



## **Earnings Briefing Q&A Summary for the Second Quarter of the Fiscal Year Ending March 2017**

November 16, 2016 (Wed)  
Temp Holdings Co., Ltd.

Q: How will you achieve the ¥45 billion in operating income that you target for the final year of your Mid-term Management Strategy (2020)?

A: Our core temporary staffing and recruitment businesses are doing well, and profitability is gradually improving at both businesses. We hope to bring our operating income into the ¥35-39 billion range by expanding the volume of those two businesses. We hope to get to ¥45 billion by additionally growing the highly profitable BPO, ITO, and engineering businesses and by bolstering the earnings power of our overseas businesses, which are currently not earnings contributors.

Q: Can we have an update on your efforts to improve temporary staffing profitability?

A: Profitability is improving gradually from a cost perspective. We have just over 30 Group companies in the temporary staffing space, which has led to inefficiencies, including overlaps in some functions. Recently we merged the temporary staffing portion of Intelligence, Ltd. with Tempstaff People, and are otherwise engaged in a phased consolidation effort to reduce costs. We are also working to improve profitability by bolstering internal productivity via IT system investments, for example.

Q: How are fees trending in the temporary staffing business?

A: Temporary staff are being better compensated, employers are being asked to cover more of social insurance premiums, and amendments to Japan's Worker Dispatch Act have added to training costs. As such, we are having to ask our client companies to help with those cost increases within their means. Because of the recent structural labor shortage and a variety of societal demands, we have



secured the understanding of our client companies to some extent and have therefore been able to absorb the aforementioned cost increases.

Q: What is your outlook for the temporary staffing business in the next fiscal year and beyond?

A: We look for the market to continue to benefit from a tailwind in the form of the structural labor shortage. From an earnings perspective, we are facing cost increases due to the aforementioned factors, but we intend to continue to work to improve our profitability by consolidating Group companies and bolstering productivity, while also fulfilling our role as a temporary staffing company in such a way as to respond to societal demands.

Q: How do you foresee developing your operations overseas?

A: Our intention is to grow those operations with a focus on the ASEAN region, which is expected to experience strong growth. Over the short term, we will build up our business with Singapore and Malaysia as its pillars. We will also explore potential initiatives for expanding our share of the large markets of China, Indonesia, and Australia.

Q: Why have you cut full-year guidance for the Recruiting segment?

A: The cut owes primarily to sluggishness at the recruitment advertising business and to deterioration in the external environment for our overseas operations. The recruitment advertising business pulled out of print media in greater Tokyo in November of last year, and since then we have worked to overhaul the structure of that business with a focus on online media. While our online products have been performing well, our sales were hurt to some extent by pulling out of print media in greater Tokyo, and competition has intensified. As such, sales have not met our initial expectations, so we have cut our sales and profit guidance for the business. As of the latter half of the fiscal year, we will be building up our sales organization so that we can increase our ad numbers.

Q: Can we have an update on synergies from the Intelligence acquisition?

A: Folding a portion of Intelligence's recruitment services into our Group sales



network will enable us to serve a greater number of customers. Our sales network captures a great deal of information each month, and that information has started to assist in supporting mid-career job changes. We hope to generate even more synergies going forward.

Q: What sort of profitability improvements are you seeing at the recruitment business?

A: We've improved profitability via an internal initiative we call "service multi-layering." In addition to our traditional service offering whereby our career consultants provide counseling to mid-career workers looking for new opportunities and refer them to jobs, we are also providing a service called "DODA Plus," which is not very labor intensive, and a direct recruiting service called "DODA Recruiters," thus enabling us to offer services more in line with our customers' needs. We see these new services as contributors to overall profitability improvement since they are more profitable than our traditional services. Our commissions from our traditional services are also growing because of the rise in the annual income bracket of the customers we are serving.