due to non-active engineers occurred in engineering area.

4. Solution SBU

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

Sales were JPY 2,190 million (decreased by 31.3% YoY), and operating loss was JPY 2,697 million (operating loss of JPY 474 million for the same period of the previous year).

Sales were decreased as a result of a trend of companies reluctant to hire new employees and the effect of the request for self-restraint of business addressed to restaurants to prevent COVID-19 from spreading. Operating loss was expanded due to sales decrease and increased cost due to continued investment expansion from previous fiscal year.

5. Asia Pacific SBU

In this segment, the Group operates temporary staffing business and placement business in 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 124,664 million (decreased by 8.7% YoY), and operating loss was JPY 677 million (operating loss of JPY 283 million for the same period of the previous year).

Sales were decreased due to the impact of the spread of COVID-19 in the placement business throughout APAC and the effect of weak Australian dollar although temporary staffing business expanded in Singapore. In terms of profit, operating loss recorded because there were factors that in Asian region, profitable placement business resulted in decreased sales, and that in Australia, the restructuring cost was booked and profitability of temporary staffing business was deteriorated due to the effect of COVID-19.

The business impacts caused by spreading COVID-19 infection

In Japan, while COVID-19 infection is still spreading, regulations has been loosen since around June 2020 and social and economic activities are gradually resumed toward full recovery. However, there are concerns continuing about the future outlook. Looking at the situation overseas, social and economic activities are resumed and the economic conditions are gradually moving toward full recovery in most regions as the same in Japan, although restriction of outing and other regulations are continuously imposed by the governments to contain infection with COVID-19 that is still spreading in some areas in APAC region where the Company operates businesses.

Regarding the Group's business in Japan, marketing area in temporary staffing business was affected by deteriorating business sentiment in retail industry and reduction of staff at stores, and as a result operating ratio and operating hours decreased. In clerical and administrative area which is the core of the business, the operation status remained the same in general as in the same period of previous year despite a decrease in the number of new orders received year-on-year. In BPO business, demand for new contracts increased. In placement business, the number of orders received currently shows a sign of recovery after July 2020 as counseling meetings and interviews have been performed online in most cases. However, it is only a moderate recovery because companies are tentative in recruitment. As for overseas business, business situations vary from country to country. Temporary staffing business was stable mainly in Singapore where temporary workers were working from home, but business in some countries was affected due to a decrease in the number of operating staffs, etc. In placement business which suffered the effects of spreading COVID-19 such as a significant decline of demand for human resources, the number of orders received bottomed out in May 2020 and now is on a trend of recovery except some regions where COVID-19 is spreading. On the other hand, in Australia and New Zealand, staffing business operating blue-collar temporary staffing service and maintenance business were both affected by COVID-19 such as a decrease in the number of projects.

(2) Financial Position

a. Consolidated Balance Sheet

Total assets decreased by JPY 17,814 million compared with the end of the previous fiscal year. Current assets decreased by JPY 13,875 million, and non-current assets decreased by JPY 3,939 million. The main reason for the decrease in current assets was that notes and accounts receivable decreased by JPY 10,100 million and cash and deposits decreased by JPY 5,464 million. The main cause of the decrease in non-current assets was that while investment securities increased by JPY 2,517 million, goodwill decreased by JPY 4,418 million and deferred tax assets decreased by JPY 2,268 million.

Liabilities decreased by JPY 20,798 million compared to the end of the previous fiscal year. Current liabilities decreased by JPY 10,282 million, and non-current liabilities decreased by JPY 10,516 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 borrowings due within one year decreased by JPY 10,000 million, accrued consumption taxes decreased by JPY 4,586 million and accounts payable decreased by JPY 4,310 million.

Net assets were increased by JPY 2,984 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 7,644 million in quarterly net profit attributable to owners of parent company, etc. which resulted in increased retained earnings of JPY 4,170 million and on the other hand, a foreign currency translation adjustments decreased by JPY 2,322 million etc.

	As of March 31, 2020	As of September 30, 2020
Return on assets (ROA) for the period	2.3%	2.3%
Return on equity (ROE) for the period	5.0%	5.1%
Ratio of operating profit to sales	4.0%	3.0%
Ratio of ordinary profit to sales	4.1%	3.3%
Current ratio	159.6%	161.6%
Fixed assets ratio	99.7%	95.7%
Equity ratio	39.9%	42.5%
Total assets (JPY million)	370,993	353,179
Equity capital (JPY million)	147,850	149,968
Cash and cash equivalents etc. at end of period (JPY million)	78,037	72,621

b. Consolidated Cash flows

The balance of cash and cash equivalents (hereinafter "Capital") at the end of the six months ended September 30, 2020 were JPY 72,621 million, increased by JPY 14,678 million from the end of the same period of previous fiscal year.

