PERSOL

Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2024 (FY2023 Q1)

PERSOL HOLDINGS CO., LTD.
August 10, 2023

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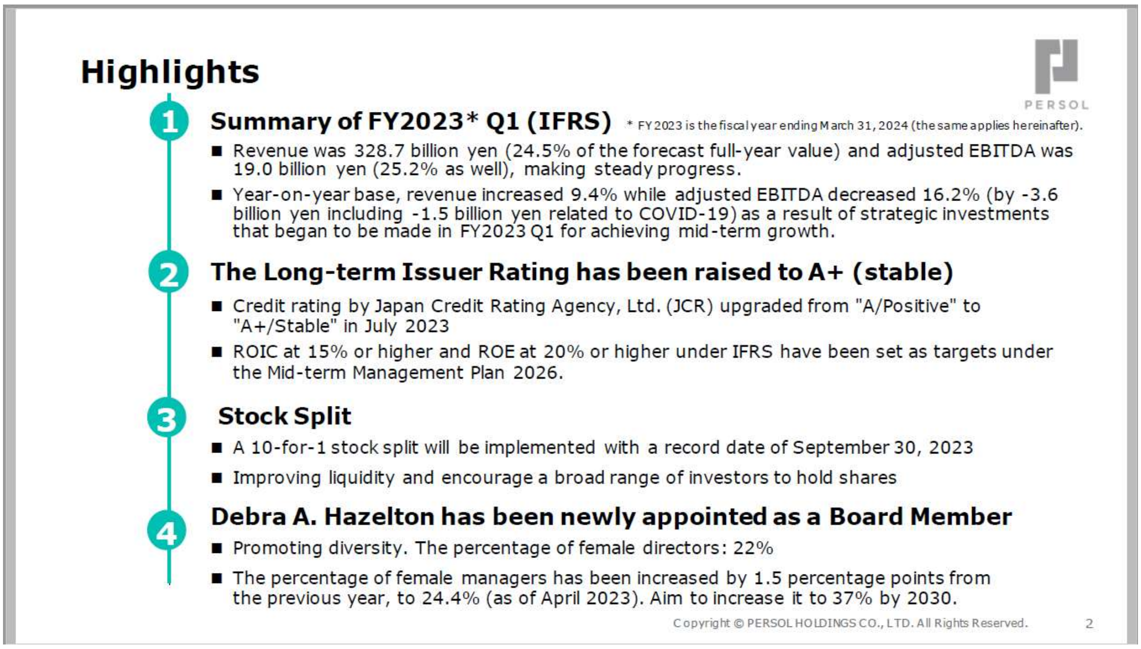
PERSOL HOLDINGS CO., LTD.

Held from 16:00 to 16:45 on Thursday, August 10, 2023

Script of Financial Results Presentation for the 1st Quarter of FY2023



[Wada] Hello, I am Wada, CEO of PERSOL Holdings. Thank you very much for coming to the financial results briefing. Today, I would like to communicate the 4 highlights described here on this slide.

The first point is the Summary of the Q1 of FY2023. The second is about the credit rating. The third is the stock split which will be implemented. And the fourth is about our management structure. We have appointed a new member and I will talk about that also.

First, I'd like to start with the summary of the 1Q financial results. Revenue was 328.7 billion yen. Adjusted EBITDA was 19 billion yen. They are progressing in line with our full year forecast. Revenue's progress rate is 24.5%, adjusted EBITDA is 25.2%, both progressing smoothly. Compared to the 1Q of last fiscal year, adjusted EBITDA is a bit behind but things are in line with the plan, so please rest assured.

The second point is about credit rating. As is shown here, we have been upgraded to A+. Also, IFRS based ROIC and ROE targets have been set as described here. I will talk about this later.

The next point is the Stock split. The board meeting today approved the stock split of 10 for 1. This will improve the liquidity as well as reflect our intention to have a broader range of shareholders.

And the management structure is described here which I will be explain later.

Mr. Tokunaga will explain the details of t financial results now. Mr. Tokunaga please.

Financial Results for the Three Months Ended June 30, 2023 (Consolidated)

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Steady growth in both revenue and gross profit

(million yen)	FY2022 Q1**	FY2023 Q1	YoY	FY2023 Full-Year Forecasts	Progress
Revenue	300,467	**328,703**	+9.4%	1,340,000	**24.5%**
Gross profit	69,539	**75,103**	+8.0%	-	-
Operating profit	17,436	**14,675**	△15.8%	54,500	**26.9%**
OP margin (%)	*5.8%*	*4.5%*	*△1.3pt*	*4.1%*	-
EBITDA	24,921	**21,782**	△12.6%	-	-
EBITDA margin (%)	*8.3%*	*6.6%*	*△1.7pt*	-	-
Adjusted EBITDA	22,678	**19,014**	△16.2%	75,500	**25.2%**
Adjusted EBITDA margin (%)	*7.5%*	*5.8%*	*△1.8pt*	*5.6%*	-
Profit*	11,139	**9,369**	△15.9%	33,500	**28.0%**
Adjusted profit	12,675	**10,513**	△17.1%	39,000	**27.0%**
Adjusted EPS (yen)	54.98	**46.21**	△15.9%	171.41	**27.0%**

*Profit for the quarter attributable to owners of the parent
**FY2022Q1 results are based on IFRS

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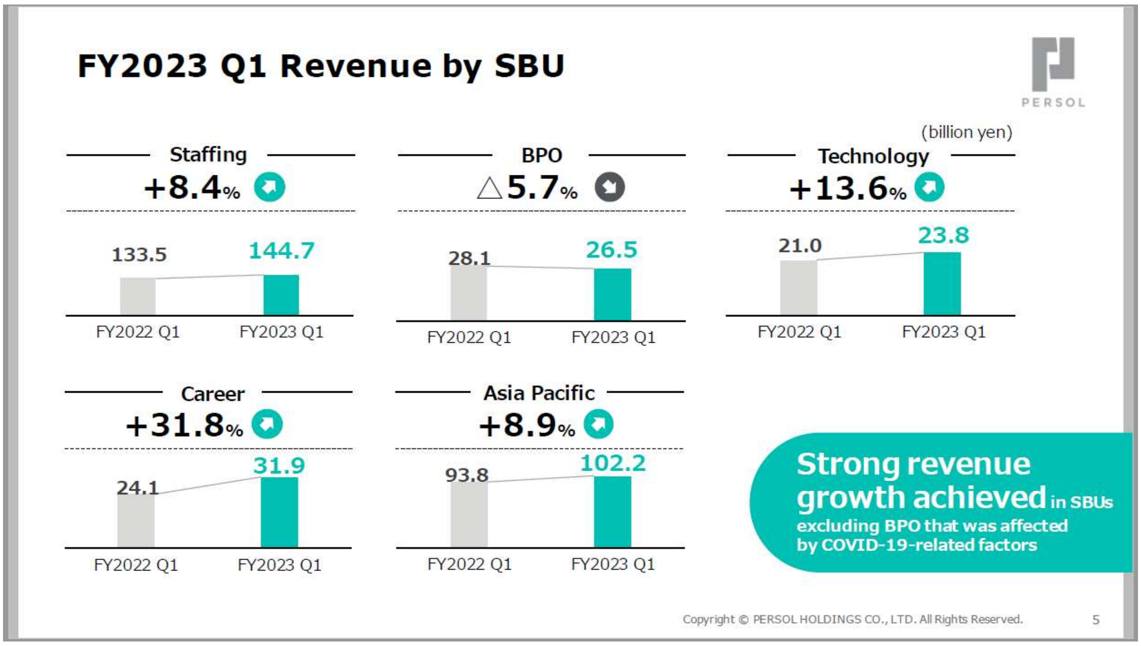
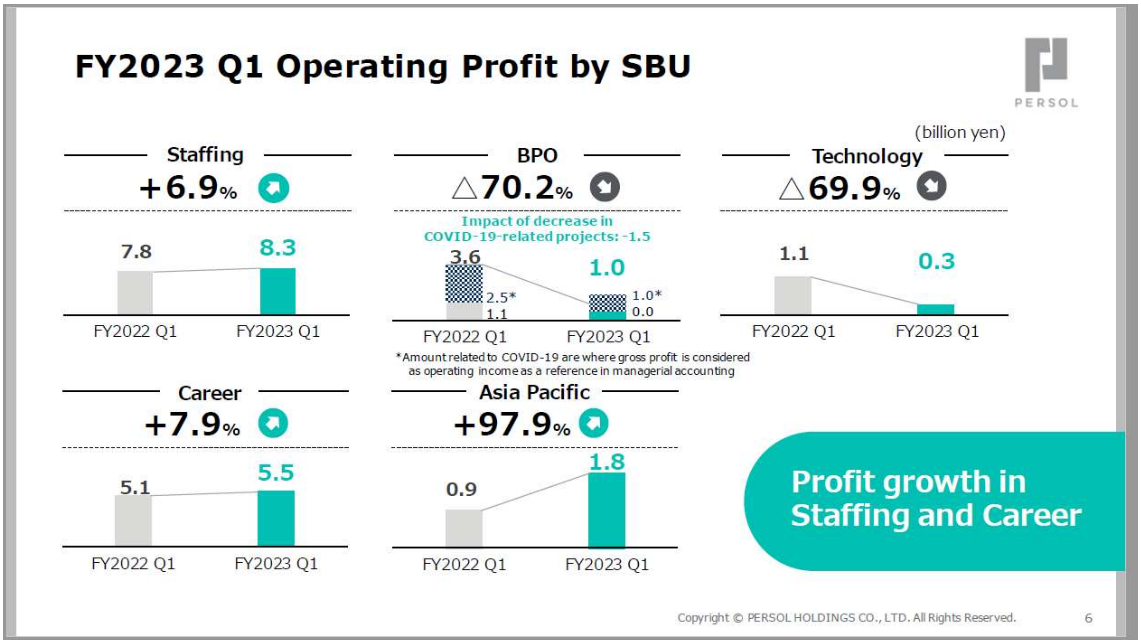
[Tokunaga]Hello, I am Tokunaga, CFO of PERSOL Holdings. I will explain the summary of financial results for 1Q. As has been informed already, we shifted to IFRS from this fiscal year. And this year is also the first year of the new mid-term management plan and we have disclosure based on new segments. I would also like to touch on that in my briefing today.

