

For Immediate Release

February 12, 2021

PERSOL HOLDINGS CO., LTD. (TSE 2181)
Consolidated Financial Results for the Nine Months
Ended December 31, 2020

PERSOL HOLDINGS CO., LTD. (the Company) today announced its consolidated financial results for the nine months ended December 31, 2020.

Consolidated Operating Highlights

1) Financial Results

(In millions of yen, unless otherwise stated)

	Nine months ended December 31,		% change
	2019	2020	
Net sales	721,160	703,838	-2.4
Operating profit	28,403	22,308	-21.5
EBITDA ¹	41,358	35,119	-15.1
Ordinary profit	28,748	24,701	-14.1
Net profit ²	-654	12,817	-
Net profit per share (yen)	-2.81	55.52	-
Adjusted EPS ³ (yen)	95.80	81.61	-14.8

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 December 31, 2020
Total assets	370,993	363,170
Net assets	163,906	168,705
Equity ratio	39.9%	41.6%
(Reference) Equity capital	147,850	151,148

3) Dividend Status

(In yen, unless otherwise stated)

	Annual Dividend				
	End of 1Q	End of 2Q	End of 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)	63.17	-
Adjusted EPS (yen)	98.66	-

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 nine months ended December 31, 2020, deterioration of business circumstances due to the effect of COVID-19 pandemic began to be controlled and the ratio of job offers to job seekers in Japan bottomed out in September last year and slightly recovered to 1.06 (seasonally adjusted) in December. Since late December, however, COVID-19 infection spread in the urban area mainly in Tokyo and the emergency declaration was issued again at the beginning of 2021, so the economic concerns are still existing.

Due to the concerns about future prospect caused by spreading COVID-19, the placement business suffered the effect of companies continuous cautious for hiring. Additionally, looking at APAC region where we operate business and the situation of COVID-19 varied depending on the area, the whole APAC region was affected by COVID-19 and furthermore, Australian dollar became weaker against Japanese yen in this period of nine months ended in December 31, 2020 (corresponding to a period from January to September 2020 for overseas subsidiaries).

In these severe business environment, total sales amount was JPY 703,838 million (decreased by 2.4% year-on-year) as a result of significant decreased sales due to COVID-19, and terminated “an” business in Career SBU, although Staffing SBU, our core business, and Professional Outsourcing SBU increased in sales. In terms of profit, operating profit was JPY 22,308 million (decreased by 21.5 % YoY) because of a recording operating loss in Career SBU that operates highly profitable placement business due to COVID-19 although Staffing SBU recorded an increased profit. Ordinary profit was JPY 24,701 million (decreased by 14.1% YoY) and net profit attributable to owners of parent company was JPY 12,817 million (net loss of JPY 654 million for the same period of previous year mainly due to impairment loss of goodwill).

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 nine months ended in December 31, 2020 were JPY 394,369 million (increased by 4.0% YoY) and operating profit was JPY 24,670 million (increased by 37.3% 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” although the number of active temporary staffs decreased YoY because new temporary staffing demand decreased on account of concerns about future prospect due to spreading COVID-19. In BPO business, sales were also increased as a result of obtaining outsourcing business projects in various areas including those related to COVID-19.

Operating profit increased as a result of the effect of increased sales in temporary staffing business and BPO business.

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 43,310 million (decreased by 32.2% YoY) and operating loss was JPY 328 million (operating profit was JPY 10,367 million for the same period of the previous year).

Sales were decreased because companies were continuously restraining from recruitment due to concerns about future prospect because of spreading COVID-19 in placement business, and “an” business was terminated (in November 2019). On the profit side, operating loss recorded due to decreased sales despite the efforts to reduce marketing cost and personal expenses due to reallocation of employees.

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 82,377 million (increased by 7.0% YoY) and operating profit was JPY 2,471 million (decreased by 23.7% YoY).

Sales as a whole were increased due to the fact that business in IT areas was continuously strong demand although sales continued to decline in engineering area due to reduction of R&D budget in the manufacturing companies. Operating profit was decreased as a result of increased labor costs-to-sales ratio due to increased number of staffs and 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 3,783 million (decreased by 25.0% YoY) and operating loss was JPY 3,793 million (operating loss was JPY 851 million for the same period of the previous year).

