

November 11, 2021

PERSOL HOLDINGS CO., LTD. (TSE 2181)
Consolidated Financial Results
for the Six Months Ended September 30, 2021

PERSOL HOLDINGS CO., LTD. (the Company) today announced its consolidated financial results for the six months ended September 30, 2021 and consolidated financial forecasts for Fiscal Year 2021, ending March 31, 2022.

Consolidated Operating Highlights

1) Financial Results

(In millions of yen, unless otherwise stated)

	Six months ended September 30,		% change
	2020	2021	
Net sales	465,755	512,847	10.1
Operating profit	13,875	26,735	92.7
EBITDA ¹	22,351	36,085	61.4
Ordinary profit	15,339	27,560	79.7
Net profit ²	7,644	15,547	103.4
Net profit per share (yen)	33.08	67.54	-
Adjusted EPS ³ (yen)	52.28	85.95	64.4

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 = 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 September 30, 2021
Total assets	383,416	385,220
Net assets	175,158	193,103
Equity ratio (%)	41.0	45.1
(Reference) Equity capital	157,122	173,701

3) Dividend Status

(In yen, unless otherwise stated)

	FY2020	FY2021
Interim dividend	13.00	20.00
Year-end dividend	13.00	20.00 (Forecast)
Total dividend	26.00	40.00 (Forecast)

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

(In millions of yen, unless otherwise stated)

	FY2021 (full year)	% change
Net sales	1,060,000	11.5
Operating profit	48,000	81.5
EBITDA	66,700	-
Ordinary profit	48,600	66.6
Net profit ¹	27,700	74.9
Net profit per share (yen)	120.42	-
Adjusted EPS (yen)	155.68	-

Notes:

1. Net profit attributable to owners of parent company
2. 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.

The business environment in Japan in the six months ended September 30, 2021 remained uncertain due to the spread of COVID-19. However, the ratio of job offers to job seekers in Japan was 1.16 (seasonally adjusted) in September 2021, showing that demand for human resources, mainly in the manufacturing industry, was on a trend of gradual recovery.

In the APAC region, economy was on a trend of recovery in general, with the exception of certain regions. And, in Australia, the Australian dollar became stronger against the Japanese yen year-on-year (YoY) as a result of an economic recovery in that country.

In this business environment, consolidated net sales were 512,847 million yen (increasing 10.1% YoY) as a result of a steady increase in sales of Staffing SBU (Strategic Business Unit), which is our core business, and increased sales in other SBUs.

Operating profit was 26,735 million yen (increasing 92.7% YoY) because of growth of the profitable BPO sector in Staffing SBU and a recovery of sales in other SBUs as a result of demand recovering from the effect of COVID-19, which contributed to an increase in profits or a reduction of losses in all SBUs. Ordinary profit was 27,560 million yen (increasing 79.7% YoY) and net profit attributable to owners of parent company was 15,547 million yen (increasing 103.4% 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 six months ended September 30, 2021 were 279,353 million yen (increasing 7.3% YoY) and operating profit was 21,861 million yen (increasing 34.0% YoY).

Sales in temporary staffing sector increased due to a turnaround in the number of temporary active staff to a year-on-year rise in addition to increased operating hours and other factors. Sales in BPO sector increased due to strong orders received mainly in public related projects. Operating profit increased significantly as a result of the effect of a sales increase in the temporary staffing sector and the growth of the 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 were 34,942 million yen (increasing 17.6% YoY) and operating profit was 3,193 million yen (increasing 2209.6% YoY).

Sales in the placement business and job recruitment media business increased due to a recovery of demand for hiring among companies planning business expansion and more focused, stronger sales promotion activities. Operating profit increased on stronger sales, offsetting the rise in

selling, general and administrative expenses that resulted from marketing investment made in response to the rising demand.

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 57,748 million yen (increasing 7.5% YoY) and operating profit was 2,804 million yen (increasing 183.3% YoY).

Sales increased because the IT area continued stable growth and the engineering area saw a recovery in demand, mainly for development in the manufacturing industry, which led to a steady operating rate. Operating profit increased due to a sales increase in the IT area and profitability improvement in the engineering area that resulted from a recovery in the operating rate.

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 4,955 million yen (increasing 126.2% YoY) and operating loss was 1,565 million yen (operating loss was 2,697 million yen for the same period of the previous fiscal year).

Sales increased due to the steady performance of the job search application business and cloud POS business, mainly reflecting the recovery in companies' demand for hiring and the effect of sales promotion activities. An operating loss was recorded, despite the effect of the sales increase, as a result of continuous active investments as in the previous fiscal year to increase staff for sales promotion for future growth.

