For Immediate Release

February 10, 2023

# PERSOL HOLDINGS CO., LTD. (TSE 2181)

## Consolidated Financial Results
## for the Nine Months Ended December 31, 2022

PERSOL HOLDINGS CO., LTD. (the Company) today announced its consolidated financial results for the nine months ended December 31, 2022.

### Consolidated Operating Highlights

1) Financial Results

(In millions of yen, unless otherwise stated)

| | Nine months ended December 31, | | change |
|---|---|---|---|
| | 2021 | 2022 | |
| Net sales | 780,190 | 902,067 | 15.6% |
| Operating profit | 40,811 | 45,434 | 11.3% |
| EBITDA[1] | 54,876 | 62,663 | 14.2% |
| Ordinary profit | 42,022 | 45,866 | 9.2% |
| Quarterly net profit[2] | 23,901 | 27,162 | 13.6% |
| Quarterly net profit per share (yen) | 103.79 | 118.02 | - |
| Adjusted quarterly net profit | 29,950 | 33,417 | 11.6% |
| Adjusted EPS[3] (yen) | 130.05 | 145.20 | 11.6% |

Notes:

1. EBITDA = operating profit + depreciation + amortization of goodwill
2. Quarterly net profit attributable to owners of parent
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 ± 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
4. Effective in the three months ended June 30, 2022, the Company and its consolidated subsidiaries in Japan changed accounting method of asset retirement obligations. Accordingly, retroactive adjustments are reflected in the values for the same period of the previous year.

2) Balance Sheet Data

(In millions of yen, unless otherwise stated)

| | As of March 31, 2022 | As of December 31, 2022 |
|---|---|---|
| Total assets | 425,110 | 468,579 |
| Net assets | 204,367 | 214,269 |
| Equity ratio (%) | 43.1 | 42.6 |
| Equity capital | 183,048 | 199,586 |

Note:

Effective in the three months ended June 30, 2022, the Company and its consolidated subsidiaries in Japan changed accounting method of asset retirement obligations. Accordingly, retroactive adjustments are reflected in the values for the previous consolidated fiscal year.

### 3) Dividend Status

(In yen, unless otherwise stated)

| | Fiscal year ended/ending March 31, | |
|---|---|---|
| | 2022 | 2023 |
| Interim dividends | 20.00 | 21.00 |
| Year-end dividends | 22.00 | 21.00 (Forecast) |
| Annual dividends | 42.00 | 42.00 (Forecast) |

### 4) Consolidated Financial Forecast for the Fiscal Year Ending March 2023

(In millions of yen, unless otherwise stated)

| | Forecast for the fiscal year ending March 31, 2023 | % change from the previous fiscal year |
|---|---|---|
| Net sales | 1,210,000 | 14.1 |
| Operating profit | 53,000 | 10.1 |
| EBITDA | 75,200 | 12.0 |
| Ordinary profit | 53,000 | 7.1 |
| Net profit[1] | 30,500 | −4.4 |
| Net profit per share (yen) [2] | 132.37 | - |
| Adjusted profit | 39,100 | −1.1 |
| Adjusted EPS (yen) [2] | 169.95 | −1.0 |

Notes:

1. Net profit attributable to owners of parent
2. The per share calculation of Net profit and Adjusted EPS derives from our estimated monthly average number of shares in FY2022 (230,408,758 shares), based on the actual numbers of shares outstanding up to September 30, 2022.

<u>Disclaimer</u>

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.

*(1) 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.

The business environment in Japan in the nine months ended December 31, 2022 saw the further spread of COVID-19, but economic activities were recovering overall. The ratio of job offers to job seekers (seasonally adjusted) in Japan was 1.35 in December 2022, showing that demand for human resources continued to recover steadily. In the APAC region, the economic trend was generally one of recovery, with the exception of certain regions where the impact of COVID-19 persisted.

