Q&A on IR DAY 2025

Questioner 1

With a strong interest in understanding how AI reshapes the future, is there potential for discontinuous productivity improvements or dramatic contributions to profit due to potential changes in the future? Additionally, could you provide more details about exactly what kind of business investments you expect to make in AI agents? Also, is your basic approach to develop in-house?

CIO/CDO Tsuge

I believe your first question, which I understand to be a question about what will change in the market and what kind of impact there will be from discontinuous changes or what impact will it have on profit contribution, is strongly related to the second question.

First, looking at what will change in the market, due to the rise of AI agents, I think the HR industry and the overall processes of matching operations will change. More specifically, as I explained in my presentation, for work that is considered to be non-core operations, such as arranging schedules, I think a great deal of it can be replaced with AI, and I believe those areas can lead to discontinuous productivity improvements and have a major impact on profit.

Another point is that the need for people to consult with other people will still remain in the future, but as users become more AI-literate and more accepting of AI, I think we will see an increase in the number of people willing to consult with AI in the future. If that happens, and this is on the extreme side, but that would give us the ability to handle consultations from individuals 24/7. That would mean our business would continue to operate even across those times when we would traditionally be closed for business. Additionally, if we gain the ability to instantly provide fact-based answers, we will see dramatic changes in the speed and breadth at which we deliver services. I think these points add more fuel to the idea that there will be a large impact on discontinuous changes and contributions to profit.

Now I would like to answer your second question about investments in AI agents and our capacity for in-house development. First, on the investment front, many of PERSOL's businesses are based on matching, which makes AI agents a good fit. That is why first we expect systems in the areas of AI and IT to be the focus of our investments. Even in our existing mid-term management plan we have

been increasing the ratio of this kind of investment each year, and we intend to further accelerate that going forward.

With regard to in-house development, we won't necessarily focus on in-house. This area requires the capabilities of various experts, so a key premise of our efforts will be to join forces with all kinds of partners to make good products and services. At the same time, PERSOL possesses proprietary data, so for the areas where we can leverage that data and take advantage of those strengths, we will pursue in-house development wherever possible, in order to ensure the source of competitive strength.

As I mentioned a moment ago, it is possible that in the future, we will be in a position to provide our services 24/7. In that case, it is expected that the services provided to users would mainly be through products such as websites or apps, making the speed of product development and quality improvements increasingly important. That is why this is another field where PERSOL wants to accumulate expertise in-house and develop products speedily and to a high level of quality. I think this will be an important area for shifting product development in-house.

Questioner 1

What country or region is the most developed in terms of HR-focused AI agent technologies and adoption?

CIO/CDO Tsuge

As far as I know, that would be the United States. In the US, the interview process itself is being replaced with AI agents, and AI agents are also being used in the search process to find individuals (candidates). I feel the US is the most advanced in those areas.

However, when comparing Japan with the rest of the world, Japan has unique working styles and approaches to personnel evaluations. For example, in Japan job rotations are common in job-based employment, and the definition of a job is somewhat vague. There is a tendency to evaluate individual employees as a whole, rather than their specific skills. PERSOL has also been actively monitoring global technologies to stay up to date with overseas technologies, and while we of course want to make use of the technologies themselves, I think we need to localize our approach based on how Japan changes in the future. We want to develop a mix of international technologies while still basing what we offer on the expertise and data we have accumulated in Japan to date, thereby creating things that are well-suited to Japan.

Questioner 2

Regarding the four quadrants in the technology strategy – (1) Improvement in the value of core businesses, (2) Creation of new value, (3) Digitalization of work environments, and (4) Evolution of technology-oriented human resources and organizations – what are the specific targets for each area?

CIO/CDO Tsuge

This year is the third and final year of our current mid-term management plan, and over the course of the plan we have pursued initiatives in line with the four themes – (1) Improvement in the value of core businesses, (2) Creation of new value, (3) Digitalization of work environments, and (4) Evolution of technology-oriented human resources and organizations –. We have set KPIs and targets for each quadrant, so let me share an example for each.