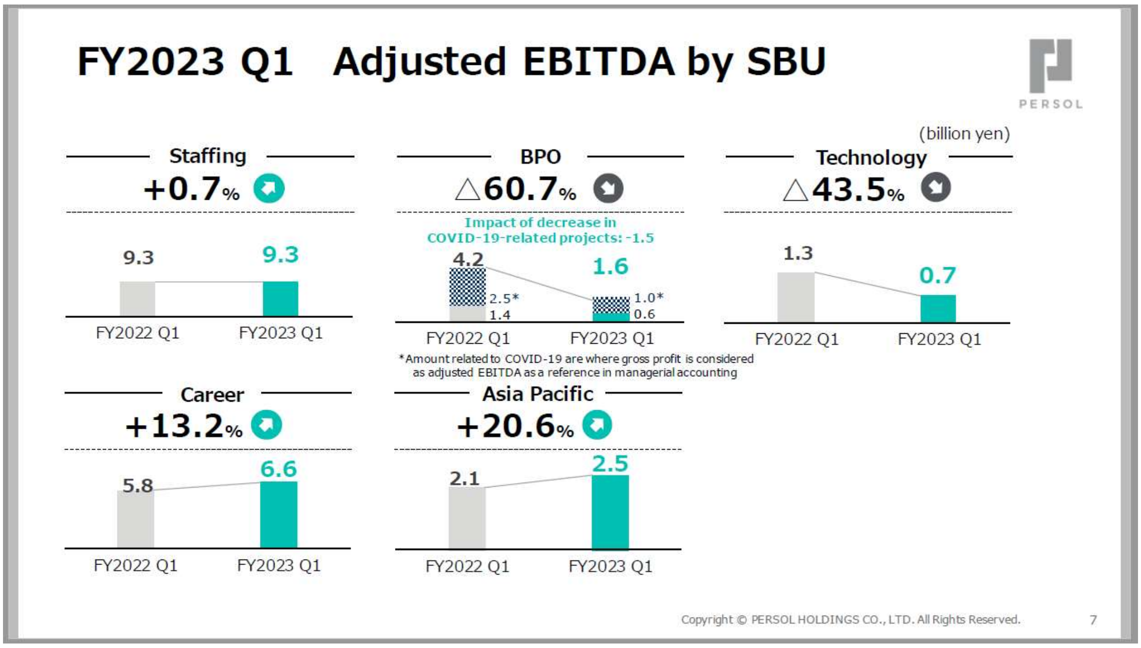
Revenue grew 9.4% yoy and gross profit grew 8.0% yoy. Operating profit decreased 15%, adjusted EBITDA fell 16% but, as CEO Wada mentioned earlier, we are making good progress against the full year Forecast for all of revenue, operating profit, and adjusted EBITDA.



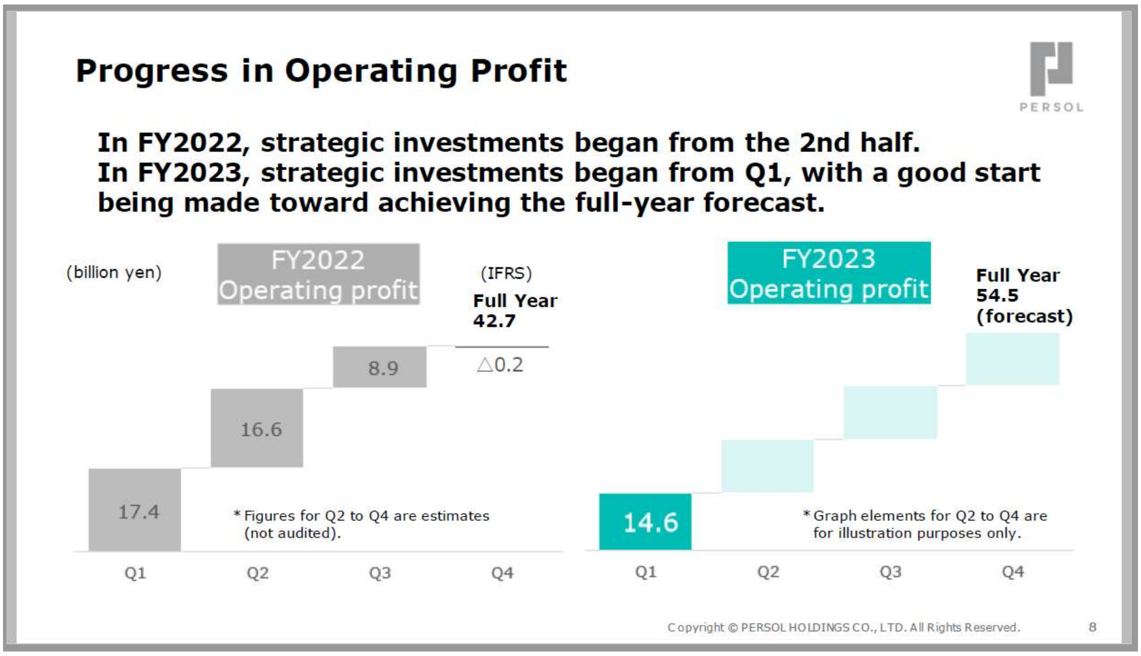
Next is on revenue by SBU. For BPO SBU in the middle, with dissipating impact of COVID 19, COVID related work decreased, pushing down BPO revenue slightly. But on the other hand, centering around Staffing SBU, Career SBU and others, as you can see, we enjoyed strong revenue growth.



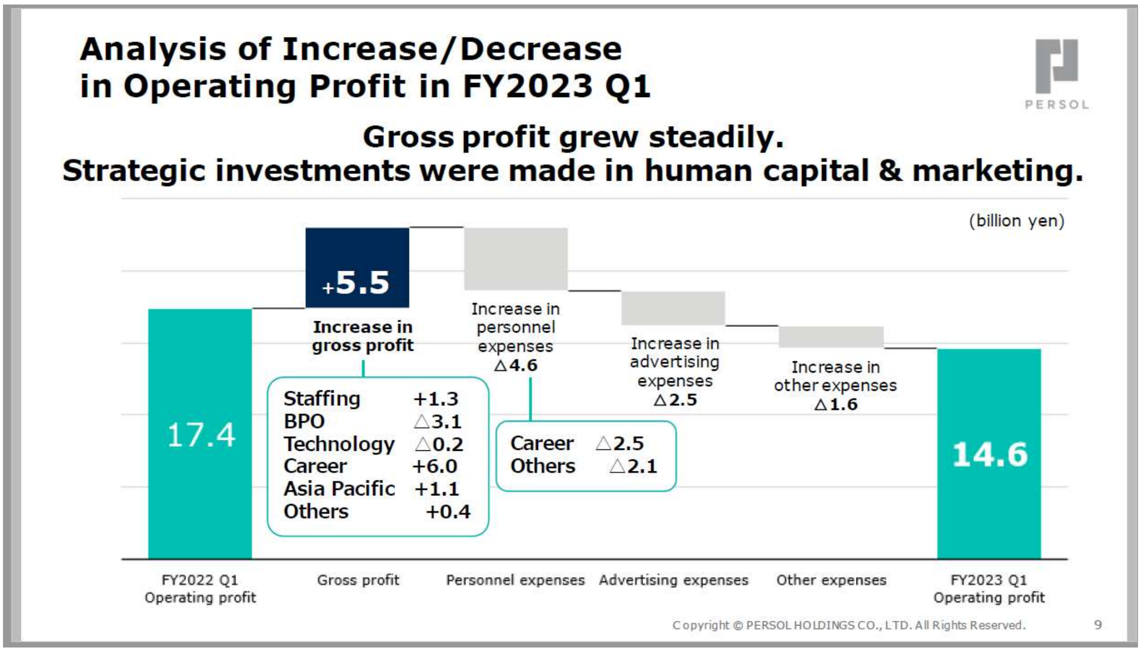
Next is operating profit by SBU. Our core businesses of Staffing SBU and Career SBU increased profits by 6.9% and 7.9% respectively. BPO, as I explained earlier decreased due to the impact of COVID-19.



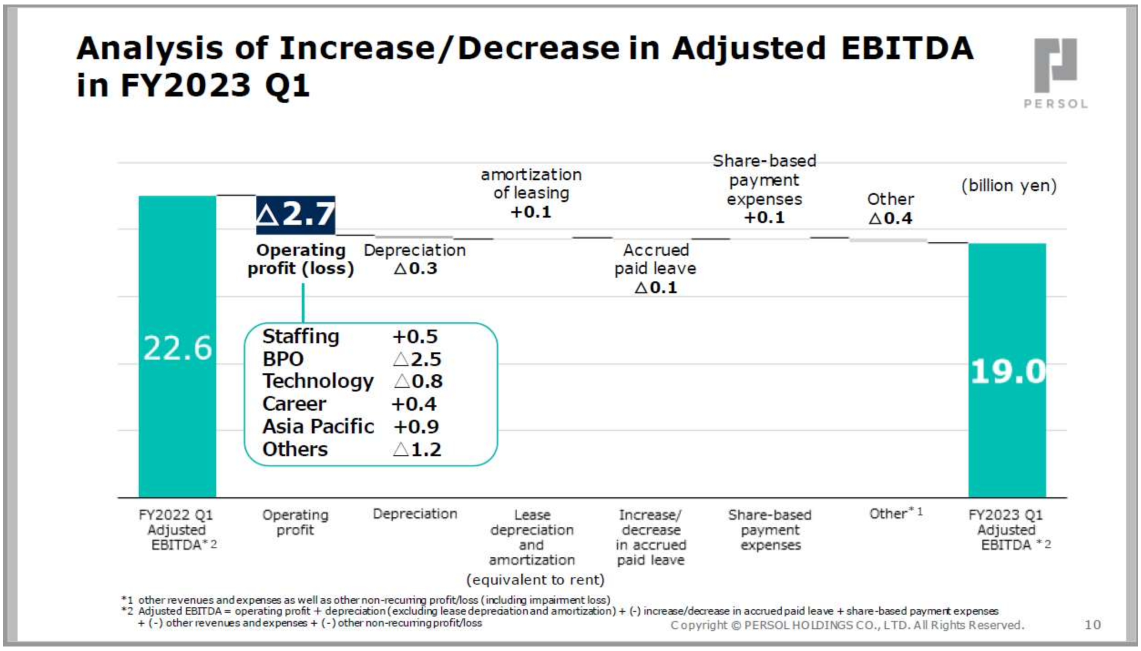
This is adjusted EBITDA by SBU. The trend is very similar to operating profit.