In this business environment, sales increased in all SBUs. As a result, consolidated net sales were 902,067 million yen (increasing 15.6% year-on-year). Operating profit was 45,434 million yen (increasing 11.3% YoY), mainly reflecting an increase in sales in Career SBU, driven by brisk corporate demand. Ordinary profit was 45,886 million yen (increasing 9.2% YoY) and net profit attributable to owners of parent company was 27,162 million yen (increasing 13.6% YoY).

Results by SBU (before inter-segment elimination) are as follows.

a. 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 and placement service mainly for administrative talents in Japan.

Sales for the nine months ended December 31, 2022 were 460,862 million yen (increasing 8.2% YoY) and operating profit was 31,684 million yen (decreasing 2.4% YoY).

Sales increased on strong results of public-related projects in the BPO sector, in addition to a year-on-year increase in the number of temporary active staff. Operating profit decreased despite the effect of increased sales, more than offset by an increase in paid holidays taken by temporary staff, an increase in social insurance contributions and an increase in personnel expenses.

b. 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, 2022 were 75,066 million yen (increasing 39.9% YoY) and operating profit was 11,915 million yen (increasing 131.2% YoY).

Sales in the placement business and job recruitment media business increased due to strong corporate demand. Operating profit increased significantly on stronger sales, offsetting the rise in costs that resulted from marketing investment and enhancement of hiring activities, which were aimed at achieving future growth.

c. 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, 2022 were 98,085 million yen (increasing 10.7% YoY) and operating profit was 5,862 million yen (increasing 14.4% YoY).

Sales increased because the engineering area saw growth in demand, mainly for development in the manufacturing industry. An additional factor was steady growth in the IT area. Operating profit increased due to the effect of increased sales.

d. Solution SBU

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

Sales for the nine months ended December 31, 2022 were 11,066 million yen (increasing 39.7% YoY) and the operating loss was 2,802 million yen (the operating loss was 2,273 million yen for the same period of the previous fiscal year).

Sales increased due to the continued growth of the job search application business and cloud POS business, mainly reflecting growth in corporate demand for hiring and the effect of sales promotion activities. An operating loss was recorded due to an increase in costs, which resulted from increased investments for future growth.

e. 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 nine months ended December 31, 2022 (APAC local accounting period of nine months ended September 30, 2022) were 268,759 million yen (increasing 26.4% YoY) and operating profit was 811 million yen (increasing 166.1% YoY).

Sales increased due to the effect of the stronger US dollar and Australian dollar in addition to the progress in the recovery from the impact of the spread of COVID-19 infection and growth in many areas where the Group operates. Operating profit increased due to the effect of increased sales.

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The Company and its Japanese subsidiaries have changed their accounting policy including the accounting method of asset retirement obligations. Comparison and analysis with the same period of the previous year and the previous consolidated fiscal year have been made using figures that reflect the retroactive application. For details, please refer to " Changes in Accounting Policies" and “Changes in Accounting Estimates”

## *(2) Financial Position*

1. Consolidated Balance Sheet

Total assets increased 43,468 million yen compared to the end of the previous fiscal year. Current assets increased 32,734 million yen, and non-current assets increased 10,733 million yen. Main reasons for the increase in current assets include increases in cash and deposits of 12,511 million yen, in contract assets of 7,753 million yen, and in accounts receivable - trade of 7,151 million yen. Main factors for the increase in non-current assets include increases in investment securities of 3,882 million yen, in software of 3,609 million yen, and in goodwill of 2,332 million yen.

Liabilities increased 33,565 million yen compared to the end of the previous fiscal year. Current liabilities increased 39,860 million yen while non-current liabilities decreased 6,294 million yen. Main factors for the increase in current liabilities include increases in short-term borrowings of 25,040 million yen, in accounts payable - other of 11,436 million yen, and in current portion of bonds payable of 10,000 million yen, which more than offset a decrease in the provision for bonuses of 8,681 million yen. Main reasons for the decrease in non-current liabilities include a decrease in bonds payable of 10,000 million yen, which more than offset increases in lease liabilities of 1,669 million yen and in deferred tax liabilities of 1,132 million yen.