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 were 141,504 million yen (increasing 13.5% YoY) and operating profit was 582 million yen (operating loss was 677 million yen for the same period of the previous fiscal year).

Sales increased due to progress in the recovery from the impact of COVID-19 excluding some regions and continued sales growth in Singapore as the main market in addition to the effect of the stronger Australian dollar. The SBU moved into operating profit because of the sales increase and the establishment of an efficient operation structure.

Financial Forecasts of the Fiscal Year Ending March 31, 2022

In the fiscal year ending March 31, 2022, the market recovery is expected to make steady progress in the 2nd Half as in the 1st Half, with full-year net sales are expected to reach 1,060,000 million yen and full-year operating profit anticipated at 48,000 million yen, both record high figures.

Looking at net sales, in the temporary staffing sector in Staffing SBU, the number of temporary active staff is expected to increase over the period until the end of the fiscal year. Orders received mainly in public related projects in the BPO sector are also expected to contribute to net sales. Sales in Career SBU, which operates a placement business, are forecast to increase significantly as the recovery in corporate demand for hiring is expected to accelerate.

Sales in Asia Pacific SBU, which operates overseas business, are expected to increase given that regional economies are generally recovering, offsetting the impact of COVID-19, which includes restrictions on operations reflecting the lockdown in Australia and other regions.

Full-year operating profit for the fiscal year ending March 31, 2022 is expected to increase significantly due to a recovery and an increase of net sales in all segments, although selling, general and administrative expenses are forecasted to increase in the 2nd Half of the fiscal year because large-scale investments are planned in the overall Group, aiming at further growth in the fiscal year ending March 31, 2023 and beyond.

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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

a. Consolidated Balance Sheet

Total assets increased 1,803 million yen compared to the end of the previous fiscal year. Current assets increased 8,480 million yen, and non-current assets decreased 6,676 million yen. The main reason for the increase in current assets is an increase in notes and accounts receivable - trade, and contract assets (notes and accounts receivable - trade in the previous fiscal year) of 15,727 million yen. The main reasons for the decrease in non-current assets are decreases in goodwill of 2,377 million yen and in deferred tax assets of 1,775 million yen.

Liabilities decreased by 16,140 million yen compared to the end of the previous fiscal year. Current liabilities decreased by 11,701 million yen, and non-current liabilities decreased by 4,439 million yen. The main reasons for the decrease in current liabilities are decreases in the current portion of bonds payable of 10,000 million yen and in accrued consumption taxes of 3,215 million yen, offsetting an increase in income taxes payable of 5,611 million yen.

Net assets increased by 17,944 million yen compared to the end of the previous fiscal year. This was mainly caused by the payment of dividends of surplus of 3,011 million yen and the posting of 15,547 million yen in quarterly net profit attributable to owner of parent company, which resulted in an increase in retained earnings of 12,742 million yen and a foreign currency translation adjustment increase of 3,322 million yen.

	As of March 31, 2021	As of September 30, 2021
Return on assets (ROA)	4.6%	4.4%
Return on equity (ROE)	10.4%	9.4%
Ratio of operating profit to sales	2.8%	5.2%
Ratio of ordinary profit to sales	3.1%	5.4%
Current ratio	162.8%	183.3%
Fixed ratio	93.2%	80.5%
Equity ratio	41.0%	45.1%
ROIC	9.4%	8.6%
Debt/equity ratio	0.40	0.27
Net cash/EBITDA ratio	0.47	0.94
Total assets (million yen)	383,416	385,220
Equity capital (million yen)	157,122	173,701
Invested capital (million yen)	244,109	244,253
Cash and cash equivalents etc. at end of period (million yen)	82,991	81,706

b. Business and financial issues to be addressed

There were no significant changes to the issues that the Group needs to address for the six months ended September 30, 2021.

c. Consolidated Cash flows

The balance of cash and cash equivalents (hereinafter "Capital") at the end of the six months ended September 30, 2021 were 81,706 million yen, decreasing 1,284 million yen from the end of the previous fiscal year.

Following is an outline of each cash flow status and related factors that arose in the six months ended in September 30, 2021.

(Cash Flow from operating activities)

Capital acquired from operating activities was 21,602 million yen (as compared with 17,273 million yen acquired in the same period of the previous year). This was mainly due to: net quarterly profit before taxes was 27,024 million yen, depreciation costs were 5,946 million yen, increase in notes and accounts receivable - trade of 9,733 million yen, and payment of 3,779 million yen in income taxes.