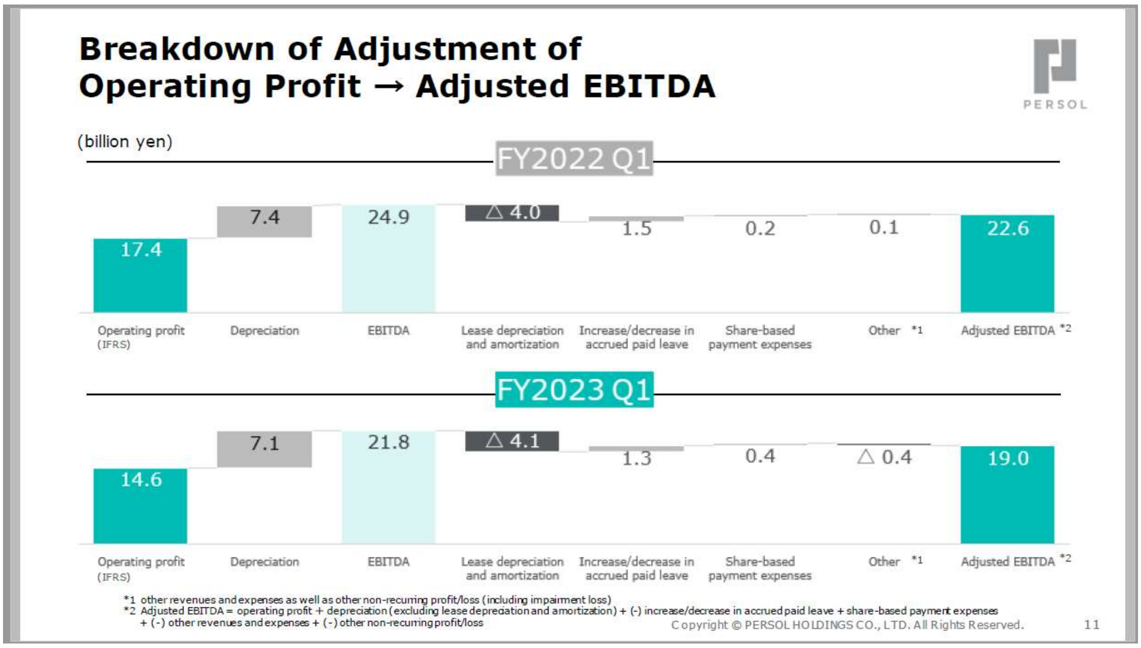
As was mentioned at the beginning, this fiscal year is different from last fiscal year in that we have started making strategic investments from the 1Q. Last year, as is shown in the graph, we made strategic investments in the 3Q and the 4Q, but this fiscal year, we started making investments from the 1Q and are planning to generate similar level of profit throughout the quarters.



This is on analysis of increase/ decrease in operating profit. First, gross profit increased 5.5 billion yen compared to the last fiscal year, Career SBU performed well and marked an increase of 6 billion yen. Staffing and Asia Pacific also performed well. On the other hand, as I explained earlier, Career SBU has made personnel investment and spent on advertising expenses from the 1Q and overall, operating profit decreased yoy.



Similarly, this is analysis of increase / decrease in adjusted EBITDA yoy. Other than on operating profit, there was no major impact on depreciation and amortization cost or accrued paid leave.



Next, I would like to explain about the adjustments made from IFRS based operating profit to adjusted EBITDA. The upper part is last fiscal year. The lower part is this fiscal year. First, depreciation cost is added to IFRS based operating profit, then lease depreciation and amortization are deducted, shown in the black box, which is equivalent to rent, and accrued paid leave is adjusted, then share -based payment expenses are adjusted. This is how adjusted EBITDA is calculated. There is not much of a difference in adjustments last fiscal year and this fiscal year.

(Reference) FY2023 Q1
Revenue by SBU

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(IFRS, million yen)

	FY22 Q1 Results	FY23 Q1 Results	YoY	FY23 Full-Year Forecasts	Progress Rate
Consolidated	300,467	**328,703**	+9.4%	1,340,000	**24.5%**
Staffing	133,530	**144,793**	+8.4%	597,000	**24.3%**
BPO	28,132	**26,520**	△5.7%	104,000	**25.5%**
Technology	21,006	**23,861**	+13.6%	102,000	**23.4%**
Career	24,198	**31,902**	+31.8%	137,000	**23.3%**
Asia Pacific*	93,891	**102,269**	+8.9%	399,000	**25.6%**
Others	7,373	**8,036**	+9.0%	39,000	**20.6%**
Adjusted	△7,664	**△8,679**	-	△38,000	**-**

Exchange rates [USD (PERSOLKELLY)] FY2022 Q1: 129.7 yen, FY2023: Q1 : 137.5yen/ [AUD (Programmed)] FY2022 Q1 : 92.7yen, FY2023 Q1 : 91.9yen

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This is a slide on revenue by SBU. Progress rate against the full year forecast at all SBUs are about 25%.

(Reference) FY2023 Q1 Operating Profit and OP Margin by SBU

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(IFRS, million yen)

	FY22 Q1 Results	FY23 Q1 Results	YoY	FY23 Full-Year Forecasts	Progress Rate
Consolidated	17,436	**14,675**	△15.8%	54,500	**26.9%**
	5.8%	**4.5%**	△1.3pt	4.1%	-
Staffing	7,843	**8,386**	+6.9%	26,800	**31.3%**
	5.9%	**5.8%**	△0.1pt	4.5%	-
BPO	3,671	**1,093**	△70.2%	7,200	**15.2%**
	13.1%	**4.1%**	△8.9pt	6.9%	-
Technology	1,159	**348**	△69.9%	5,200	**6.7%**
	5.5%	**1.5%**	△4.1pt	5.1%	-
Career	5,179	**5,590**	+7.9%	21,800	**25.6%**
	21.4%	**17.5%**	△3.9pt	15.9%	-
Asia Pacific*	930	**1,840**	+97.9%	6,800	**27.1%**
	1.0%	**1.8%**	+0.8pt	1.7%	-
Others	△736	**△646**	-	△2,900	-
Adjusted	△611	**△1,937**	-	△10,400	-

Exchange rates [USD (PERSOLKELLY)] FY2022 Q1 : 129.7 yen, FY2023 : Q1 : 137.5yen/ [AUD (Programmed)] FY2022 Q1 : 92.7yen, FY2023 Q1 : 91.9yen

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Next is operating profit by SBU. For Staffing, Career SBUs and Asia Pacific, progress rate exceeded 25%. For BPO and Technology, their profits tend to be higher towards the end of the fiscal year because of the characteristics of the businesses. Despite BPO progress rate being 15% and Technology 6.7%, we believe we will be able to achieve the annual profit targets of each SBU for the full year.

(Reference) FY2023 Q1 Adjusted EBITDA and Adjusted EBITDA Margin by SBU

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(IFRS, million yen)

	FY22 Q1 Results	FY23 Q1 Results	YoY	FY23 Full-Year Forecasts	Progress Rate
Consolidated	22,678	**19,014**	△16.2%	75,500	**25.2%**
	7.5%	**5.8%**	△1.8pt	5.6%	-
Staffing	9,319	**9,385**	+0.7%	31,100	**30.2%**
	7.0%	**6.5%**	△0.5pt	5.2%	-
BPO	4,216	**1,657**	△60.7%	9,600	**17.3%**
	15.0%	**6.2%**	△8.7pt	9.2%	-
Technology	1,343	**759**	△43.5%	6,800	**11.2%**
	6.4%	**3.2%**	△3.2pt	6.7%	-
Career	5,872	**6,645**	+13.2%	27,100	**24.5%**
	24.3%	**20.8%**	△3.4pt	19.8%	-
Asia Pacific*	2,152	**2,595**	+20.6%	10,200	**25.4%**
	2.3%	**2.5%**	+0.2pt	2.6%	-
Others	△206	**△502**	-	△600	-
Adjusted	△19	**△1,525**	-	△8,600	-

Exchange rates [USD (PERSOLKELLY)] FY2022Q1 : 129.7 yen, FY2023 : Q1 : 137.5yen/ [AUD (Programmed)] FY2022 Q1 : 92.7yen, FY2023 Q1 : 91.9yen

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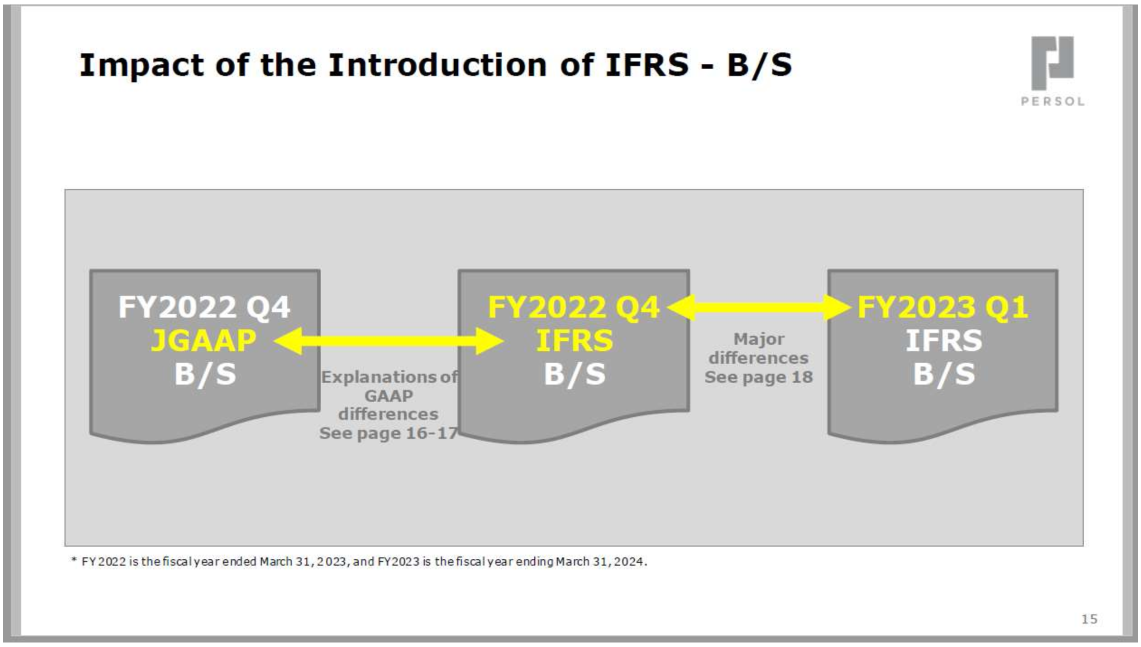
We expect EBITDA to be the same, so I would like to omit explaining about it.