Net assets increased 9,902 million yen compared to the end of the previous fiscal year. This was mainly caused by the payment of dividends of surplus of 9,971 million yen and the posting of 27,162 million yen in quarterly net profit attributable to owner of parent company, which resulted in an increase in retained earnings of 17,188 million yen and a foreign currency translation adjustment increase of 10,326 million yen. Other reasons were a decrease in non-controlling interests of 6,635 million yen and a decrease in capital surplus of 5,700 million yen, mainly due to the acquisition of additional shares in PERSOLKELLY PTE. LTD. by PERSOL Asia Pacific Pte. Ltd.

| | As of March 31, 2022 | As of December 31, 2022 |
|---|---|---|
| Ratio of operating profit to sales | 4.5% | 5.0% |
| Ratio of ordinary profit to sales | 4.7% | 5.1% |
| Current ratio | 170.9% | 153.9% |
| Fixed ratio | 75.5% | 74.6% |
| Equity ratio | 43.1% | 42.6% |
| Debt/equity ratio | 0.28 | 0.37 |
| Total assets (million yen) | 425,110 | 468,579 |
| Equity capital (million yen) | 183,048 | 199,586 |
| Invested capital (million yen) | 269,376 | 306,411 |
| Cash and cash equivalents at end of period (million yen) | 106,558 | 118,888 |

*Effective in the three months ended June 30, 2022, the Company and its consolidated subsidiaries in Japan changed accounting method of asset retirement obligations. Accordingly, retroactive adjustments are reflected in the values for the previous consolidated fiscal year.

2. Business and Financial Issues to Address

The nine months ended December 31, 2022 saw no significant change in business and financial issues that the Group should address.

*(3) <u>Explanation regarding Future Forecast Information</u>*

There is no change in the full-year consolidated financial forecast in the "Consolidated Financial Results for the six months ended September 30, 2022" announced on November 11, 2022.

*Consolidated Financial Statements*

*(1) Consolidated Balance Sheet*

(in millions of yen)

| | As of March 31, 2022 | As of December 31, 2022 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 107,545 | 120,056 |
| Notes receivable - trade | 100 | 129 |
| Accounts receivable - trade | 150,073 | 157,225 |
| Contract assets | 18,658 | 26,412 |
| Work in process | 333 | 1,123 |
| Other | 10,740 | 15,271 |
| Allowance for doubtful accounts | -554 | -587 |
| Total current assets | 286,897 | 319,632 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 5,036 | 3,883 |
| Tools, furniture and fixtures, net | 2,147 | 2,279 |
| Right of use assets, net | 3,410 | 5,628 |
| Land | 515 | 515 |
| Other, net | 2,304 | 3,365 |
| Total property, plant and equipment | 13,414 | 15,672 |
| Intangible assets | | |
| Trademark right | 9,803 | 10,499 |
| Goodwill | 61,674 | 64,006 |
| Software | 16,787 | 20,397 |
| Other | 6,863 | 6,289 |
| Total intangible assets | 95,129 | 101,193 |
| Investments and other assets | | |
| Investment securities | 8,664 | 12,546 |
| Deferred tax assets | 10,324 | 8,460 |
| Other | 12,208 | 12,780 |
| Allowance for doubtful accounts | -1,527 | -1,706 |
| Total investments and other assets | 29,670 | 32,080 |
| Total non-current assets | 138,213 | 148,946 |
| Total assets | 425,110 | 468,579 |