Following is an outline of each cash flow status and casual factors that arose in the six months ended in September 30, 2020.

(Cash Flow from operating activities)

Capital acquired from operating activities was JPY 17,273 million (as compared with JPY 7,631 million acquired in the same period of the previous year). This was mainly due to: net quarterly profit before taxes was JPY 14,693 million, a decrease in accounts receivable (trade) of JPY 8,286 million, payment of JPY 5,331 million in corporate taxes and a decrease in accrued consumption taxes of JPY 4,493 million.

(Cash Flow from investing activities)

Capital utilized as a result of investing activities was JPY 6,985 million (as compared with JPY 9,886 million utilized in the same period of the previous year). This was mainly due to spending of JPY 4,199 million on acquisition of intangible fixed assets and JPY 2,195 million spent on acquisition of tangible fixed assets.

(Cash Flow from financing activities)

Capital utilized as a result of financing activities was JPY 14,912 million (as compared with JPY 8,896 million utilized in the same period of the previous year). This was mainly due to spending of JPY 10,000 million to pay back long-term borrowings and JPY 3,471 million in dividend payments.

(3) Explanation regarding future forecast information

Taking into account the current situation with market recovery, the Group-wide full-year forecast in "Consolidated Financial Results for the Three Months Ended June 30, 2020" disclosed on August 12, 2020 was revised.

For further details, please refer to "Differences between Financial Forecasts and Actual Results for the Six-month Period of FY2020 Ended September 30, 2020 and Revisions of Financial Forecasts for FY 2020" disclosed today.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(in millions of yen)	
	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	78,247	72,783
Notes and accounts receivable-trade	128,571	118,470
Work in process	7,618	8,338
Other	9,820	10,640
Allowance for doubtful accounts	-707	-559
Total current assets	223,549	209,674
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,675	3,608
Tools, furniture and fixtures, net	2,013	2,016
Right of use assets, net	3,904	3,877
Land	997	799
Other, net	2,011	1,916
Total property, plant and equipment	12,603	12,217
Intangible assets		
Trademark right	9,671	9,407
Goodwill	72,562	68,144
Other	22,348	23,180
Total intangible assets	104,582	100,731
Investments and other assets		
Investment securities	8,146	10,663
Deferred tax assets	9,063	6,795
Other	14,444	14,445
Allowance for doubtful accounts	-1,397	-1,349
Total investments and other assets	30,257	30,554
Total non-current assets	147,444	143,504
Total Assets	370,993	353,179

(Consolidated Balance Sheet)

(in millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Accounts payable – trade	782	458
Short-term borrowings	5,300	3,818
Current portion of bonds payable	–	10,000
Current portion of long-term borrowings	10,000	0
Accounts payable - other	69,266	64,955
Income taxes payable	6,755	5,335
Accrued consumption taxes	17,764	13,177
Provision for bonuses	12,687	12,718
Provision for bonuses for directors (and other officers)	56	19
Other provisions	772	758
Other	16,665	18,527
Total current liabilities	140,052	129,769
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term borrowings	35,728	35,728
Lease obligations	2,456	2,258
Deferred tax liabilities	4,860	4,443
Retirement benefit liability	989	956
Provision for share-based remuneration	383	463
Provision for share-based remuneration for directors (and other officers)	449	523
Other provisions	72	175
Other	2,094	1,969
Total non-current liabilities	67,035	56,518
Total liabilities	207,087	186,288
Net assets		
Shareholders' equity		
Share capital	17,479	17,479
Capital surplus	20,396	19,165
Retained earnings	126,285	130,456
Treasury shares	-9,369	-9,258
Total shareholders' equity	154,792	157,842
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	471	1,862
Foreign currency translation adjustment	-7,414	-9,736
Total accumulated other comprehensive income	-6,942	-7,874
Non-controlling interests	16,056	16,922
Total net assets	163,906	166,890
Total liabilities and net assets	370,993	353,179

(2) Consolidated Income Statements and Comprehensive Income Statement

(Consolidated Income Statement)