First for (1) Improvement in the value of core businesses, we have set internal targets about how much we can contribute to the profits of businesses. We are currently pursuing a number of initiatives, and since our goal is to improve the value of these businesses, we have set high priorities, focusing on those with significant business impact. We work by setting targets for the number of measures, the ROI of each measure, the level of impact each measures achieves, and the combined impact.

Next, (2) Creation of new value, where the focus is on how we should tackle these new initiatives. As shown in today's presentation, such as with the example about Sharefull work tag data, this includes many initiatives related to AI, and these are not small-scale initiatives, but rather efforts designed to have a Group-wide impact. For these kinds of AI-related initiatives, we have set the number of initiatives and their impact as targets to guide our implementation.

For (3) Digitalization of work environments, we have set indicators related to productivity as targets, from the perspective of raising the productivity of employees and determining how to provide a comfortable work environment. However, it is really important to pursue efforts that build a solid foundation for future productivity improvements, rather than implementing measures in a hurried fashion. That is why we have set targets relating to IT project initiatives for those foundational elements, along with considerations of how we can build upon those efforts to boost productivity overall through productivity-enhancing initiatives.

As for (4) Evolution of technology-oriented human resources and organizations, there are several indicators, but the one we placed the greatest emphasis on is

the number of technology-oriented human resources. For the PERSOL Group overall or PERSOL Holdings on its own, we have set the goal of steadily increasing the number of specialized human resources, and we have pursued this goal over the past three years.

Questioner 3

Regarding your core businesses, I believe you explained that AI and proprietary data are important, and that you want to create a competitive advantage with the parts done by humans. Particularly with those human parts in what way do you want to create a competitive advantage, and also what relationship does this have with AI, data and so on?

CIO/CDO Tsuge

Although this is based on not knowing what will happen ten or twenty years from now, at least over the next few years, as mentioned in today's presentation, literacy around job-seeking and career changes will remain low in Japan. A great many people are changing jobs, looking for a job, or switching their type of employment for the first time. These people feel uncertain in various ways, and there are needs that go along with that - they want someone to help them take the final step, or they want to consult with someone. Those needs are crucial points in advancing our business and delivering value to users, and at this point, not everyone is looking to completely replace those things with AI. That is why by leveraging data and technology to give people a supportive push in addition to everything we have cultivated to date, ultimately that value that only people can provide in terms of working with people, supporting them and responding to their concerns is a key point of differentiation that will remain in the future.

Questioner 3

In the HR industry, it seems to me that Recruit Holdings Co., Ltd. ("Recruit") is making progress on the technology front. Compared with Recruit, please explain in what areas PERSOL is superior, and in what areas it may be lacking.

CIO/CDO Tsuge

My understanding is Recruit has embraced the concept of "quick and simple" in the area of HR. I think a major characteristic that sets PERSOL apart there is our ability to provide appropriate services end-to-end to both individuals and companies through services such as doda and TEMPSTAFF. Especially in the area

of full-time employees, with services like job advertisements and the placement business separated, at PERSOL we are able to provide appropriate services that meet the needs of both individuals and companies on a single platform through doda. Individuals have different needs. Some people prefer agent services, while others want to use job offer media to change jobs through their own efforts. In addition, with doda Plus, a scout-type service, we can also support individuals who want to be approached by companies. In this way, on the single doda platform we are able to provide services tailored to the diverse needs of individuals, and I think that is a key point of differentiation for PERSOL. Similarly for corporate customers, I think one of our major strengths lies in our ability to propose the most optimal solutions to each company and the job offers they provide.

As we enter the age of AI going forward, a lot of things will become more convenient, and that is expected to extend to the HR industry as well, but in the meantime, those needs to "speak with someone" or "be pushed forward by someone" will ultimately remain. We will continue to value those aspects of working closely with individuals and supporting them, while striving for business growth.

At the same time, we recognize the challenges we face in terms of product development capabilities and the capacity to utilize technologies. It appears that Recruit is one step ahead of us in that regard, and we are pursuing enhancements through our mid-term management plan to ensure we do not fall behind, but we recognize that there is still a gap in the ability to create products and new services, and the ability to roll them out globally. In our next mid-term management plan, we will do our utmost to steadily close that gap.

