

August 10, 2021

PERSOL HOLDINGS CO., LTD. (TSE 2181)**Consolidated Financial Results for the 1st Quarter Ended June 30, 2021**

PERSOL HOLDINGS CO., LTD. (the Company) today announced its consolidated financial results for the 1st Quarter ended June 30, 2021.

Consolidated Operating Highlights

1) Financial Results

(In millions of yen, unless otherwise stated)

| | 1st Quarter ended June 30, | | % change |
|--------------------------------------|----------------------------|---------|----------|
| | 2020 | 2021 | |
| Net sales | 238,222 | 250,432 | 5.1 |
| Operating profit | 9,115 | 13,137 | 44.1 |
| EBITDA ¹ | 13,389 | 17,821 | 33.1 |
| Ordinary profit | 9,173 | 13,817 | 50.6 |
| Quarterly net profit ² | 4,670 | 8,487 | 81.7 |
| Quarterly net profit per share (yen) | 20.21 | 36.88 | - |
| Adjusted EPS ³ (yen) | 30.70 | 47.11 | 53.4 |

Notes:

1. EBITDA=operating profit + depreciation + amortization of goodwill
2. Quarterly net profit attributable to owners of parent company
3. Adjusted EPS=adjusted quarterly net profit^a/ (average number of shares during the period - number of treasury stock during the period)
 - a. Adjusted quarterly net profit=quarterly 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 + amortization of goodwill ± extraordinary income/losses

2) Balance Sheet Data

(In million yen, unless otherwise stated)

| | As of March 31, 2021 | As of June 30, 2021 |
|----------------------------|----------------------|---------------------|
| Total assets | 383,416 | 370,693 |
| Net assets | 175,158 | 185,880 |
| Equity ratio (%) | 41.0 | 45.1 |
| (Reference) Equity capital | 157,122 | 167,051 |

3) Dividend Status

(In yen, unless otherwise stated)

| | FY2020 | FY 2021 (Forecast) |
|-------------------|--------|--------------------|
| Interim dividend | 13.00 | 19.00 |
| Year-end dividend | 13.00 | TBD |
| Total dividend | 26.00 | TBD |

Note: As full-year financial forecasts were changed to be undecided, year-end dividend forecast was also changed to be undecided.

4) Consolidated Financial Forecast for the Fiscal Year Ending March 2022

(In millions of yen, unless otherwise stated)

| | FY2021 (1st Half) | % change | FY2021 (Full Year) | % change |
|--------------------------------------|----------------------|----------|-----------------------|----------|
| Net sales | 505,200 | 8.5 | TBD | - |
| Operating profit | 22,500 | 62.2 | TBD | - |
| EBITDA | 31,860 | 42.5 | TBD | - |
| Ordinary profit | 23,100 | 50.6 | TBD | - |
| Quarterly net profit ¹ | 14,000 | 83.1 | TBD | - |
| Quarterly net profit per share (yen) | 60.89 | - | TBD | - |
| Adjusted EPS (yen) | 79.12 | 51.3 | TBD | - |

Notes:

1. Quarterly net profit attributable to owners of parent company
2. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) is applied to consolidated financial forecast for the fiscal year ending March 2022. The ratio of increase / decrease from the previous fiscal year is calculated based on the consolidated financial results for the fiscal year ended March 2021 before pro-forma.
3. Please refer to "Management Discussion and Analysis,(1) Result of Operations, Financial Forecasts of the Fiscal Year Ending March 31, 2022" for details.

Disclaimer

The statements concerning the Company's future business performances in this material such as financial 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.

Business environment in Japan in the 1st Quarter of FY2021 ended June 30, 2021 remain uncertain mainly due to the issuance of the emergency declaration. However, the ratio of job offers to job seekers in Japan was 1.13 (seasonally adjusted) in June 2021, showing that demand for human resources was on a trend of gradual recovery except for some industries. In APAC region, economy was on a trend of recovery in general except for some regions including India. And, in Australia, Australian dollar became stronger against Japanese yen year-on-year (YoY) as a result of recovering economy in the country.

Under these business environment, consolidated net sales were 250,432 million yen (increased by 5.1% YoY) as a result of steady increase in sales of Staffing SBU (Strategic Business Unit) which is our core business, and increased sales in other SBUs. Operating profit was 13,137 million yen (increased by 44.1% YoY) because of growth of profitable BPO sector in Staffing SBU and recovery of sales in other SBUs as a result of demand recovering from the effect of COVID-19, which contributed to increase in profits or to shrink losses in all SBUs. Ordinary profit was 13,817 million yen (increased by 50.6% YoY) and quarterly net profit attributable to owners of parent company was 8,487million yen (increased by 81.7% YoY).

