

February 14, 2022

PERSOL HOLDINGS CO., LTD. (TSE 2181)
Consolidated Financial Results
for the Nine Months Ended December 31, 2021

PERSOL HOLDINGS CO., LTD. (the Company) today announced its consolidated financial results for the nine months ended December 31, 2021.

Consolidated Operating Highlights

1) Financial Results

(In millions of yen, unless otherwise stated)

	Nine months ended December 31,		% change
	2020	2021	
Net sales	703,838	780,190	10.8
Operating profit	21,881	40,811	86.5
EBITDA ²	34,674	54,876	58.3
Ordinary profit	24,274	42,022	73.1
Net profit ³	12,524	23,932	91.1
Net profit per share (yen)	54.25	103.92	-
Adjusted EPS ⁴ (yen)	80.34	130.18	62.0

Notes:

- Effective in the three months ended December 31, 2021, the accounting policy was changed at an overseas subsidiary where the International Financial Reporting Standards (IFRS) are applied, based on the "Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38)", an agenda decision by the IFRS Interpretations Committee (IFRIC) that was announced in April 2021. Accordingly, the values for the nine months ended December 31, 2020 were corrected retroactively by reflecting the said change of the accounting policy. The percentages for year-on-year changes were calculated by using the values after the retroactive correction.
- EBITDA = operating profit + depreciation + amortization of goodwill
- Net profit attributable to owners of parent company
- Adjusted EPS = adjusted profit³ / (average number of shares during the period - number of treasury stock during the period)
 - Adjusted profit = net profit attributable to owners of parent company ± adjustment items^b (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
 - 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 December 31, 2021
Total assets	381,179	400,011
Net assets	173,600	194,179
Equity ratio (%)	40.8	43.5
(Reference) Equity capital	155,564	173,890

Note:

- Effective in the three months ended December 31, 2021, the accounting policy was changed at an overseas subsidiary where the International Financial Reporting Standards (IFRS) are applied, based on the "Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38)", an agenda decision by the IFRS Interpretations Committee (IFRIC) that was announced in April 2021. Accordingly, the values for the previous fiscal year were corrected retroactively by reflecting the said change of the accounting policy.

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 from FY2020
Net sales	1,060,000	11.5
Operating profit	48,000	86.6
EBITDA	66,700	-
Ordinary profit	48,600	70.8
Net profit ¹	27,700	80.6
Net profit per share (yen)	120.36	-
Adjusted EPS (yen)	155.60	-

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 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 businesses in Japan and Asia-Pacific (APAC) region.

In the business environment in Japan during the nine months ended December 31, 2021, the concern about economic outlook still remained due to the further spread of COVID-19. However, the ratio of job offers to job seekers in Japan was 1.16 (seasonally adjusted) in December 2021, showing that demand for human resources recovered from the same month of the previous year. In the APAC region, economy continued to recover in general, with the exception of certain regions including Australia, which were affected by the resurgence of COVID-19.

In this business environment, business performance of Staffing SBU (Strategic Business Unit), which is the core business, remained strong, and that of Career SBU also recovered steadily. Sales in other SBUs also increased. As a result, consolidated net sales were 780,190 million yen (increasing 10.8% YoY).

Consolidated operating profit was 40,811 million yen (increasing 86.5% YoY) because of growth of the BPO sector in Staffing SBU, progress in recovery of sales in the profitable Career SBU, which is attributed to demand recovering from the effect of COVID-19, as well as an increase in profits or a reduction of losses in all SBUs. Ordinary profit was 42,022 million yen (increasing 73.1% YoY) and net profit attributable to owners of parent company was 23,932 million yen (increasing 91.1% YoY).

Results by SBU (before inter-segment elimination)

1. Staffing SBU

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

Sales for the nine months ended December 31, 2021 were 426,082 million yen (increasing 8.0% YoY) and operating profit was 32,467 million yen (increasing 31.6% YoY).

Sales in the temporary staffing sector increased due primarily to a year-on-year increase in the number of temporary active staffs. Sales in BPO sector increased because orders received remained strong, 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 mainly operates placement business, supporting corporate clients' mid-career hiring activities, and job recruitment media business.

Sales for the nine months ended December 31, 2021 were 53,644 million yen (increasing 23.9% YoY) and operating profit was 5,153 million yen (operating loss was 328 million yen for the same period of the previous fiscal year).

Sales in the placement business and job recruitment media business increased due to stronger sales promotion activities in addition to a recovery of demand for hiring among companies. The SBU moved into operating profit due to the increase in sales, despite the rise in selling, general and administrative expenses that resulted from marketing investment made in response to the rising demand and enhancement of hiring activities.

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 nine months ended December 31, 2021 were 88,579 million yen (increasing 7.5% YoY) and operating profit was 5,125 million yen (increasing 107.4% YoY).

Sales increased because the engineering area saw a recovery in demand, mainly for development in the manufacturing industry, which led to a steady recovery in the operating rate. An additional factor was continued growth in the IT area. Operating profit increased significantly with a recovery in the operating rate in the engineering area and a sales increase in the IT area.