Sales were decreased as a result of a continued tendency of companies to reduce recruitment costs and deteriorated business circumstances surrounding restaurants both due to the effect of COVID-19. On the profit side, operating loss was recorded due to sales decreased and as a result of ongoing investments including increase of headcount.

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 186,789 million (decreased by 7.9% YoY) and operating loss was JPY 980 million (operating loss of JPY 859 million for the same period of the previous year).

Sales were decreased because most of APAC region suffered economic slump due to spread of COVID-19 while Singapore showed a growth of staffing business and China was recovering placement business for the third quarter. Weaker Australian dollar against Japanese yen was

another factor of decreased sales. On the profit side, despite the effort of reducing personnel and other costs, operating loss was recorded due to the effects of spreading COVID-19 which resulted in decreased sales of profitable placement business in the APAC region, and decreased demand for blue collar staffing with deteriorated business confidence and temporary lockdown in Australia.

The business impacts caused by spreading COVID-19 infection

In Japan, deterioration of business confidence caused by COVID-19 began to be controlled, but the disease started spreading in the urban area mainly in Tokyo from late December 2020 and the emergency declaration was issued again on January 7, 2021. Currently, economic outlook is increasingly unpredictable. In most regions in APAC, including Singapore and China, the economy is largely on a recovery trend.

Regarding the Group's businesses in Japan, in temporary staffing business, a decrease in the number of active temporary staffs was small because the number of terminated contracts of existing temporary staffs was decreasing although new orders from companies decreased YoY as a result of concerns about future prospect because of spreading COVID-19. Furthermore, in BPO business, the number of new projects are increasing driven by a growing demand for outsourcing. In placement business, the level of orders received remains at approximately 75% of the level in the same month last year because companies are continuously refraining from hiring new workers. As for overseas business, in most regions in APAC, social activities and economic situation are gradually recovering after hitting bottom during a period from April to September 2020. As a result, our company's overseas business is receiving less negative effects.

(2) Financial Position

Consolidated Balance Sheet

Total assets decreased by JPY 7,823 million compared with the end of the previous fiscal year. Current assets decreased by JPY 458 million, and non-current assets decreased by JPY 7,364 million. The main reason for the decrease in current assets was a decrease in notes and accounts receivable by JPY 8,007 million despite increases in cash and deposits by JPY 3,156 million and work in progress by JPY 1,219 million. The main reason for the decrease in non-current assets was a decrease due to amortization of goodwill by JPY 5,270 million.

Liabilities decreased by JPY 12,622 million compared to the end of the previous fiscal year. Current liabilities decreased by JPY 2,237 million, and non-current liabilities decreased by JPY 10,384 million. The main reasons for the decrease in current liabilities were that 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 9,969 million and provision for bonuses decreased by JPY 5,674 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 increased by JPY 4,799 million compared to the end of the previous fiscal year. This was mainly caused by payment of dividends of surplus of JPY 6,485 million, and posting JPY 12,817 million in quarterly net profit attributable to owners of parent company, etc. which resulted in increased retained earnings of JPY 6,332 million and increased treasury shares of JPY 1,734 million and on the other hand, foreign currency translation adjustments decreased by JPY 1,270 million, etc.

	As of March 31, 2020	As of December 31, 2020
Return on assets (ROA) for the period	2.3%	3.8%
Return on equity (ROE) for the period	5.0%	8.6%
Ratio of operating profit to sales	4.0%	3.2%
Ratio of ordinary profit to sales	4.1%	3.5%
Current ratio	159.6%	161.9%
Fixed assets ratio	99.7%	92.7%
Equity ratio	39.9%	41.6%
Total assets (JPY million)	370,993	363,170
Equity capital (JPY million)	147,850	151,148
Cash and cash equivalents etc. at end of period (JPY million)	78,037	81,266