(Cash Flow from investing activities)

Capital utilized as a result of investing activities was 5,381 million yen (as compared with 6,985 million yen utilized in the same period of the previous year). This was mainly due to spending of 4,144 million yen on acquisition of intangible fixed assets and 2,288 million yen spent on acquisition of tangible fixed assets.

(Cash Flow from financing activities)

Capital utilized as a result of financing activities was 18,087 million yen (as compared with 14,912 million yen utilized in the same period of the previous year). This was mainly due to spending of 4,239 million yen to pay back long-term borrowings and 10,000 million yen payments for redemption of bonds.

Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

the Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others effective from the beginning of the 1st Quarter of FY2021 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.

As a result, sales for the six months ended September 30, 2021 was increased by 2,720 million yen, and gross profit, operating profit, ordinary profit and profit before income taxes increased by 1,473 million yen, respectively. The impact on retained earnings at the beginning of the period and per share information for six month ended September 30, 2021 is minimal.

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, etc.

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

	(in millions of yen)	
	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	83,161	81,886
Notes and accounts receivable - trade	133,047	–
Notes and accounts receivable - trade, and contract assets	–	148,774
Work in process	8,300	5,747
Other	13,146	9,674
Allowance for doubtful accounts	△712	△659
Total current assets	236,943	245,423
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,560	3,647
Tools, furniture and fixtures, net	1,928	1,856
Right of use assets, net	3,482	3,686
Land	799	799
Other, net	2,217	2,259
Total property, plant and equipment	11,988	12,249
Intangible assets		
Trademark right	9,688	9,912
Goodwill	66,751	64,374
Software	17,380	18,994
Other	7,123	6,461
Total intangible assets	100,943	99,742
Investments and other assets		
Investment securities	11,344	12,610
Deferred tax assets	7,861	6,086
Other	15,765	10,616
Allowance for doubtful accounts	△1,430	△1,508
Total investments and other assets	33,540	27,804
Total non-current assets	146,472	139,796
Total assets	383,416	385,220

(Consolidated Balance Sheet)

(in millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	451	601
Short-term borrowings	603	—
Current portion of bonds payable	10,000	—
Current portion of long-term borrowings	31	46
Accounts payable - other	73,592	72,487
Income taxes payable	4,445	10,056
Accrued consumption taxes	17,161	13,946
Provision for bonuses	15,409	13,511
Provision for bonuses for directors (and other officers)	47	50
Other provisions	1,116	1,061
Other	22,717	22,114
Total current liabilities	145,577	133,876
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	41,629	37,699
Lease obligations	2,047	2,168
Deferred tax liabilities	4,938	3,836
Retirement benefit liability	880	898
Provision for share awards	583	695
Provision for share awards for directors (and other officers)	534	645
Other provisions	96	83
Other	1,970	2,212
Total non-current liabilities	62,680	58,240
Total liabilities	208,258	192,117
Net assets		
Shareholders' equity		
Share capital	17,479	17,479
Capital surplus	19,008	19,175
Retained earnings	135,635	148,377
Treasury shares	△11,100	△10,381
Total shareholders' equity	161,022	174,651
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,350	1,977
Foreign currency translation adjustment	△6,251	△2,928
Total accumulated other comprehensive income	△3,900	△950
Share acquisition rights	0	0
Non-controlling interests	18,035	19,401
Total net assets	175,158	193,103
Total liabilities and net assets	383,416	385,220

(2) Consolidated Income Statements and Comprehensive Income Statement

(Consolidated Income Statement)

(in millions of yen)

	Six months ended September 30,	
	2020	2021
Net sales	465,755	512,847
Cost of sales	367,093	397,154
Gross profit	98,662	115,693
Selling, general and administrative expenses	84,786	88,957
Operating profit	13,875	26,735
Non-operating income		
Interest income	25	19
Dividend income	128	169
Subsidy income	1,595	507
Share of profit of entities accounted for using equity method	71	90
Other	123	292
Total non-operating income	1,944	1,079
Non-operating expenses		
Interest expenses	198	139
Foreign exchange losses	119	4
Commission expenses	123	23
Other	39	86
Total non-operating expenses	480	254
Ordinary profit	15,339	27,560
Extraordinary income		
Gain on sale of non-current assets	74	16
Gain on sale of shares of subsidiaries and associates	—	486
Gain on sale of investment securities	72	43
Other	8	—
Total extraordinary income	154	546
Extraordinary losses		
Loss on disposal of non-current assets	—	3
Impairment losses	93	469
Loss on business restructuring	143	—
Loss on sale of investment securities	—	1
Loss on valuation of investment securities	32	23
Restructuring expenses	—	514
Non-recurring loss	531	70
Total extraordinary losses	800	1,083
Profit before income taxes	14,693	27,024
Income taxes - current	4,989	9,385
Income taxes - deferred	1,431	845
Total income taxes	6,420	10,230
Profit	8,272	16,793
Profit attributable to non-controlling interests	627	1,245
Profit attributable to owners of parent	7,644	15,547