We shifted to IFRS from this fiscal year, so, I would like to compare the differences with JGAAP, and also explain the changes on the IFRS based Balance Sheet comparing the end of 4Q of last fiscal year and the end of the 1Q of this fiscal year.

FY2022 Q4 Statement of Financial Position JGAAP⇔IFRS

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Important Differences from JGAAP：leases and paid leave

(IFRS, billion yen)

Assets	JGAAP	IFRS	difference
Current assets			
Cash and cash equivalents	99.7	101.2	1.4
Trade and other receivables	160.9	162.8	1.8
Contract asset	25.9	23.5	△ 2.4
Other	17.5	13.8	△ 3.7
Total current assets	304.2	301.4	△ 2.8
Non-current assets			
Property, plant and equipment	9.5	9.2	△ 0.3
Right-of-use asset	5.2	28.1	22.9
Goodwill	52.3	58.4	6.1
Intangible assets	33.9	35.2	1.2
Deferred tax asset	13.7	23.4	9.6
Other	22.9	32.7	9.7
Total non-current assets	137.8	187.2	49.4
Total assets	442.1	488.7	46.5

Main Differences

■ Current assets: Mainly due to unification of fiscal periods

■ Non-current assets:
- ・Right-of-use assets: +¥22.9B due to the adoption of lease standards
- ・Goodwill: Amortization of goodwill will be suspended after April 1, 2022.
- ・Deferred tax assets: mainly tax effect on accrued vacation
- ・Other non-current assets: Unrealized gains on unlisted equity securities +¥6.2B

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First, I will explain the differences between JGAAP and IFRS as of the end of March 2023. A big change is shown in the middle, where there is an increase in right of use asset. This is an increase equivalent to rent increase. Compared to JGAAP, it is an increase of 22.9 billion yen.

FY2022 Q4 Statement of Financial Position JGAAP⇔IFRS

Numerical change in equity and equity ratio mainly due to GAAP change

(IFRS, billion yen)

Liabilities and Equity	JGAAP	IFRS	difference
Liabilities			
Bonds and loans payable	21.4	21.1	△0.2
Lease liabilities	1.9	14.0	12.0
Trade and other payables	92.5	93.6	1.1
Other current liabilities	79.5	120.6	41.1
Total current liabilities	195.4	249.5	54.1
Bonds and loans payable	30.1	30.1	0.0
Lease liabilities	3.4	12.8	9.3
Deferred tax liabilities	4.0	4.3	0.3
Other	8.4	8.3	△0.1
Total non-current liabilities	46.0	55.6	9.6
total liabilities	241.4	305.1	63.7
Parent company's equity	185.5	169.6	△15.8
Noncontrolling interest	15.2	13.8	△1.3
Net assets	200.7	183.5	△17.2
Total liabilities and equity	442.1	488.7	46.5

Main Differences

■Liabilities
- Lease liabilities (current/non-current): Leasing standards applied
- Other current liabilities: Accrued vacation +¥39.6B

	JGAAP	IFRS
Equity Ratio	42.0%	34.7%

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This is the liabilities side against the increase in right of use assets I just explained about. For Lease liabilities, both current liabilities and non-current liabilities increased. Accrued vacation of ￥39.6 billion yen has been posted based on IFRS. These are the major gaps between JGAAP and IFRS.

FY2023 Q1 Consolidated Statement of Financial Position

A firm financial status was maintained, with the change of credit rating by JCR upgraded **from A (Positive) to A+ (Stable)**

(IFRS, million yen)

	FY2022 Q4	FY2023 Q1	Change
Current assets	301,445	**302,713**	+1,267
(Details)			
Cash and deposits	101,233	**88,854**	△12,378
Accounts receivable – trade	162,853	**172,968**	+10,115
Non-current assets	187,283	**192,429**	+5,146
(Details)			
Goodwill	58,465	**60,088**	+1,623
Software	35,250	**36,814**	+1,564
Investments and other assets	28,168	**28,032**	△135
Total assets	488,728	**495,142**	+6,413

	FY2022 Q4	FY2023 Q1	Change
Current liabilities	249,552	**258,774**	+9,222
(Details)			
Borrowings	93,688	**97,552**	+3,864
Accounts payable – other	21,174	**39,985**	+18,810
Non-current liabilities	55,647	**46,608**	△9,038
(Details)			
Bonds payable and borrowings	30,117	**20,001**	△10,116
Total liabilities	305,199	**305,383**	+183
Net assets	183,529	**189,759**	+6,230
Liabilities and net assets	488,728	**495,142**	+6,413

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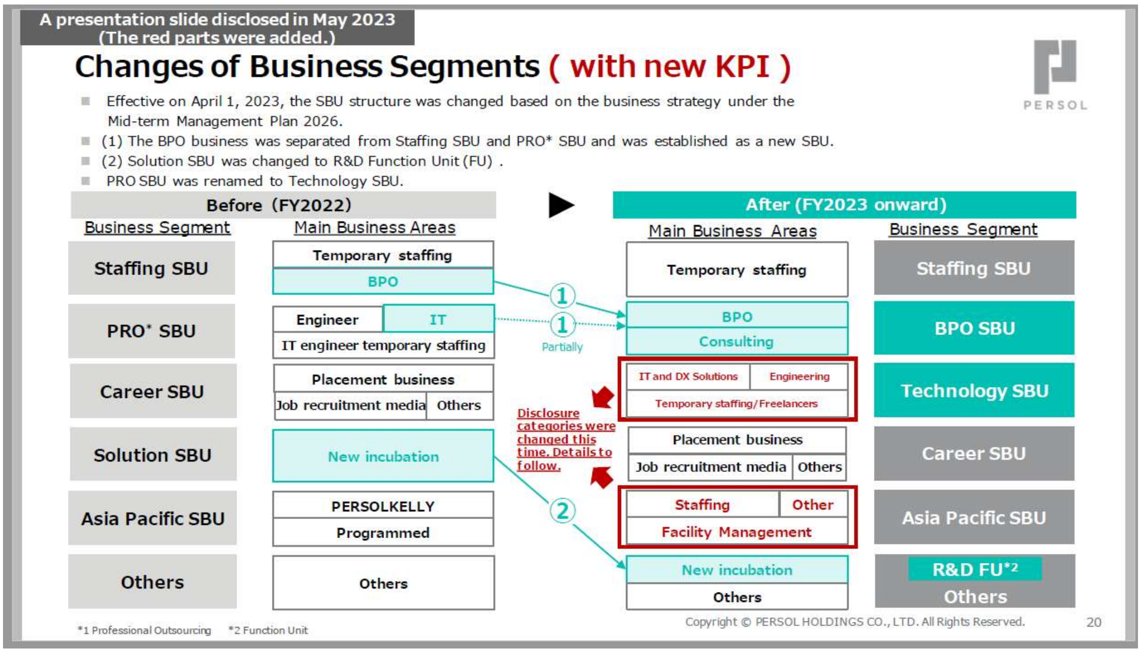
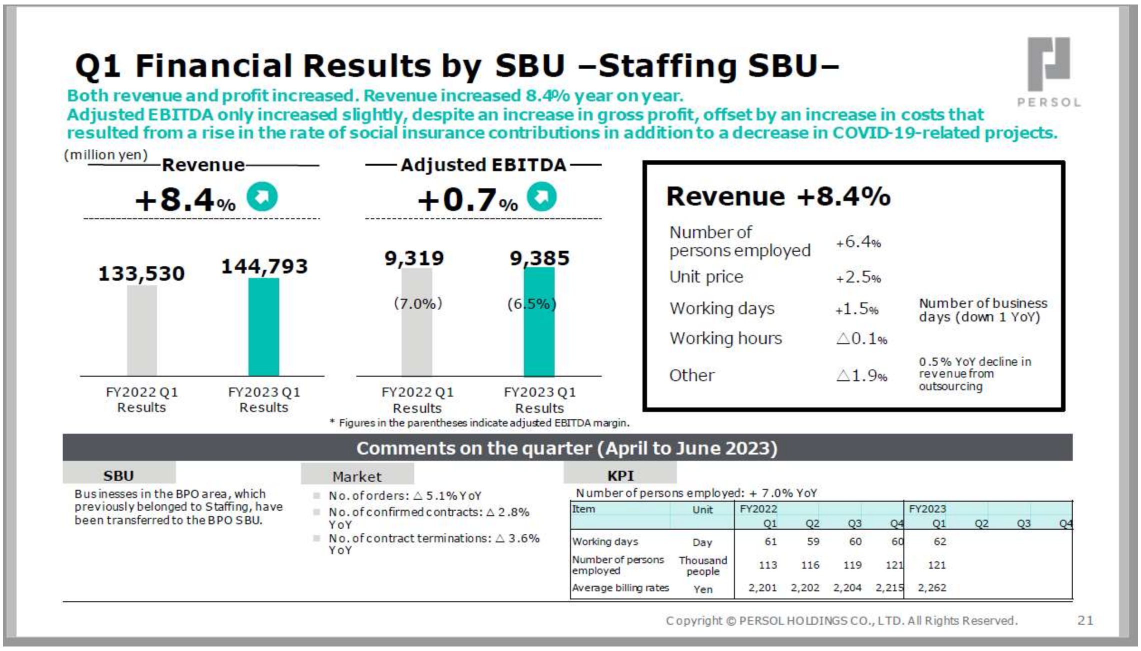
Next is a comparison between IFRS based balance sheet as of the end of March and end of June. Current assets increased 1.2 billion yen. Non-current assets increased 5.1 billion yen. Please take a look at liabilities side. Borrowings to be repaid next fiscal year has moved from non-current or fixed, to current liabilities. But there are no major changes as total liabilities.

