

Q&A at the Briefing of the Financial Results of the 1st Quarter Ended June 30, 2022
(held on August 10, 2022)

Questioner 1:

The results for Q1 were strong, but you have yet to revise your financial forecasts at present. Does that mean that you expect to post substantial expenses from Q2 and onwards? Please explain the balance between the progress made in Q1 and forecasts for the 1st half.

Deputy President Takahashi:

In fact, Q1 results were better than expected. On the other hand, some SBUs held down costs more than initially expected partly because they did not achieve their recruitment plan. We expect the market to remain strong at least during the current fiscal year. In Q2 and Q3, we will definitely make investments that we planned in the beginning of the fiscal year. We may also invest more than we planned, so as to achieve growth from next fiscal year.

As for the investment targets, we will mainly invest in human resources and DX to bolster our competitiveness.

Questioner 2:

You said that while you are somewhat delayed in spending, you may even increase it. Do you mean that you will rapidly make up for the delay in Q2 to spend the amount planned at the beginning of the fiscal year? Or will you remain somewhat delayed in the 2nd half? Please give me a picture of your current thinking.

CFO Tokunaga:

We intend to make all of the investments we had planned at the beginning of the fiscal year in Q2. As you pointed out, however, some may be delayed until the 2nd half.

Questioner 3:

What is the profit margin that you can aim for as the final target at APAC SBU? In some regions, your market share is higher than in Japan, but your profit margin is lower. How do you analyze this current situation? Please also tell me how you can overcome the situation with your own efforts.

APAC SBU Lead Yamazaki:

The APAC market differs from the Japanese market in the fundamental earnings structure of both the placement business and the temporary staffing business. The amount of fees we receive in

the placement business is around half the amount we receive in Japan. In addition, the gross profit margin of the temporary staffing business is about 80% compared to Japan. Under these conditions, we will strive to achieve an OP margin of 2.5% and an EBITDA margin of 4% that we have shown, by revising our business portfolio, improving the efficiency of support functions, and implementing DX of existing businesses to the extent possible. To tell you how much farther we can go, we believe that technologies will continue to improve our profitability. In Asia, a person changes jobs so many times in their lifetime that a career change is seen as quite a normal thing. We believe that technologies will produce higher effects in Asia than in Japan.

Questioner 4:

With respect to the mid-term management plan in APAC, you gave detailed explanations and disclosed the logic this time. They were very easy to understand. You mentioned the following as three strategic pillars. Please tell me the difficulty level of 1 and 3, bottlenecks in their achievement, and what will be needed to eliminate the bottleneck.

1. Revising the Business Portfolio
2. Structural reforms and cost optimization
3. Improving productivity through DX investment

APAC SBU Lead Yamazaki:

Regarding our business portfolio, in the APAC region, we previously aimed to earn profits in all businesses and areas where we did M&A, thus focusing evenly on all businesses. This time, however, through repeated discussions between PERSOL head office and APAC SBU, we made a strong decision to expand the placement business, achieve the growth of white-collar temporary staffing and placement business in Australia, and focus on facility management in other businesses, as we indicated in the mid-term management plan, thus effectively differentiating the levels of our commitment in expanding businesses. In this sense, it is difficult to implement the strategy, but it is well-planned and we have obtained approval from the management. We are therefore confident about its implementation.

Next, I will explain about DX.

Regarding the DX investment for the placement business, we have already achieved productivity improvement by introducing AI matching at Career SBU in Japan. We are customizing it for APAC, so we believe that productivity improvement that we set as a KPI is possible. We also believe that productivity improvement is possible for the temporary staffing business as well because we plan to expand automation tools, which have already been introduced to Programmed, to other countries.

Questioner 5:

You said that the difficulty level is high for the business portfolio revision as the first strategic pillar. Which parts are particularly difficult? (Reference: Key Measures A and B on page 37, "Revise the Business Portfolio," of presentation slides.)

APAC SBU Lead Yamazaki:

The most difficult measure is "Gross profit ratio of the white-collar temporary staffing and placement business in the ANZ region: 5% --> 13%," a KPI for Key Measure A. Because this business is the core business of PERSOLKELLY, we have had the responsible person from the company oversee the ANZ region. The point is how efficiently we can expand the knowledge.

Questioner 6:

Regarding the "Breakdown of Operating Profit Improvements" in the APAC mid-term management plan, which is shown on page 40 of the presentation slides, please explain your plan for each one of the listed measures in terms of the time axis. Regarding the increase in operating profit from 3.8 billion yen in FY2021 to 10.0 billion yen in FY2025, will it increase steadily each fiscal year or do you plan to increase it dramatically over the second half of the period? I would be happy if you could provide a picture.

APAC SBU Lead Yamazaki:

We plan to have almost all of the measures steadily contribute to profit throughout the three-year period. Among them, the consolidation of support functions and productivity improvement of placement business consultants differ from the others in terms of the timing of the contribution. The consolidation of support functions is underway at present and has begun to bear fruit. We therefore expect it to begin producing effects in the first half of the period of the mid-term management plan. In addition, with respect to the productivity improvement of placement business consultants, we plan to expand the knowledge of Career SBU from the second half of this year through next year. We therefore believe that it will produce its full effects in the final year of the mid-term management plan.

Questioner 7:

Could you tell me what shareholder returns will be like under the next mid-term management plan in response to the share repurchase you made this time?

CFO Tokunaga:

We understand that shareholder returns are an important management issue, which we will

continue to consider. We plan to explain our approach to shareholder returns in the Group's next mid-term management plan, which we will announce in May next year. Our basic policy is to return profits by paying dividends, in principle, balancing investment in growth with the provision of shareholder returns.