(Consolidated Comprehensive Income Statement)

(in millions of yen)

	Six months ended September 30,	
	2020	2021
Profit	8,272	16,793
Other comprehensive income		
Valuation difference on available-for-sale securities	1,391	△373
Foreign currency translation adjustment	△2,517	3,608
Share of other comprehensive income of entities accounted for using equity method	△14	29
Total other comprehensive income	△1,140	3,264
Comprehensive income	7,131	20,058
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,713	18,497
Comprehensive income attributable to non-controlling interests	418	1,560

(1) Consolidated Cash Flow Statements

(in millions of yen)

	Six months ended September 30,	
	2020	2021
Cash flows from operating activities		
Profit before income taxes	14,693	27,024
Depreciation	5,174	5,946
Impairment losses	93	469
Amortization of goodwill	3,348	3,403
Increase (decrease) in retirement benefit liability	△9	4
Increase (decrease) in provision for bonuses	64	△1,888
Increase (decrease) in provision for bonuses for directors (and other officers)	△35	2
Increase (decrease) in provision for share awards	190	111
Increase (decrease) in provision for share awards for directors (and other officers)	74	110
Increase (decrease) in allowance for doubtful accounts	△115	△81
Increase (decrease) in other provisions	△57	53
Interest and dividend income	△153	△188
Interest expenses	198	139
Share of loss (profit) of entities accounted for using equity method	△71	△90
Subsidy income	△1,595	△507
Loss (gain) on disposal of non-current assets	△74	△12
Loss (gain) on sale of shares of subsidiaries and associates	—	△486
Loss (gain) on sale of investment securities	△72	△42
Loss (gain) on valuation of investment securities	32	23
Loss on business restructuring	143	—
Other extra-ordinary gain	△8	—
Restructuring expenses	—	514
Non-recurring loss	531	70
Decrease (increase) in trade receivables	8,286	△9,733
Increase (decrease) in trade payables	△3,278	△715
Increase (decrease) in accrued consumption taxes	△4,493	△3,324
Increase (decrease) in long-term accounts payable - other	△114	△91
Decrease (increase) in other assets	△1,603	5,016
Increase (decrease) in other liabilities	△820	△3,164
Subtotal	20,323	22,562
Interest and dividends received	151	187
Interest paid	△198	△145
Subsidies received	1,603	507
Payments of restructuring expenses	—	△310
Income taxes paid	△5,331	△3,779
Income taxes refund	725	2,581
Net cash provided by (used in) operating activities	17,273	21,602

(in millions of yen)

	Six months ended September 30,	
	2020	2021
Cash flows from investing activities		
Payments into time deposits	△21	△2
Proceeds from withdrawal of time deposits	44	3
Purchase of property, plant and equipment	△2,195	△2,288
Proceeds from sale of property, plant and equipment	288	20
Purchase of intangible assets	△4,199	△4,144
Purchase of investment securities	△546	△51
Proceeds from sale of investment securities	88	68
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	673
Loan advances	△120	△0
Proceeds from collection of loans receivable	1	0
Payments of guarantee deposits	△355	△199
Proceeds from refund of guarantee deposits	151	741
Other, net	△121	△203
Net cash provided by (used in) investing activities	△6,985	△5,381
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△1,254	△626
Repayments of long-term borrowings	△10,000	△4,239
Redemption of bonds	—	△10,000
Purchase of treasury shares	—	△0
Dividends paid	△3,471	△3,010
Dividends paid to non-controlling interests	△160	△198
Other, net	△25	△12
Net cash provided by (used in) financing activities	△14,912	△18,087
Effect of exchange rate change on cash and cash equivalents	△791	581
Net increase (decrease) in cash and cash equivalents	△5,416	△1,284
Cash and cash equivalents at beginning of period	78,037	82,991
Cash and cash equivalents at end of period	72,621	81,706