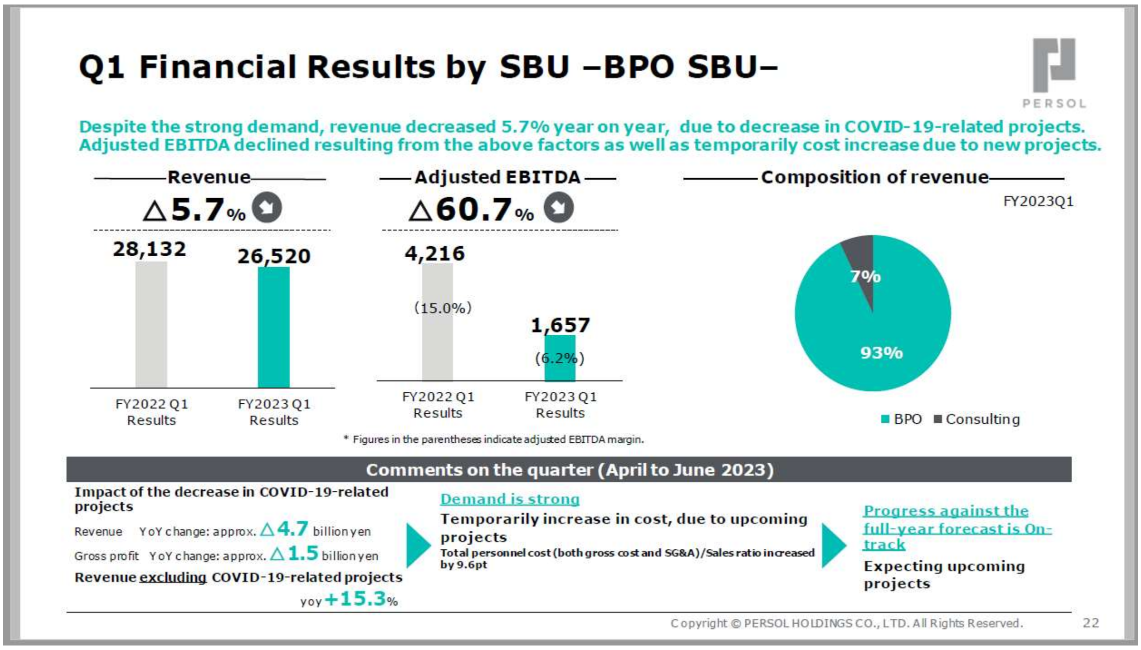


Next is the financial results by SBU.

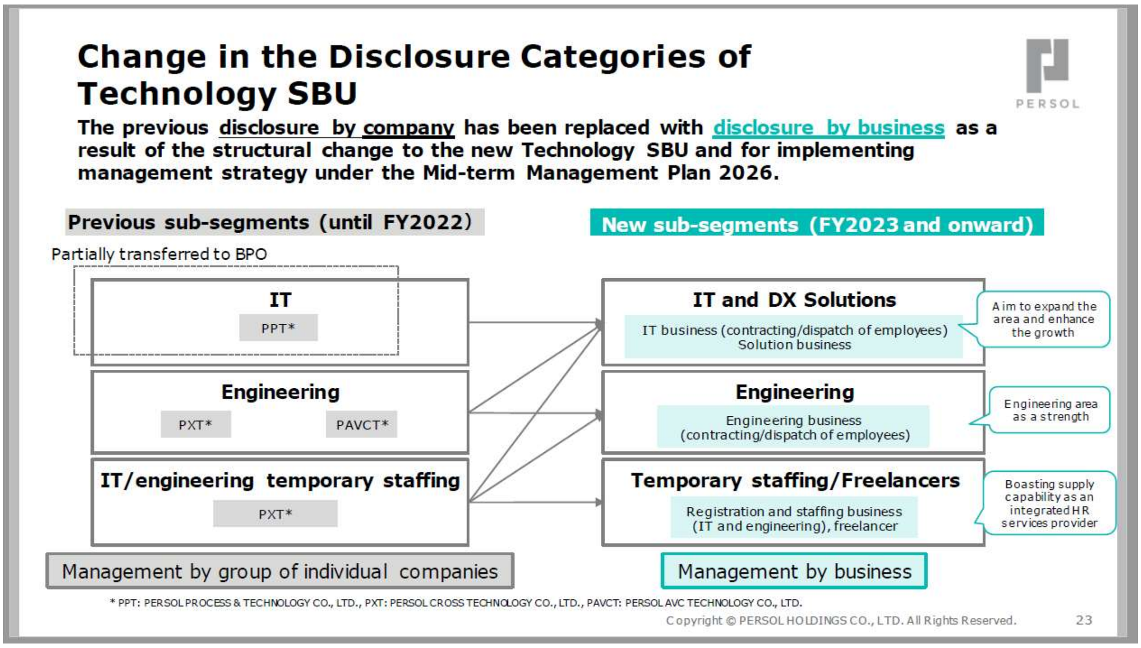
As was mentioned at the beginning, this is the first year of het new mid-term management plan and we changed the segments. Please take a look at the very right. We newly added the second from the top segment, BPO segment. This SBU was separated from Staffing SBU and Professional Outsourcing SBU and was newly added. And former Professional Outsourcing SBU changed its name to Technology SBU. Technology SBU and Asia Pacific SBU changed the disclosure of sub segments from the previous disclosure based on each company to based on each business. I will explain about this later also. With the segment changes this time, we enhanced the disclosure of KPIs.



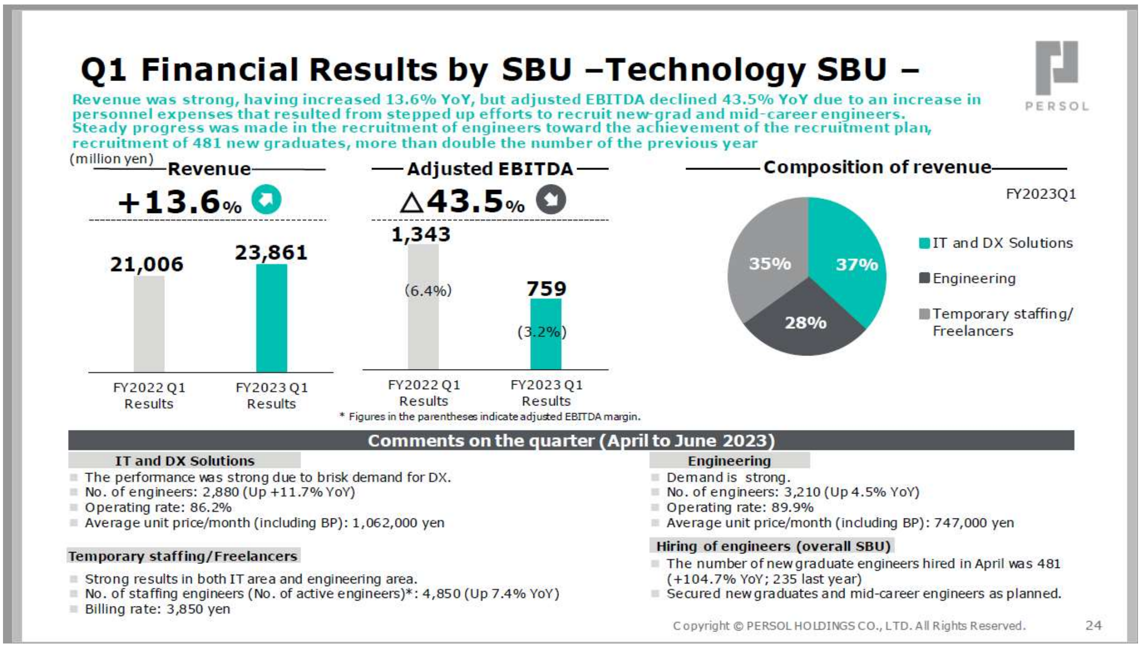
The first SBU is Staffing SBU. Revenue for Staffing SBU increased 8.4%, performing well. On the other hand, adjusted EBITDA, with the change in social insurance scheme last October, cost went up. As a result, adjusted EBITDA increased 0.7%. At the right top of the page, we have the breakdown of revenue increase. Number of persons employed increased 6%, unit price of billing increased 2.5%. Furthermore, we have the details of KPIs described at the right bottom of the page and at the back of this deck in the appendix, so please check the details when you have time



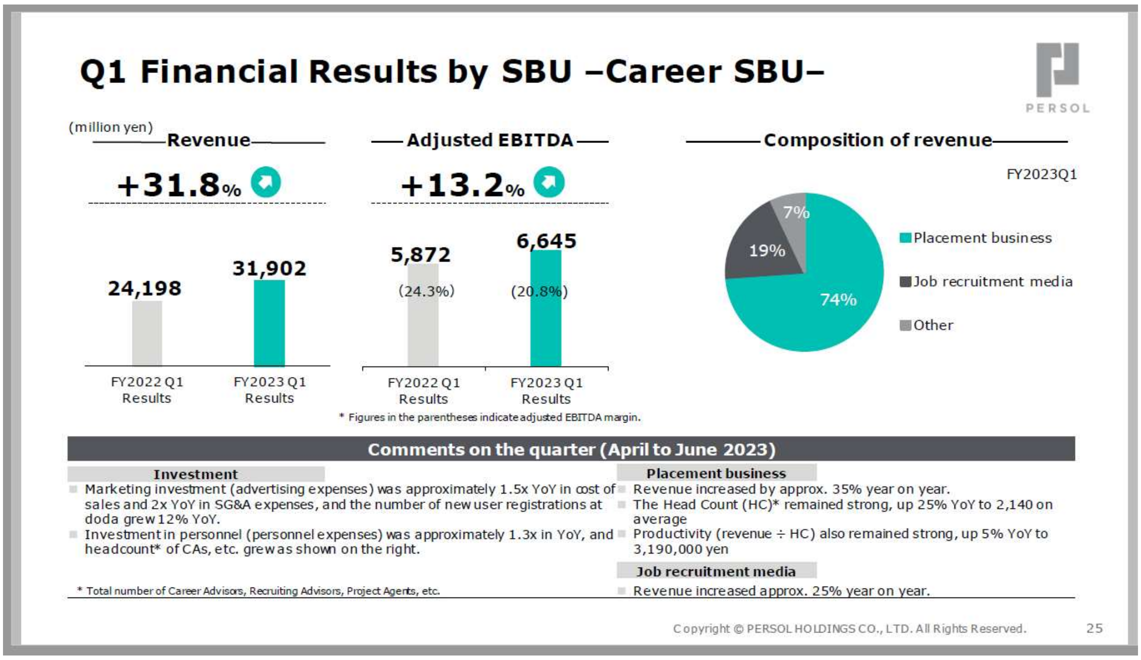
Next is BPO SBU. Due to the impact of COVID 19, revenue dropped 5.7%, adjusted EBITDA fell 60%. However, excluding COVID 19 related projects, revenue increased 15%, continuing to grow strongly.