Results by SBU (before inter-segment elimination)

1. Staffing SBU

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

Sales for the 1st Quarter ended in June 30, 2021 were 137,846 million yen (increased by 5.5% YoY) and operating profit was 10,428 million yen (increased by 16.9% YoY).

Sales in temporary staffing sector were increased due to a rise in operating hours, although the number of temporary active staffs was decreased YoY. In BPO sector, sales were also increased as a result of obtaining orders in public related projects. Operating profit was increased as a result of the effect of sales increase in temporary staffing sector and growth of highly profitable BPO sector.

2. Career SBU

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

Sales for the 1st Quarter ended in June 30, 2021 were 17,602 million yen (increased by 4.6% YoY) and operating profit was 2,063 million yen (increased by 37.1% YoY).

Sales were increased due to recovery trend of companies' demand for hiring except for some industries, and aggressive sales promotion activities. Operating profit was increased as a result of the effect of increased sales and continuous efforts to cut costs through reduction and relocation of offices.

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 for the 1st Quarter ended in June 30, 2021 were 28,222 million yen (increased by 6.8% YoY) and operating profit was 1,214 million yen (increased by 285.0% YoY).

Sales were increased because IT area continued stable growth, and in engineering area which had been significantly affected by COVID-19, a recovery demand mainly for development in manufacturing industry led to an improvement in operating rate. Operating profit was increased due to sales increases in IT area as well as 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 for the 1st Quarter ended in June 30, 2021 were 2,181 million yen (increased by 129.0% YoY) and operating loss was 883 million yen (operating loss was 1,437 million yen for the same period of the previous fiscal year).

Sales were increased mainly because job search application business was grew as companies' demand for hiring was on a trend of recovery ,in addition to aggressive sales promotion activities. Operating loss was recorded as a result of continuous active investments as in the previous fiscal year to increase staffs for the purpose of sales promotion.

5. Asia Pacific SBU

In this segment, the Group operates temporary staffing business and placement business in Asia and staffing business and maintenance business in Australia (those businesses are operated under PERSOLKELLY brand in Asia and under Programmed brand in Australia).

Sales for the 1st Quarter ended in June 30, 2021 were 67,306 million yen (increased by 2.0% YoY) and operating loss was 0 million yen (operating loss was 116 million yen for the same period of the previous fiscal year).

Sales on a local currency basis were decreased from the same period of previous fiscal year (January to March 2020) which was before the business in Australia and part of Asian region was greatly affected by COVID-19. However, sales were increased due to the effect of stronger Australian dollar. Operating loss was lowered as a result of establishing an efficient operation structure.

Financial Forecasts of the Fiscal Year Ending March 31, 2022

Sales in the 1st Quarter of FY2021 exceeded the plan mainly because in Staffing SBU that operates temporary staffing business, the number of temporary active staffs was higher than expected, orders received in BPO sector were strong and job recruitment media business in Career SBU that operates placement business showed growth more than expected. Since operating profit in the 1st Quarter of FY2021 also significantly exceeded the plan as a result of increased sales, financial forecasts for the 1st Half of FY2021 ending September 30, 2021 has been revised upward.

Full-year financial forecasts are changed to be undecided. After reviewing the outlook including the status of COVID-19 carefully, the full-year forecasts will be disclosed in the 1st Half financial result announcement in November.

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The “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) is applied effective from the beginning of the 1st Quarter of FY2021. For more detail, please refer to “Changes in Accounting Policies”.

(2) Financial Position

Consolidated Balance Sheet

Total assets decreased by 12,722 million yen compared to the end of the previous consolidated fiscal year. Current assets decreased by 7,634 million yen, and non-current assets decreased by 5,088 million yen. The main reason for the decrease in current assets was a decrease in cash and deposits by 10,860 million yen. The main reason for the decrease in non-current assets was a decrease in deferred tax assets by 3,270 million yen.

Liabilities decreased by 23,444 million yen compared to the end of the previous consolidated fiscal year. Current liabilities decreased by 20,400 million yen, and non-current liabilities decreased by 3,044 million yen. The main reasons for the decrease in current liabilities were 10,000 million yen decrease in bonds payable within one year, 8,363 million yen decrease in reserve for bonuses and 2,947 million yen decrease in accrued income taxes, etc. The main reason for the decrease in non-current liabilities was decrease in long-term loans payable by 3,043 million yen.