Questioner 4

Nowadays stories about ransomware attacks are making the news on a regular basis. What actions are you taking to protect against cyber attacks?

Division General Manager of Group IT Division Watanabe

To start with the devices used by our employees, we have implemented integrated defensive measures that extend to the applications used internally and externally. Next, through real-time monitoring and an incident response team, in the event of an attack we are able to immediately detect it and take swift action. In addition, through a training program aimed at top management and the running of simulations, we have set up a framework for appropriate decision

making and countermeasures that can be swiftly implemented, and this provides us with robust defensive measures and the ability to respond quickly.

Questioner 5

What initiatives do you plan to implement in the future regarding AI agents developed by employees, and what outcomes do you expect?

Division General Manager of Group AI and Digital Transformation Division Okada

As part of employees utilizing generative AI, our vision is for each of them to develop AI agents, and we are currently embarking on initiatives to realize that. This is something we just started on this fiscal year, but it is something we will pursue in an accelerating fashion going forward. By driving these initiatives, we want to turn every employee and each of the tasks they perform into AI agents, and in doing so enhance our operational efficiency.

The effects we are aiming for are broadly divided into two. The first is business streamlining and improved productivity. In addition to productivity improvements through fundamental changes to the overall business, we believe we can aim for further improvements to business efficiency and greater labor productivity by having individual employees leverage their deep understanding and granular insight into their assigned tasks, and transforming that work into tasks handled by AI agents. The second is improved AI literacy among employees. As we showed at the beginning of the presentation, in the coming era, acquiring the ability to effectively use AI will be of paramount importance, not just in the HR industry but across all business activities. By giving each employee the ability to make effective use of AI through our initiatives, we want to take on the challenge of enhancing our competitive presence as a company.

Questioner 6

Your presentation mentioned that referrals by AI are now 50%. How do you define AI referrals?

In addition, what is the background behind the increase in the ratio of referrals by AI from 30% to 50% and how do you assess this figure?

CIO/CDO Tsuge

First, regarding the definition of AI referrals, currently our placement business involves system-driven matching, and matching personally performed by career

consultants. AI referrals correspond to the former system-based matching.

On the fact that AI referrals rose from 30% to 50%, this is not simply a matter of the number of referrals increasing; how well those initial referrals translated to subsequent processes is also an important factor in how we assess its success. More specifically, we focus on whether it ultimately leads to an intention to apply on the part of a candidate, and whether it leads to an offer for an interview from the company receiving the application. As I noted during the presentation, we place a large emphasis on not just whether individuals apply for jobs, but whether AI referrals can properly lead candidates through the subsequent processes. This involves incredibly complex logic, but the fact that the number passing document screening has improved by 30% indicates that our efforts have yielded tangible results, and we see it as a positive. If the goal was to simply do automated matching to generate referrals for job offers matching what a candidate was looking for, we could switch to 100% AI referrals any time we wanted. But we treat career change activities and job choice seriously, particularly to guide individuals through to the end goal given where they are mentally, what they want, and their ideal outcomes. I think the fact that we have continued to focus on those aspects while evolving our matching logic deserves some degree of recognition.

Questioner 6

The competitive advantage of AI agents will be a key factor going forward, and I think we will see companies that can and cannot engage in this technology innovation. Considering the investment capacity, data quality and data quantity required, how do you think the composition of the HR industry might shift? Please share your thoughts about how you think the number of players in the industry and their comparable strengths could change.

CIO/CDO Tsuge

Speaking from the perspective of someone who is also dealing with these issues on a daily basis, in the sense of investment capacity, I think whether or not AI agents can be integrated in-house will be a key factor. This goes beyond the HR industry, as there are many different companies and the views towards AI agents differ among their top management. On top of that, depending on the business model, there are businesses that are a good fit for AI agents, and those that are not. Particularly in the staffing and personnel placement businesses, we think that AI agents are an extremely good match, and will have a substantial impact.

As the name "agent" suggests, we believe there are many overlapping aspects. Working from within that context, I think it will first come down to whether senior management at these companies are able to first remain highly attuned and gain a good grasp of the changes going on in the world, and then make decisions by crafting solid plans and executing the necessary investments.