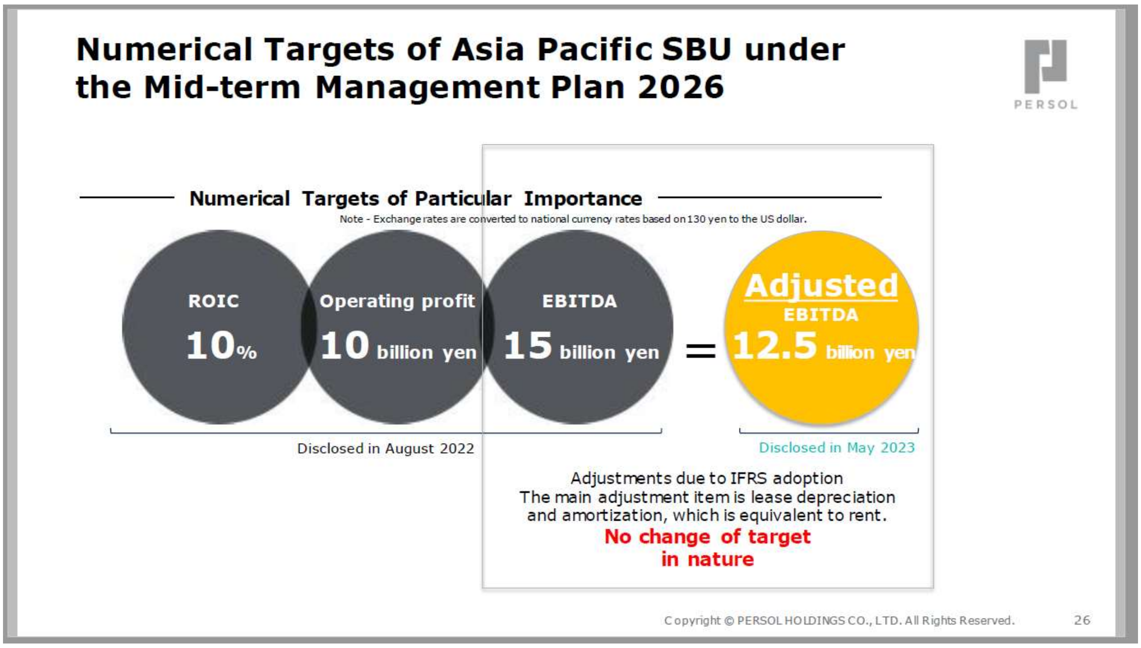
Next is Technology SBU. As I mentioned earlier, sub segments changed from disclosure by company to disclosure by business. The first subsegment is IT. The second subsegment is engineering. This is mainly contract business for automotives and home appliances software. The third is Engineer Temporary staffing business. These are the 3 subsegments we changed to.



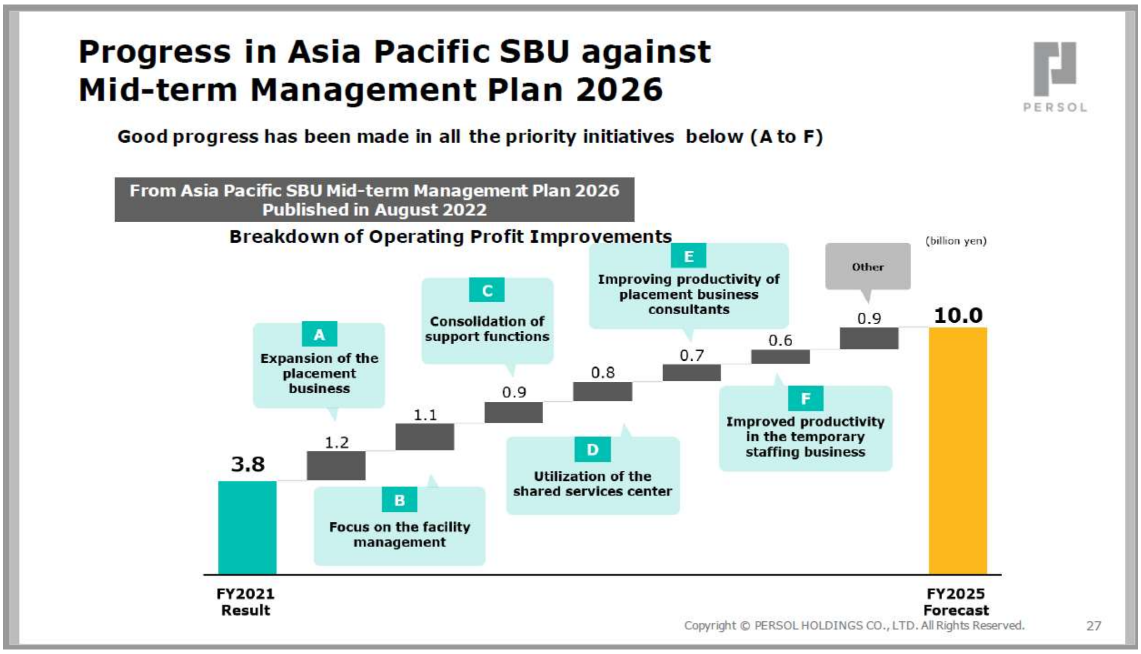
Looking at the latest results, Technology SBU's total revenue increased 13.6%, continuing to perform strongly. On the other hand, in the first quarter, we hired 480 new graduates, more than double that of last fiscal year and that is included in cost. As a result, adjusted EBITDA decreased 43.5%. From the second quarter onwards, these new graduates are expected to contribute to revenue and thus believe we will be able to achieve the full year forecast. And the composition of revenue by sub segments are shown on the right side, by the pie chart. The current composition is about 1/3 each.



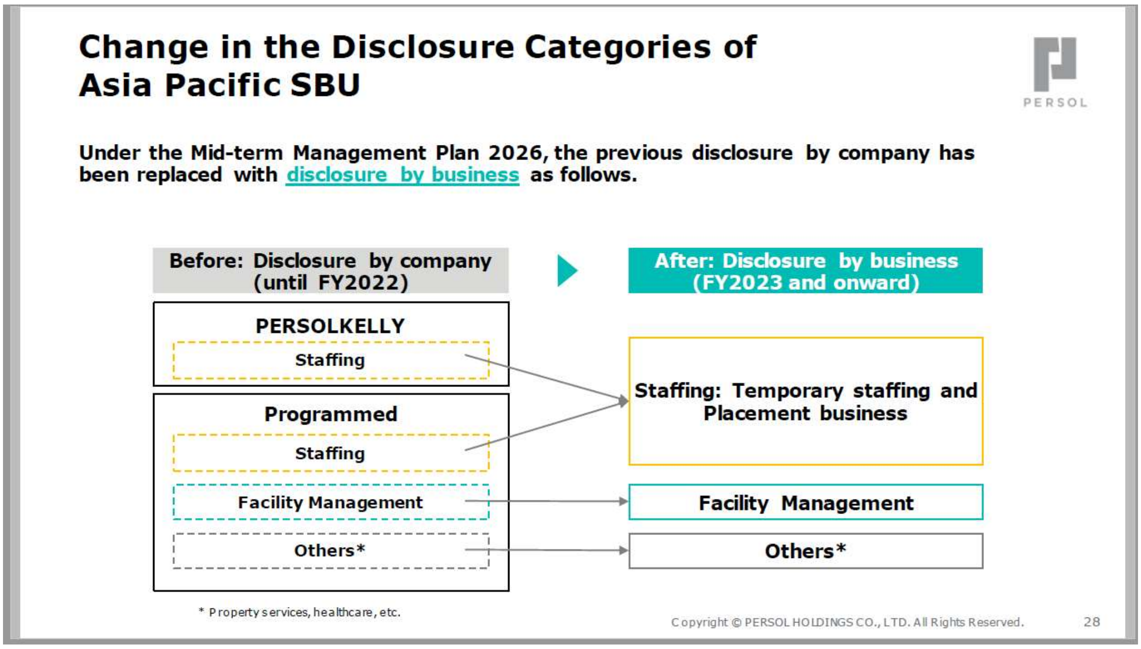
Next is Career SBU. Career SBU continues to be very strong since last year. Revenue increased 31%. Because we have been making strategic investments centering around marketing from the first quarter, adjusted EBITDA increased 13.2%. Comparing year on year, new user registrations at Doda brand grew 12%, as an effect of marketing investment. We are also increasing the head count of mainly Career Advisors, which increased by 400 to 2,100, a 25% increase yoy. As a result, revenue increased 31%.