4. Solution SBU

In this segment, the Group provides digital solution services mainly for hiring talents and managing human resources and creates new businesses through incubation programs.

Sales for the nine months ended December 31, 2021 were 7,921 million yen (increasing 109.3% YoY) and operating loss was 2,273 million yen (operating loss was 3,793 million yen for the same period of the previous fiscal year).

Sales significantly increased due to the continued growth of the career change 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 mainly under PERSOLKELLY brand in Asia and mainly under Programmed brand in Australia).

Sales for the nine months ended December 31, 2021 were 212,687 million yen (increasing 13.9% YoY) and operating profit was 304 million yen (operating loss was 1,407 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, continued strong sales in Singapore as the main market, and growth in sales of the placement business mainly in China, in addition to the effect of the stronger Australian dollar. The SBU moved into operating profit because of the sales increase in the profitable placement business and progress in the establishment of an efficient operation structure.

#

#

#

#

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. Also, effective in the three months ended December 31, 2021, at an overseas subsidiary where the International Financial Reporting Standards (IFRS) are applied, based on the "Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38)", an agenda decision by IFRIC, applicable values for the same period of the previous fiscal year were corrected retroactively. Please refer to "Changes in Accounting Policies".

(2) Financial Position

a. Consolidated Balance Sheet

Total assets increased 18,832 million yen compared to the end of the previous fiscal year. Current assets increased 30,864 million yen, and non-current assets decreased 12,032 million yen. The main reasons for the increase in current assets are increases in cash and deposits of 19,416 million yen and in notes and accounts receivable - trade, and contract assets (notes and accounts receivable - trade in the previous fiscal year) of 16,340 million yen. The main reasons for the decrease in non-current assets are decreases in goodwill of 4,895 million yen and in deferred tax assets of 3,321 million yen.

Liabilities decreased 1,746 million yen compared to the end of the previous fiscal year. Current liabilities increased 7,274 million yen while non-current liabilities decreased 9,020 million yen. The main reasons for the increase in current liabilities are decreases in current portion of bonds payable of 10,000 million yen and in provision for bonuses of 7,410 million yen and increases in accounts payable - other of 6,978 million yen, in current portion of long-term borrowings of 5,728 million yen, and in income taxes payable of 5,476 million yen. The main reason for the decrease in non-current liabilities is a decrease in long-term borrowings of 8,818 million yen.

Net assets increased 20,578 million yen compared to the end of the previous fiscal year. This was mainly caused by the payment of dividends of surplus of 7,651 million yen and the posting of 23,932 million yen in net profit attributable to owners of parent company, which resulted in an increase in retained earnings of 16,486 million yen, as well as increases in non-controlling interests of 2,252 million yen and a foreign currency translation adjustment of 1,569 million yen.

	As of March 31, 2021	As of December 31, 2021
Return on assets (ROA)	4.5%	6.7%
Return on equity (ROE)	10.1%	14.5%
Ratio of operating profit to sales	2.7%	5.2%
Ratio of ordinary profit to sales	3.0%	5.4%
Current ratio	162.8%	175.2%
Fixed ratio	92.7%	76.0%
Equity ratio	40.8%	43.5%
ROIC	9.2%	12.5%
Debt/equity ratio	0.40	0.28
Net cash/EBITDA ratio	0.48	0.98
Total assets (million yen)	381,179	400,011
Equity capital (million yen)	155,564	173,890
Invested capital (million yen)	244,109	254,604
Cash and cash equivalents at end of period (million yen)	82,991	102,396

*Effective in the three months ended December 31, 2021, the accounting policy was changed at an overseas subsidiary where the International Financial Reporting Standards (IFRS) are applied, based on the "Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38)", an agenda decision by the IFRS Interpretations Committee (IFRIC) that was announced in April 2021. Accordingly, the values for the above management indicators, etc. concerning the previous fiscal year were corrected retroactively by reflecting the said change of the accounting policy.

(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, 2021” announced on November 11, 2021.

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 nine months ended December 31, 2021 was increased by 1,052 million yen, and gross profit, operating profit, ordinary profit and profit before income taxes were increased by 1,490 million yen, respectively. The impact on retained earnings at the beginning of the period and per share information for the nine months ended December 31, 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.

Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38), an agenda decision by IFRIC

At an overseas subsidiary where the International Financial Reporting Standards (IFRS) are applied, configuration or customization costs in a cloud computing arrangement were previously recognized as intangible assets by applying the IAS No. 38 Intangible Assets. Effective in the three months ended December 31, 2021, however, the method was changed to one with which the above costs are recognized as costs generated when the configuration

or customization service is received, based on the "Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38)", an agenda decision by the IFRS Interpretations Committee (IFRIC) that was announced in April 2021.

This change in accounting policy is applied retroactively, and the change is reflected in the quarterly consolidated financial statements and consolidated financial statements for the previous fiscal year.