The next important factor will be whether a company has the specialized human resources needed to properly implement those decisions in the business. It's not enough to just have detailed knowledge of AI, or to be familiar with the business - both these qualities are needed. We need to consider how the utilization of AI agents could change our own business, and what changes we can make to deliver value to users, and then properly implement that insight in the business. It is difficult to envision that without a perspective that combines both AI and business. AI and AI agents are a relatively young technology, as it is still only 1 or 2 years since they arrived on the scene. Right now, no one has all the right answers or responses with a high degree of certainty. That is why I think the presence of specialized human resources that are able to draw on their imaginations and make decisions is the second key factor.

As a third factor, which I think comes into play when differences emerge once the first and second points have been achieved, is that data will be key. For example, if you integrate an AI agent in your job offer matching process, you need to have a basis for how it behaves, in other words, the reasons it will use to suggest particular job offers. It is difficult to implement that using external, general-purpose data, which is why it is essential to accumulate vertical data. Particularly in HR, as people's hopes don't easily match with reality, you need to make suggestions that are properly tailored to each individual. That is why we believe that without the right data, the accuracy of the AI agent won't improve. Whether or not a company has accumulated data at a deep level within its business activities will ultimately be a large differentiating factor.

Questioner 7

As we enter the age of AI, I think financial resources will become important for the necessary investments. Do you think oligopolization will occur at the higher levels of the HR industry in Japan? Or, do you think that oligopolization will not advance rapidly due to human involvement still being necessary at the closing?

CIO/CDO Tsuge

I'm sorry to have to give a somewhat tentative answer, but on the point of

whether AI will undergo rapid widespread adoption or take a certain amount of time in Japan, my sense is that the answer lies somewhere between the two. On the other hand, I think adoption will progress quite rapidly in the world. We also operate in the APAC region, and the shift to AI in HR businesses in countries outside Japan appears to be evolving at a rapid pace each day. If you think about why a variation in speed might develop, one factor is that the technology is primarily being developed in the United States. I think a major factor is that working styles and jobs are structured, and the skills are well defined. As a result, in terms of recruitment and job choice, both individuals and companies operate according to a relatively clear framework for matching. For corporate recruitment, unlike Japan, with overseas accounts the requirements for the human resources that companies want to recruit are clear and detailed. When individuals think about changing jobs, they are clearly aware of the skills required to advance to the next step of their career, and they have clear preferences, such as seeking a workplace with conditions that match the ideal working style for them. As both sides have clear hopes, compared with the situation in Japan, I feel the hurdles are not as high for the introduction of AI. For that reason, I think the integration of AI and HR will proceed at a faster pace internationally than in Japan.

On the other hand, in Japan, it is currently hard to imagine being able to roll out something that is widespread overseas without localizing it. Tuning is required. Therefore, at this point, I think that it will be difficult for the adoption of AI to proceed at the same pace as the rest of the world. My impression is that Japan will lag a step behind. Internally in Japan, there is a sense that the times are shifting at a rapid pace, and people's mindsets are constantly shifting as a result. Another important factor will be to what extent AI services penetrate society and are actually utilized, beyond the scope of HR. I suspect that for many of us, using AI in our work has already become commonplace, and a reality that seemed distant a year and a half ago has now become a part of our daily lives. When you think of it that way, if you look to one and a half years from now, you can take the position that quite a lot will be replaced with AI. On the other hand, you could argue that literacy will lag behind and people will fail to keep up. Within our services, my personal impression is that HR will lag somewhat behind, while other areas like purchasing, which has clearly defined conditions, will see quicker adoption. In those areas, things like the desired specifications, and what you want to do is already determined, so even if the process is replaced with AI, there is a relatively smoother path to user literacy and perceived value. On the other hand, HR is directly related to working, and since work in Japan is still something

people tend to approach with caution, it will take time to completely replace it with AI. I suspect that HR will change after that kind of replacement has already occurred in various other services.

Even so, I believe that eventually the era will continue to evolve each day. The PERSOL Group wants to pursue initiatives so that it can be a solid driver of change in that constantly shifting era.