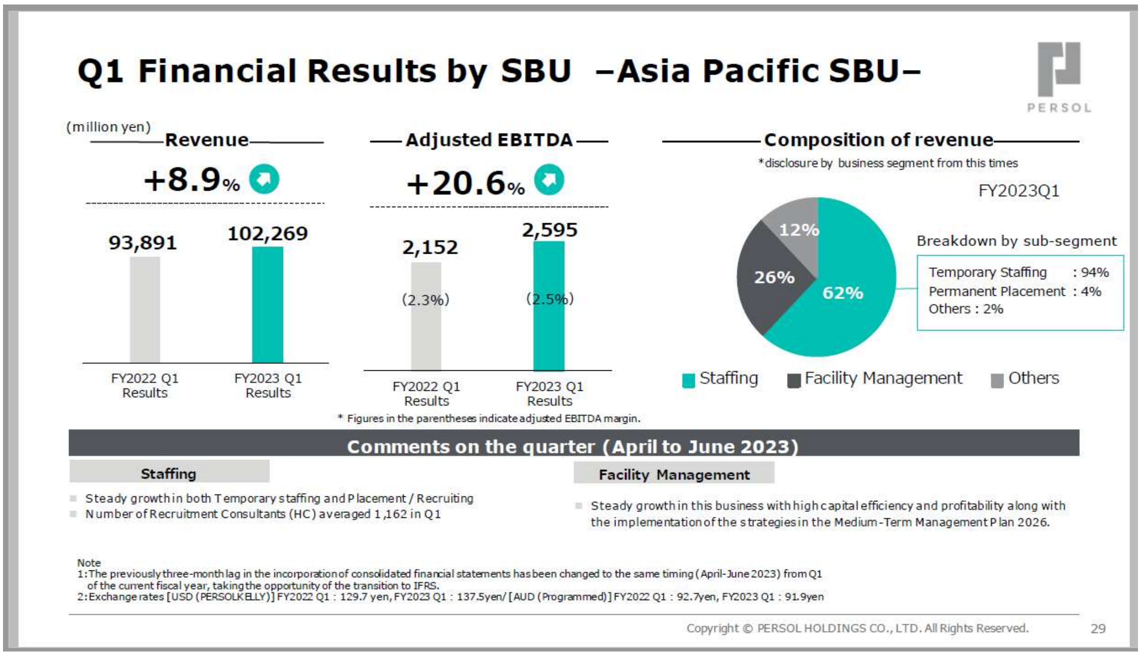
Next is Asia Pacific SBU. Last August, new mid-term management plan was announced ahead of others at this SBU. The targets were ROIC of 10%, operating profit of 10 billion yen and EBITDA of 15 billion yen. This time as a group overall, we changed the target to adjusted EBITDA of 12.5 billion yen. As such, we changed the target for Asia Pacific from the previous 15 billion yen to 12. 5 billion yen but this gap of 2.5 billion yen is depreciation cost equivalent to rent, therefore, there are no changes to the actual target.



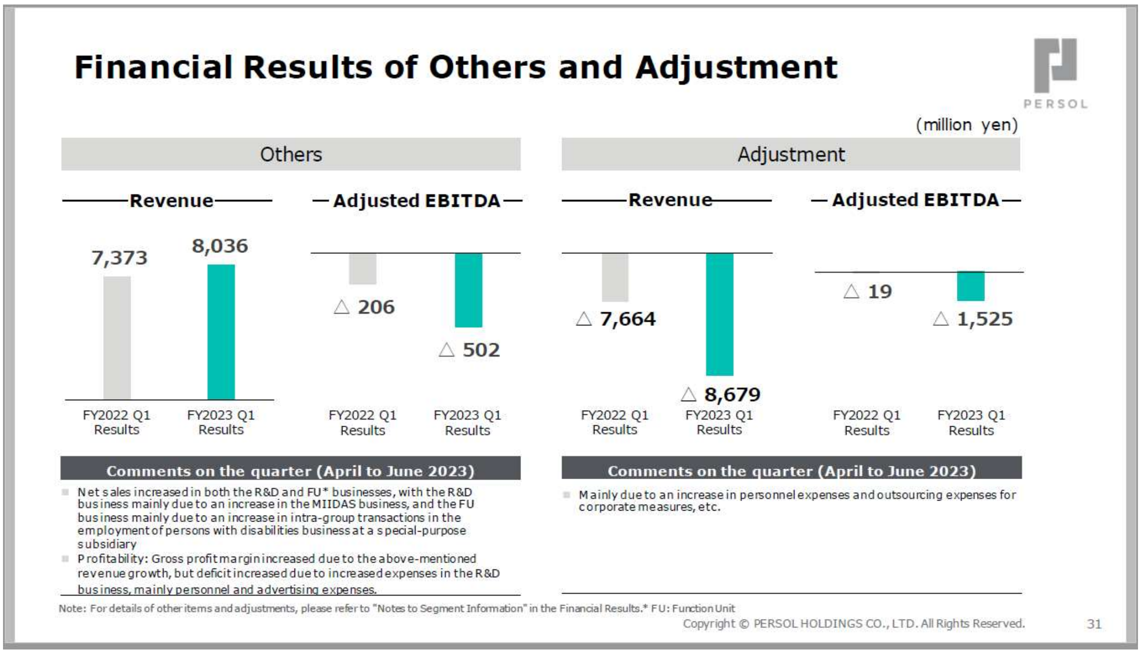
This is a slide on progress in Asia Pacific SBU against mid-term management plan, shown from A to F, which we announced last August. All are progressing well.



For Aia Pacific, the conventional sub segments of the PERSOLKELLY and Programmed, which were company based, have been changed this time to 3 sub segments of Staffing, Facility Management, and others.

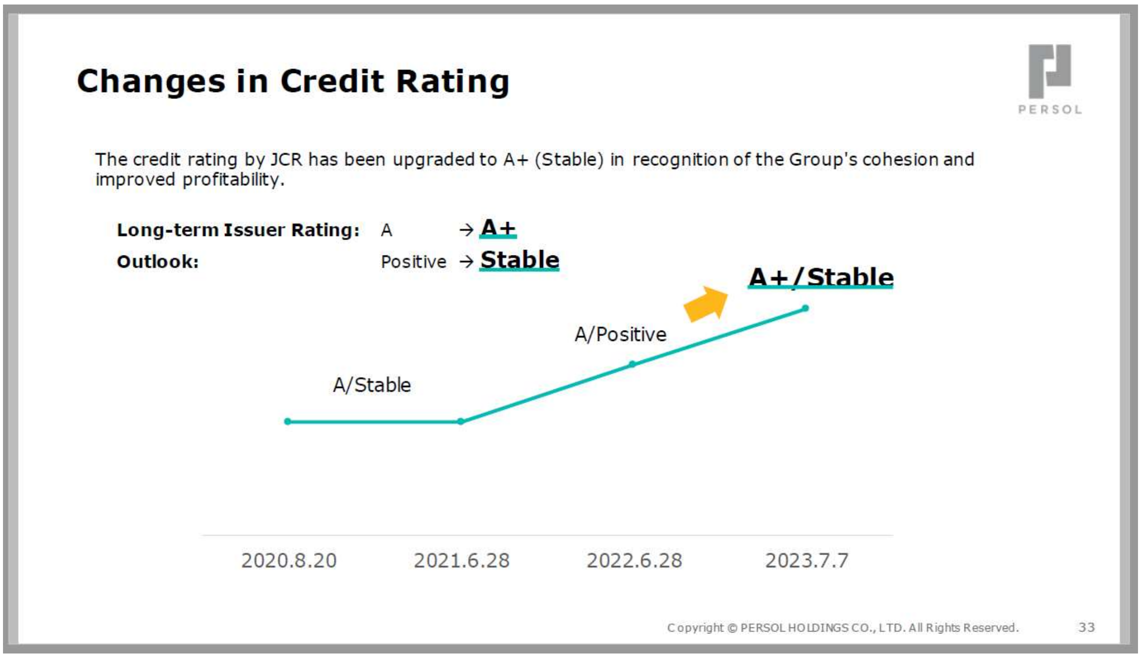


Looking at the 1Q results, revenue grew 8.9% and adjusted EBITDA grew 20%, showing strong performance. There was hardly any impact of FX from last fiscal year to this fiscal year. Please refer to the pie chart on the right for the composition of revenue by the 3 sub segments. Revenue and operating profit of the respective companies of PERSOLKELLY and Programmed are shown for your reference. Please take a look at it when you have time.

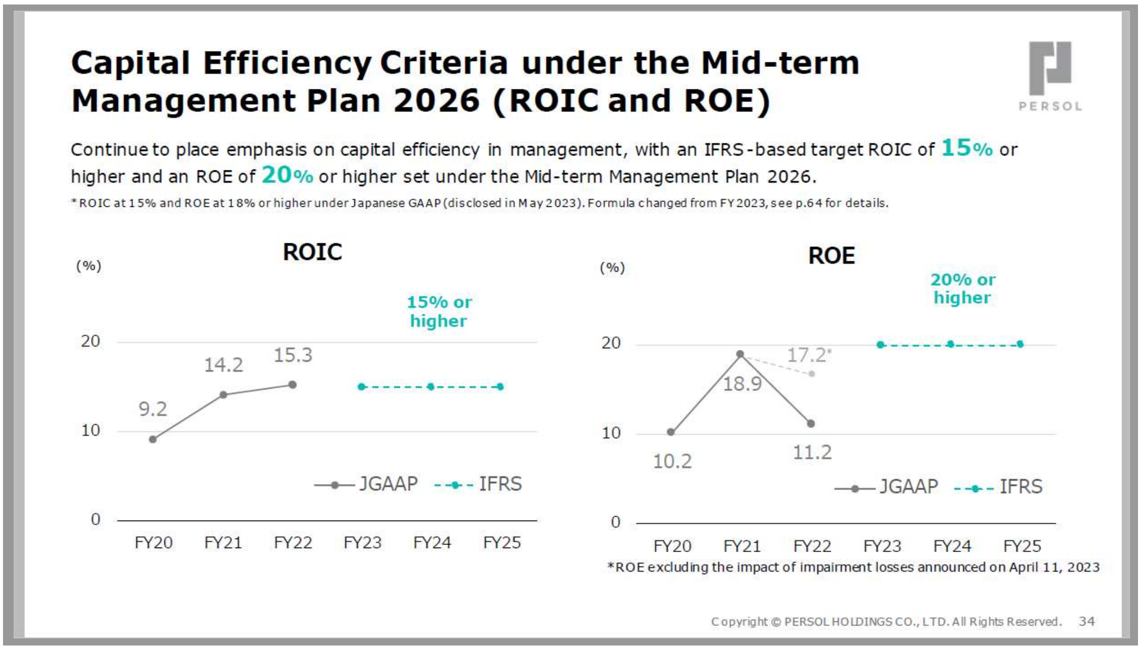


Last of all, we have others and adjustment other than the SBUs. Others increased slightly to 8 billion yen. Adjusted EBIDA was negative 500 million yen. On a consolidated adjustment, adjusted EBITDA was negative 1.5 billion yen but this is due to enhancing functions at Holdings company and changes in management cost allocation between each SBU and the holdings. It does not mean there was a significant increase in cost.