As a result, compared to values before the retroactive application, operating profit, ordinary profit, and profit before income taxes for the nine months ended December 31, 2020 decreased 426 million yen, while in the consolidated balance sheet for the previous fiscal year, intangible assets decreased 2,236 million yen and deferred tax liabilities decreased 679 million yen. The beginning balance of retained earnings decreased 990 million yen and foreign currency translation adjustment decreased 9 million yen for the previous fiscal year due to the application of the cumulative effect to net assets as of the beginning of the previous fiscal year.

From these results, net profit per share for the nine months ended December 31, 2020 decreased 1.27 yen.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(in millions of yen)	
	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	83,161	102,578
Notes and accounts receivable - trade	133,047	–
Notes and accounts receivable - trade, and contract assets	–	149,387
Work in process	8,300	6,694
Other	13,146	9,838
Allowance for doubtful accounts	–712	–690
Total current assets	236,943	267,808
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,560	3,574
Tools, furniture and fixtures, net	1,928	1,961
Right of use assets, net	3,482	3,568
Land	799	799
Other, net	2,217	2,338
Total property, plant and equipment	11,988	12,240
Intangible assets		
Trademark right	9,688	9,625
Goodwill	66,751	61,856
Software	15,143	16,943
Other	7,123	6,413
Total intangible assets	98,706	94,838
Investments and other assets		
Investment securities	11,344	11,455
Deferred tax assets	7,861	4,540
Other	15,765	10,608
Allowance for doubtful accounts	–1,430	–1,480
Total investments and other assets	33,540	25,123
Total non-current assets	144,235	132,203
Total assets	381,179	400,011

(Consolidated Balance Sheet)

(in millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	451	578
Short-term borrowings	603	—
Current portion of bonds payable	10,000	—
Current portion of long-term borrowings	31	5,759
Accounts payable - other	73,592	80,571
Income taxes payable	4,445	9,921
Accrued consumption taxes	17,161	19,711
Provision for bonuses	15,409	7,998
Provision for bonuses for directors	47	60
Other provisions	1,116	766
Other	22,717	27,484
Total current liabilities	145,577	152,851
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	41,629	32,810
Lease obligations	2,047	2,134
Deferred tax liabilities	4,259	3,129
Retirement benefit liability	880	909
Provision for share awards	583	760
Provision for share awards for directors (and other officers)	534	697
Other provisions	96	83
Other	1,970	2,454
Total non-current liabilities	62,001	52,980
Total liabilities	207,578	205,832
Net assets		
Shareholders' equity		
Share capital	17,479	17,479
Capital surplus	19,008	19,168
Retained earnings	134,151	150,638
Treasury shares	-11,100	-10,366
Total shareholders' equity	159,539	176,919
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,350	1,727
Foreign currency translation adjustment	-6,325	-4,756
Total accumulated other comprehensive income	-3,974	-3,029
Share acquisition rights	0	0
Non-controlling interests	18,035	20,288
Total net assets	173,600	194,179
Total liabilities and net assets	381,179	400,011

(2) *Consolidated Income Statements and Comprehensive Income Statement*

(Consolidated Income Statement)

(in millions of yen)

	Nine months ended December 31,	
	2020	2021
Net sales	703,838	780,190
Cost of sales	555,226	603,413
Gross profit	148,612	176,776
Selling, general and administrative expenses	126,730	135,965
Operating profit	21,881	40,811
Non-operating income		
Interest income	33	31
Dividend income	141	193
Subsidy income	2,544	974
Share of profit of entities accounted for using equity method	164	84
Other	173	329
Total non-operating income	3,057	1,613
Non-operating expenses		
Interest expenses	274	204
Foreign exchange losses	127	5
Commission expenses	146	24
Other	115	166
Total non-operating expenses	664	401
Ordinary profit	24,274	42,022
Extraordinary income		
Gain on sale of non-current assets	88	23
Gain on sale of shares of subsidiaries and associates	—	486
Gain on sale of investment securities	250	774
Other	8	—
Total extraordinary income	347	1,284
Extraordinary losses		
Loss on disposal of non-current assets	—	3
Impairment losses	95	469
Loss on business restructuring	152	—
Loss on sale of investment securities	—	1
Loss on valuation of investment securities	32	459
Restructuring expenses	—	514
Non-recurring loss	597	78
Total extraordinary losses	878	1,527
Profit before income taxes	23,744	41,780
Income taxes - current	6,256	12,931
Income taxes - deferred	3,780	2,801
Total income taxes	10,036	15,732
Profit	13,707	26,047
Profit attributable to non-controlling interests	1,182	2,115
Profit attributable to owners of parent	12,524	23,932

(Consolidated Comprehensive Income Statement)

(in millions of yen)

	Nine months ended December 31,	
	2020	2021
Profit	13,707	26,047
Other comprehensive income		
Valuation difference on available-for-sale securities	1,308	-623
Foreign currency translation adjustment	-1,487	1,818
Share of other comprehensive income of entities accounted for using equity method	-3	8
Total other comprehensive income	-183	1,203
Comprehensive income	13,524	27,250
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,555	24,803
Comprehensive income attributable to non-controlling interests	968	2,447