*(Consolidated Balance Sheet)*

(in millions of yen)

| | As of March 31, 2022 | As of December 31, 2022 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 630 | 564 |
| Short-term borrowings | 162 | 25,202 |
| Current portion of bonds payable | — | 10,000 |
| Current portion of long-term borrowings | 11,304 | 7,817 |
| Accounts payable - other | 81,813 | 93,250 |
| Income taxes payable | 11,211 | 6,417 |
| Accrued consumption taxes | 17,432 | 22,095 |
| Provision for bonuses | 17,847 | 9,165 |
| Provision for bonuses for directors (and other officers) | 71 | 151 |
| Other provisions | 714 | 806 |
| Other | 26,706 | 32,281 |
| Total current liabilities | 167,893 | 207,754 |
| Non-current liabilities | | |
| Bonds payable | 10,000 | — |
| Long-term borrowings | 30,000 | 30,190 |
| Lease liabilities | 1,997 | 3,666 |
| Deferred tax liabilities | 3,039 | 4,171 |
| Retirement benefit liability | 414 | 512 |
| Provision for share awards | 810 | 1,016 |
| Provision for share awards for directors (and other officers) | 835 | 1,027 |
| Asset retirement obligations | 4,430 | 4,538 |
| Other provisions | 81 | 46 |
| Other | 1,239 | 1,383 |
| Total non-current liabilities | 52,850 | 46,555 |
| Total liabilities | 220,743 | 254,309 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 17,479 | 17,479 |
| Capital surplus | 19,168 | 13,468 |
| Retained earnings | 158,282 | 175,471 |
| Treasury shares | -10,351 | -15,564 |
| Total shareholders' equity | 184,579 | 190,854 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 959 | 894 |
| Foreign currency translation adjustment | -2,489 | 7,837 |
| Total accumulated other comprehensive income | -1,530 | 8,731 |
| Share acquisition rights | 0 | 0 |
| Non-controlling interests | 21,317 | 14,682 |
| Total net assets | 204,367 | 214,269 |
| Total liabilities and net assets | 425,110 | 468,579 |

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

### *(Consolidated Income Statement)*

(in millions of yen)

| | Nine months ended December 31, | |
|---|---|---|
| | 2021 | 2022 |
| Net sales | 780,190 | 902,067 |
| Cost of sales | 603,413 | 692,787 |
| Gross profit | 176,776 | 209,279 |
| Selling, general and administrative expenses | 135,965 | 163,845 |
| Operating profit | 40,811 | 45,434 |
| Non-operating income | | |
| Interest income | 31 | 51 |
| Dividend income | 193 | 210 |
| Subsidy income | 974 | 755 |
| Share of profit of entities accounted for using equity method | 84 | − |
| Other | 329 | 159 |
| Total non-operating income | 1,613 | 1,176 |
| Non-operating expenses | | |
| Interest expenses | 204 | 271 |
| Foreign exchange losses | 5 | 139 |
| Commission expenses | 24 | 1 |
| Share of loss of entities accounted for using equity method | − | 60 |
| Other | 166 | 251 |
| Total non-operating expenses | 401 | 725 |
| Ordinary profit | 42,022 | 45,886 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 23 | 48 |
| Gain on sale of shares of subsidiaries and associates | 486 | − |
| Gain on sale of investment securities | 774 | 233 |
| Total extraordinary income | 1,284 | 281 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 3 | 7 |
| Impairment losses | 469 | − |
| Loss on sale of investment securities | 1 | − |
| Loss on valuation of investment securities | 459 | 239 |
| Restructuring expenses | 514 | − |
| Non-recurring loss | 78 | − |
| Total extraordinary losses | 1,527 | 246 |
| Profit before income taxes | 41,780 | 45,921 |
| Income taxes - current | 12,931 | 14,609 |
| Income taxes - deferred | 2,831 | 2,444 |
| Total income taxes | 15,763 | 17,054 |
| Profit | 26,017 | 28,866 |
| Profit attributable to non-controlling interests | 2,115 | 1,704 |
| Profit attributable to owners of parent | 23,901 | 27,162 |

*(Consolidated Comprehensive Income Statement)*

(in millions of yen)

| | Nine months ended December 31, | |
|---|---|---|
| | 2021 | 2022 |
| Profit | 26,017 | 28,866 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -623 | -64 |
| Foreign currency translation adjustment | 1,818 | 10,395 |
| Share of other comprehensive income of entities accounted for using equity method | 8 | 417 |
| Total other comprehensive income | 1,203 | 10,748 |
| Comprehensive income | 27,220 | 39,614 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 24,773 | 37,424 |
| Comprehensive income attributable to non-controlling interests | 2,447 | 2,190 |