Net assets increased by 10,722 million yen compared to the end of the previous consolidated fiscal year. This was mainly caused by: payment of dividends of surplus of 3,011 million yen and posting 8,487 million yen in quarterly net profit attributable to owner of parent company which resulted in increased retained earnings of 5,682 million yen and a foreign currency translation adjustment increase of 4,146 million yen.

| | As of March 31, 2021 | As of June 30, 2021 |
|---|-------------------------|------------------------|
| Return on assets (ROA) | 4.6% | 2.4% |
| Return on equity (ROE) | 10.4% | 5.2% |
| Ratio of operating profit to sales | 2.8% | 5.2% |
| Ratio of ordinary profit to sales | 3.1% | 5.5% |
| Current ratio | 162.8% | 183.2% |
| Fixed ratio | 93.2% | 84.6% |
| Equity ratio | 41.0% | 45.1% |
| ROIC | 9.4% | 4.3% |
| Debt/equity ratio | 0.40 | 0.29 |
| Net cash/EBITDA ratio | 0.47 | 1.28 |
| Total assets (million yen) | 383,416 | 370,693 |
| Equity capital (million yen) | 157,122 | 167,051 |
| Invested capital (million yen) | 244,109 | 236,828 |
| Cash and cash equivalents etc. at end of period (million yen) | 82,991 | 72,119 |

Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

the Group has applied the Accounting Standard for Revenue Recognition (ASBJ No. 29, March 31, 2020) and others effective from the beginning of the 1st Quarter ended June 30, 2021 and has decided to recognize the amount expected to be received in exchange for goods or services as revenue when the control of the promised goods or services has been transferred to the customer.

The Accounting Standard for Revenue Recognition, etc. are applied in accordance with the transitional procedures set forth in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the 1st Quarter of FY2021 was added to or subtracted from the beginning balance of retained earnings of the 1st Quarter of FY 2021, and thus the new accounting policy was applied from the beginning balance.

The impact of the application of this accounting standard on the quarterly consolidated financial statements is immaterial.

Due to the application of the Accounting Standard for Revenue Recognition, etc., "notes and accounts receivable trade," which were presented under "current assets" in the consolidated balance sheet for the previous fiscal year, have been included in "notes and accounts receivable - trade, and contract assets," starting the 1st Quarter of FY 2021.

In accordance with the transitional procedures set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, reclassification based on the new presentation method has not been carried out for the previous fiscal year.

Application of Accounting Standard for Fair Value Measurement

The Group has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and others effective beginning of the 1st Quarter of FY2021, and has decided to apply the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. into the future in accordance with the transitional procedures stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The impact of the application of this accounting standard on the quarterly consolidated financial statements is immaterial.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

| | As of March 31, 2021 | (in millions of yen) As of June 30, 2021 |
|--|-------------------------|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 83,161 | 72,301 |
| Notes and accounts receivable - trade | 133,047 | – |
| Notes and accounts receivable - trade, and contract assets | – | 139,739 |
| Work in process | 8,300 | 6,048 |
| Other | 13,146 | 11,950 |
| Allowance for doubtful accounts | -712 | -731 |
| Total current assets | 236,943 | 229,309 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 3,560 | 3,728 |
| Tools, furniture and fixtures, net | 1,928 | 1,917 |
| Right of use assets, net | 3,482 | 3,752 |
| Land | 799 | 799 |
| Other, net | 2,217 | 2,053 |
| Total property, plant and equipment | 11,988 | 12,251 |
| Intangible assets | | |
| Trademark right | 9,688 | 10,080 |
| Goodwill | 66,751 | 66,954 |
| Software | 17,380 | 18,764 |
| Other | 7,123 | 6,565 |
| Total intangible assets | 100,943 | 102,364 |
| Investments and other assets | | |
| Investment securities | 11,344 | 13,229 |
| Deferred tax assets | 7,861 | 4,591 |
| Other | 15,765 | 10,478 |
| Allowance for doubtful accounts | -1,430 | -1,531 |
| Total investments and other assets | 33,540 | 26,768 |
| Total non-current assets | 146,472 | 141,384 |
| Total assets | 383,416 | 370,693 |