(3) Explanation regarding future forecast information

There is no change in the full-year consolidated financial forecast in the “Consolidated Financial Results for the Six Months Ended September 30, 2020” announced on November 10, 2020.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(in millions of yen)	
	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	78,247	81,404
Notes and accounts receivable - trade	128,571	120,563
Work in process	7,618	8,837
Other	9,820	12,815
Allowance for doubtful accounts	-707	-530
Total current assets	223,549	223,090
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,675	3,560
Tools, furniture and fixtures, net	2,013	1,964
Right of use assets, net	3,904	3,722
Land	997	799
Other, net	2,011	1,840
Total property, plant and equipment	12,603	11,887
Intangible assets		
Trademark right	9,671	9,475
Goodwill	72,562	67,292
Other	22,348	23,786
Total intangible assets	104,582	100,553
Investments and other assets		
Investment securities	8,146	10,516
Deferred tax assets	9,063	4,721
Other	14,444	13,781
Allowance for doubtful accounts	-1,397	-1,381
Total investments and other assets	30,257	27,638
Total non-current assets	147,444	140,080
Total assets	370,993	363,170

(Consolidated Balance Sheet)

(in millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	782	388
Short-term borrowings	5,300	4,184
Current portion of bonds payable	–	10,000
Current portion of long-term borrowings	10,000	31
Accounts payable - other	69,266	70,207
Income taxes payable	6,755	2,348
Accrued consumption taxes	17,764	18,648
Provision for bonuses	12,687	7,013
Provision for bonuses for directors (and other officers)	56	20
Other provisions	772	715
Other	16,665	24,256
Total current liabilities	140,052	137,814
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term borrowings	35,728	35,759
Lease obligations	2,456	2,141
Deferred tax liabilities	4,860	4,610
Retirement benefit liability	989	974
Provision for share-based remuneration	383	510
Provision for share-based remuneration for directors (and other officers)	449	476
Other provisions	72	96
Other	2,094	2,081
Total non-current liabilities	67,035	56,650
Total liabilities	207,087	194,465
Net assets		
Shareholders' equity		
Share capital	17,479	17,479
Capital surplus	20,396	19,058
Retained earnings	126,285	132,618
Treasury shares	-9,369	-11,103
Total shareholders' equity	154,792	158,053
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	471	1,779
Foreign currency translation adjustment	-7,414	-8,684
Total accumulated other comprehensive income	-6,942	-6,904
Share acquisition rights	–	0
Non-controlling interests	16,056	17,556
Total net assets	163,906	168,705
Total liabilities and net assets	370,993	363,170

(2) Consolidated Income Statements and Comprehensive Income Statement

(Consolidated Income Statement)

(in millions of yen)

	Year ended December 31,	
	2019	2020
Net sales	721,160	703,838
Cost of sales	561,375	555,226
Gross profit	159,785	148,612
Selling, general and administrative expenses	131,381	126,304
Operating profit	28,403	22,308
Non-operating income		
Interest income	22	33
Dividend income	151	141
Subsidy income	384	2,544
Share of profit of entities accounted for using equity method	228	164
Other	99	173
Total non-operating income	886	3,057
Non-operating expenses		
Interest expenses	389	274
Foreign exchange losses	76	127
Commission expenses	–	146
Other	75	115
Total non-operating expenses	541	664
Ordinary profit	28,748	24,701
Extraordinary income		
Gain on sales of non-current assets	67	88
Gain on sales of investment securities	33	250
Gain on sale of businesses	33	–
Other	–	8
Total extraordinary income	134	347
Extraordinary losses		
Loss on disposal of non-current assets	6	–
Impairment loss	12,525	95
Provision of allowance for doubtful accounts	1,094	–
Restructuring loss	3,144	152
Loss on valuation of shares of subsidiaries and associates	598	–
Loss on valuation of investment securities	–	32
Non-recurring loss	–	597
Total extraordinary losses	17,368	878
Profit before income taxes	11,514	24,170
Income taxes - current	9,396	6,389
Income taxes - deferred	1,995	3,780
Total income taxes	11,392	10,170
Profit	121	14,000
Profit attributable to non-controlling interests	775	1,182
Profit (loss) attributable to owners of parent	-654	12,817

(Consolidated Comprehensive Income Statement)

	(in millions of yen)	
	Nine months ended December 31,	
	2019	2020
Profit	121	14,000
Other comprehensive income		
Valuation difference on available-for-sale securities	133	1,308
Foreign currency translation adjustment	-4,630	-1,480
Share of other comprehensive income of entities accounted for using equity method	-102	-3
Total other comprehensive income	-4,600	-175
Comprehensive income	-4,478	13,824
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-5,008	12,855
Comprehensive income attributable to non-controlling interests	529	968