*Changes in Accounting Policies*

Notes for significant change in the amount of shareholders' equity

Capital surplus decreased 5,700 million yen due in part to the acquisition of additional shares in PERSOLKELLY PTE. LTD. by PERSOL Asia Pacific Pte. Ltd. in the three months ended June 30, 2022. As a result, capital surplus was 13,468 million yen as of December 31, 2022.

Treasury shares increased 5,212 million yen mainly because the Company acquired 2,089,700 treasury shares based on the resolution passed by the Board of Directors on August 10, 2022. As a result, treasury shares were 15,564 million yen as of December 31, 2022.

Application of the Guidance on Accounting Standard for Fair Value Measurement

The Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) began to be applied at the beginning of the three months ended June 30, 2022. It was decided that the new accounting policies prescribed in the Guidance on Accounting Standard for Fair Value Measurement will be applied into the future in accordance with the transitional treatment provided for in Paragraph 27-2 of the Guidance on Accounting Standard for Fair Value Measurement.

The application has no effect on quarterly consolidated financial statements.

Change in Accounting for Asset Retirement Obligations

Previously, asset retirement obligations related to obligation to restore to original condition set forth in real-estate lease agreements signed by the company and its consolidated subsidiaries in Japan were posted in the following way. The amount of leasehold deposits related to the said real-estate lease agreements which was not expected to be collected finally was reasonably estimated, and then, the portion of the above amount to be allocated to each quarter was posted. However, the non-current asset management system was reviewed, and more appropriate accounting has become possible. Therefore, starting from the three months ended June 30, 2022, expenses for restoration to original condition is posted as asset retirement obligations, and removal cost corresponding to the asset retirement obligations is included in property, plant and equipment and depreciated.

This change in accounting policy is applied retroactively, and the change is reflected in the quarterly consolidated financial statements for the nine months ended December 31, 2021 and consolidated financial statements for the previous fiscal year.

As a result, in the consolidated balance sheet for the previous consolidated fiscal year, buildings and structures, net increased 1,348 million yen, deferred tax assets increased 91 million yen, investments and other assets (other) increased 1,892 million yen, asset retirement obligations increased 3,791 million yen, and deferred tax liabilities increased 48 million yen, while non-current liabilities (other) decreased 559 million yen, compared to before the retroactive application.

Asset retirement obligations of 638 million yen, which were included in other under non-current liabilities in the previous consolidated fiscal year, are presented as a separate item from the previous consolidated fiscal year, as the combined effect of the retrospective application of this change in accounting policy exceeded 1/100th of total liabilities and net assets.

The beginning balance of retained earnings for the previous consolidated fiscal year decreased by 329 million yen due to the application of the cumulative effect to net assets as of the beginning of the previous consolidated fiscal year.

The change has a minor effect on profit and quarterly net profit per share for the nine months ended December 31, 2021.

### *Changes in Accounting Estimates*

#### Changes in Estimates of Facilities attached to Buildings

In the three months ended June 30, 2022, the Company changed its office strategy to permit diverse workstyles, such as remote work. The Company took this change as an opportunity to review the number of years during which facilities attached to buildings installed at leasehold estates of the Company and its consolidated subsidiaries in Japan are expected to be used. As a result, the expected lifetime of those facilities was changed from the previous 3 to 15 years to 2 to 10 years.

As described in Changes in Accounting Policies, effective from the beginning of the three months ended June 30, 2022, removal cost corresponding to asset retirement obligations is added to the book value of facilities attached to buildings as relevant property, plant and equipment. The removal cost has been distributed based on the number of years during which the facilities attached to buildings are expected to be used.

As a result of this change, operating profit, ordinary profit, and profit before income taxes for the nine months ended December 31, 2022 decreased 1,610 million yen.