(Consolidated Balance Sheet)

| | As of March 31, 2021 | (in millions of yen) As of June 30, 2021 |
|---|-------------------------|--|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 451 | 481 |
| Short-term borrowings | 603 | 636 |
| Current portion of bonds payable | 10,000 | — |
| Current portion of long-term borrowings | 31 | 31 |
| Accounts payable - other | 73,592 | 73,346 |
| Income taxes payable | 4,445 | 1,497 |
| Accrued consumption taxes | 17,161 | 17,471 |
| Provision for bonuses | 15,409 | 7,045 |
| Provision for bonuses for directors (and other officers) | 47 | 17 |
| Other provisions | 1,116 | 1,013 |
| Other | 22,717 | 23,634 |
| Total current liabilities | 145,577 | 125,177 |
| Non-current liabilities | | |
| Bonds payable | 10,000 | 10,000 |
| Long-term borrowings | 41,629 | 38,585 |
| Lease obligations | 2,047 | 2,060 |
| Deferred tax liabilities | 4,938 | 4,427 |
| Retirement benefit liability | 880 | 878 |
| Provision for share awards | 583 | 649 |
| Provision for share awards for directors (and other officers) | 534 | 598 |
| Other provisions | 96 | 82 |
| Other | 1,970 | 2,354 |
| Total non-current liabilities | 62,680 | 59,635 |
| Total liabilities | 208,258 | 184,813 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 17,479 | 17,479 |
| Capital surplus | 19,008 | 19,008 |
| Retained earnings | 135,635 | 141,317 |
| Treasury shares | -11,100 | -11,076 |
| Total shareholders' equity | 161,022 | 166,728 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,350 | 2,426 |
| Foreign currency translation adjustment | -6,251 | -2,104 |
| Total accumulated other comprehensive income | -3,900 | 322 |
| Share acquisition rights | 0 | 0 |
| Non-controlling interests | 18,035 | 18,828 |
| Total net assets | 175,158 | 185,880 |
| Total liabilities and net assets | 383,416 | 370,693 |

(2) Consolidated Income Statements and Comprehensive Income Statement

(Consolidated Income Statement)

(in millions of yen)

| | Fiscal Year ended June 30, | |
|---|----------------------------|---------|
| | 2020 | 2021 |
| Net sales | 238,222 | 250,432 |
| Cost of sales | 186,341 | 193,758 |
| Gross profit | 51,880 | 56,674 |
| Selling, general and administrative expenses | 42,764 | 43,536 |
| Operating profit | 9,115 | 13,137 |
| Non-operating income | | |
| Interest income | 13 | 9 |
| Dividend income | 126 | 159 |
| Subsidy income | 187 | 350 |
| Share of profit of entities accounted for using equity method | – | 74 |
| Foreign exchange gains | – | 21 |
| Other | 25 | 229 |
| Total non-operating income | 353 | 845 |
| Non-operating expenses | | |
| Interest expenses | 98 | 73 |
| Foreign exchange losses | 79 | – |
| Commission expenses | 94 | 23 |
| Share of loss of entities accounted for using equity method | 22 | – |
| Other | 0 | 68 |
| Total non-operating expenses | 296 | 165 |
| Ordinary profit | 9,173 | 13,817 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 67 | 4 |
| Gain on sale of shares of subsidiaries and associates | – | 376 |
| Gain on sale of investment securities | 11 | 10 |
| Subsidies for employment adjustment | 8 | – |
| Total extraordinary income | 87 | 391 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | – | 0 |
| Loss on business restructuring | 148 | – |
| Loss on sale of investment securities | – | 1 |
| Loss on valuation of investment securities | 32 | 4 |
| Non-recurring loss | 407 | 40 |
| Total extraordinary losses | 588 | 45 |
| Profit before income taxes | 8,671 | 14,162 |
| Income taxes - current | 1,441 | 2,384 |
| Income taxes - deferred | 2,278 | 2,622 |
| Total income taxes | 3,719 | 5,007 |
| Profit | 4,952 | 9,155 |
| Profit attributable to non-controlling interests | 282 | 668 |
| Profit attributable to owners of parent | 4,670 | 8,487 |

(Consolidated Comprehensive Income Statement)

(in millions of yen)

| | Fiscal Year ended June 30, | |
|---|----------------------------|--------|
| | 2020 | 2021 |
| Profit | 4,952 | 9,155 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,347 | 75 |
| Foreign currency translation adjustment | -8,038 | 4,430 |
| Share of other comprehensive income of entities accounted for using equity method | -63 | 36 |
| Total other comprehensive income | -6,754 | 4,542 |
| Comprehensive income | -1,801 | 13,698 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | -1,786 | 12,710 |
| Comprehensive income attributable to non-controlling interests | -15 | 988 |