	(in millions of yen)	
	Year ended September 30,	
	2019	2020
Net sales	478,956	465,755
Cost of sales	371,052	367,093
Gross profit	107,904	98,662
Selling, general and administrative expenses	87,787	84,786
Operating profit	20,116	13,875
Non-operating income		
Interest income	11	25
Dividend income	124	128
Subsidy income	268	1,595
Share of profit of entities accounted for using equity method	215	71
Other	54	123
Total non-operating income	674	1,944
Non-operating expenses		
Interest expenses	268	198
Foreign exchange losses	77	119
Commission expenses	-	123
Other	15	39
Total non-operating expenses	361	480
Ordinary profit	20,429	15,339
Extraordinary income		
Gain on sales of non-current assets	59	74
Gain on sales of investment securities	15	72
Gain on sale of businesses	33	-
Other	-	8
Total extraordinary income	107	154
Extraordinary losses		
Loss on disposal of non-current assets	3	-
Impairment loss	12,759	93
Provision of allowance for doubtful accounts	1,114	-
Restructuring loss	2,868	143
Loss on valuation of shares of subsidiaries and associates	610	-
Loss on valuation of investment securities	-	32
Non-recurring loss	-	531
Total extraordinary losses	17,356	800
Profit before income taxes	3,180	14,693
Income taxes - current	7,807	4,989
Income taxes - deferred	-67	1,431
Total income taxes	7,739	6,420
Profit (loss)	-4,559	8,272
Profit attributable to non-controlling interests	618	627
Profit (loss) attributable to owners of parent	-5,177	7,644

(Consolidated Comprehensive Income Statement)

	(in millions of yen)	
	Six months ended September 30,	
	2019	2020
Profit (loss)	-4,559	8,272
Other comprehensive income		
Valuation difference on available-for-sale securities	265	1,391
Foreign currency translation adjustment	-2,184	-2,517
Share of other comprehensive income of entities accounted for using equity method	-48	-14
Total other comprehensive income	-1,967	-1,140
Comprehensive income	-6,527	7,131
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-7,009	6,713
Comprehensive income attributable to non-controlling interests	481	418

(3) Consolidated Cash Flow Statements

(in millions of yen)

	Six months ended September 30,	
	2019	2020
Cash flows from operating activities		
Profit before income taxes	3,180	14,693
Depreciation	4,523	5,174
Impairment loss	12,759	93
Amortization of goodwill	4,308	3,348
Increase (decrease) in retirement benefit liability	-1	-9
Increase (decrease) in provision for bonuses	301	64
Increase (decrease) in provision for bonuses for directors (and other officers)	9	-35
Increase (decrease) in provision for share-based remuneration	61	190
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	68	74
Increase (decrease) in allowance for doubtful accounts	1,158	-115
Increase (decrease) in other provisions	235	-57
Interest and dividend income	-136	-153
Interest expenses	268	198
Share of loss (profit) of entities accounted for using equity method	-215	-71
Subsidy income	-268	-1,595
Loss (gain) on disposal of non-current assets	-55	-74
Loss (gain) on sales of investment securities	-15	-72
Loss on valuation of shares of subsidiaries and associates	610	-
Loss (gain) on valuation of investment securities	-	32
Loss (gain) on sale of businesses	-33	-
Loss on business restructuring	2,868	143
Other extra-ordinary gain	-	-8
Non-recurring loss	-	531
Decrease (increase) in trade receivables	1,836	8,286
Increase (decrease) in trade payables	-8,622	-3,278
Increase (decrease) in accrued consumption taxes	-3,526	-4,493
Increase (decrease) in long-term accounts payable - other	46	-114
Decrease (increase) in other assets	-1,542	-1,603
Increase (decrease) in other liabilities	-3,110	-820
Subtotal	14,710	20,323
Interest and dividends received	223	151
Interest paid	-277	-198
Proceeds from subsidy income	268	1,603
Income taxes paid	-10,117	-5,331
Income taxes refund	2,823	725
Net cash provided by (used in) operating activities	7,631	17,273

(in millions of yen)

	Six months ended September 30,	
	2019	2020
Cash flows from investing activities		
Payments into time deposits	-0	-21
Proceeds from withdrawal of time deposits	12	44
Purchase of property, plant and equipment	-2,678	-2,195
Proceeds from sales of property, plant and equipment	148	288
Purchase of intangible assets	-3,864	-4,199
Proceeds from sales of shares of subsidiaries and associates	240	-
Purchase of investment securities	-583	-546
Proceeds from sales of investment securities	47	88
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-2,420	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	54	-
Proceeds from sale of businesses	38	-
Loan advances	-	-120
Collection of loans receivable	2	1
Payments of guarantee deposits	-1,035	-355
Proceeds from refund of guarantee deposits	267	151
Other, net	-115	-121
Net cash provided by (used in) investing activities	-9,886	-6,985
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-2,666	-1,254
Repayments of long-term borrowings	-0	-10,000
Purchase of treasury shares	-2,507	-
Dividends paid	-3,509	-3,471
Dividends paid to non-controlling interests	-198	-160
Other, net	-13	-25
Net cash provided by (used in) financing activities	-8,896	-14,912
Effect of exchange rate change on cash and cash equivalents	125	-791
Net increase (decrease) in cash and cash equivalents	-11,027	-5,416
Cash and cash equivalents at beginning of period	68,969	78,037
Cash and cash equivalents at end of period	57,942	72,621