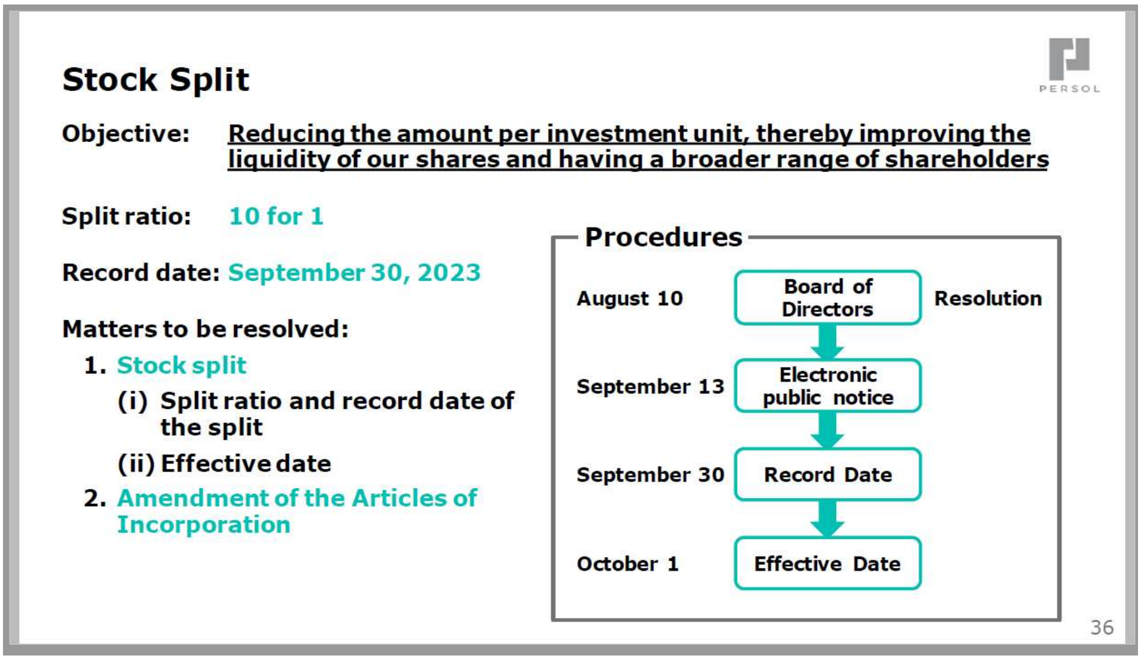
This was all for the update of each SBU and the consolidated performance.



[CEO Wada] Next, I 'd like to continue with Credit Ratings, and ROIC, ROE targets. As I mentioned in the highlights, in July, our credit rating was upgraded from A to A+. The outlook changed from positive to stable. This is an update in our change in credit rating by JCR.



For our capital efficiency criteria, we made some adjustments in line with the introduction of IFRS. ROIC remains to be the same at 15% as previously disclosed. If you could please refer to slide 64, calculation methods have changed slightly. ROE target has been changed from 18% to 20%. This is because we want to maintain this as a minimum criteria in 2026 to manage our business and also, intend to take initiatives to surpass this.



Next is about stock split.
We are planning to split the stocks 10 to 1. Record date will be Sept. 30. This has been resolved at today's board of directors meeting, and we will proceed based on the procedures described here on this slide.

Revision of Dividend Forecast Associated with the Stock Split

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- Reflecting the stock split, the forecast year-end dividend of FY2023, which was announced on May 15, 2023, was revised as follows.
- This revision was made in accordance with the split ratio, so the total amount remains materially unchanged.
- Because the effective date of the stock split is October 1, 2023, payment of the interim dividend, the record date for which is September 30, 2023, will be made based on the number of shares before the stock split.

	Dividends per share		
	Interim	**Year-end**	Annual
Previous forecasts (Announced on May 15, 2023)	43.00 yen	**43.00 yen**	86.00 yen
Revised forecasts (Amount based on the ratio before the stock split)	43.00 yen	**4.30 yen (43.00 yen)**	– (86.00 yen)
Reference: FY2022 results	21.00 yen	40.00 yen	61.00 yen

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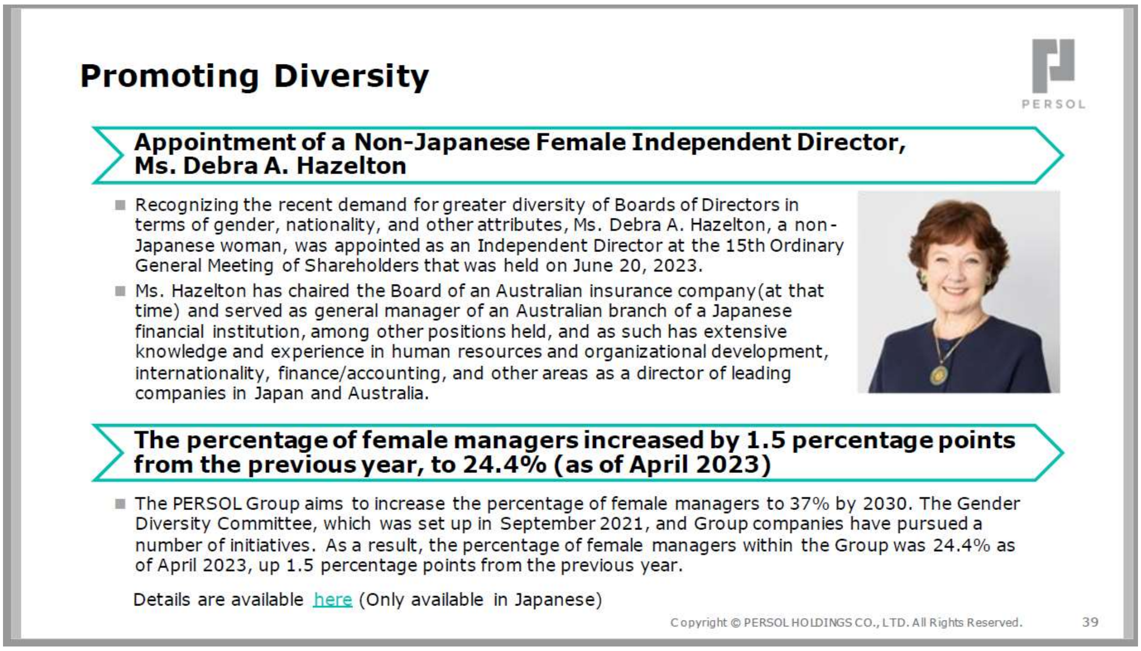
This is about dividends. Basically, there are no changes but since our stocks will be split 10 to 1, dividend at the end of the fiscal year is expected to be 4.3 yen per share. Again, I’d like to emphasize that this has not changed from before, so please rest assured.



Next is about diversity and governance. As we changed t management structure, I 'd like to share an update with you. We appointed a non-Japanese female independent director, Ms. Debra Hazelton. She has chaired the board of a leading Australian financial institution. She has experience in Insurance as well as a Bank. She has experience in management, extensive experience in human resources and has also worked in Japan in the past. She has extensive knowledge about Japan as well and we feel assured that she will be able to offer advice and opinions form diverse perspectives at the board of directors' meetings.

In promoting our diversity, percentage of female managers is a major topic. As of April, this ratio increased to 24.4%. This is an increase by 1.5 percentage points yoy. We aim to achieve 37% by FY2030. I am taking the central role in promoting diversity and inclusion and we are making progress as planned.

Governance Structure, Skill Matrix

Name/Position/Gender			Composition of the Committee			Skills that members of the Board should have (knowledge, experience, and abilities)						
			Supervisory Committee	Nomination and Compensation Committee	Corporate Governance Committee	Corporate management Management strategy	Innovation Technologies	Human resources development Organizational development	Global mindset	Risk management Corporate legal affairs	Financial accounting	Sustainability and ESG
Masamichi Mizuta	Chairperson of the Board	Male		○	○	●		●				●
Takao Wada	Representative Director, President and CEO	Male				●		●				●
Ryosuke Tamakoshi	Independent Director	Male		○		●			●		●	
Masaki Yamauchi	Independent Director	Male		○	Chairperson	●	●	●				
Kazuhiro Yoshizawa	Independent Director	Male		Chairperson	○	●	●	●				
Debra A. Hazelton	**Independent Director**	**Female**			○			●	●		●	
Daisuke Hayashi	Director Member of Supervisory Committee	Male	○		○				●	●		●
Chisa Enomoto	Independent Director Member of Supervisory Committee	Female	○						●	●		●
Kazuhiko Tomoda	Independent Director Member of Supervisory Committee	Male	Chairperson		○	●				●	●	
Percentage of female directors		22% (2/9)										

The governance structure and skill matrix will look like this with appointment of Deborah-san. Deborah-san will join the Corporate Governance Committee. As I mentioned, she has strong expertise in human resources and financial accounting, and naturally has global mindset. This is the board of directors’ structure and skills matrix.

Publication of Integrated Report 2023

PERSOL

PERSOL Group Integrated Report 2023 published on July 31, 2023

- Featuring the Value Creation Story for 2030 of the PERSOL Group, which works under its Group Vision, "Work and Smile"
- Details given on materiality and the PERSOL Group Mid-term Management Plan 2026, which were announced in May 2023
- Enhanced ESG information and financial and non-financial data

The full text of the Integrated Report 2023 is available here.
(The English edition is scheduled to be published at the end of August 2023.)
Please also complete the questionnaire on the Integrated Report.

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We published Integrated Report 2023 on July 31. We have been making efforts to offer more detailed information and we started a new mid term plan this fiscal year, and our Value Creation Story for 2030 is featured. So, please take a look at the contents. We have also enhanced ESG information, and financial, non-financial information and thus hope we will be able to live up to your expectations. That is all from me. Thank you very much.