

## **Q&A on IR DAY: DAY 1**

### **Questioner 1: (About Career SBU)**

What are your medium- to long-term goals for the Career SBU's business portfolio? I think that your current focus is on the placement business targeting the majority group and job recruitment media while you are strengthening measures for the high-end group. How will you change this current situation? Please also explain the time frame for achieving this and any issues you are currently facing.

### **Career SBU Lead Senoo:**

The current sales percentages are 71% for the placement business, 21% for job recruitment media and 8% for others. We aim to enable the placement business to grow most significantly toward 2030. While this composition will not change greatly, we would like to increase the percentage of the placement business another notch from the present 71%.

### **Questioner 1: (About Career SBU)**

I understood that there are two core initiatives in the placement business. One is regarding the existing majority group and the other is related to the development of the high-end group with doda X. Please explain qualitatively how we should view the future changes in composition and direction of growth, which would be difficult to explain quantitatively.

### **Career SBU Lead Senoo:**

The high-end group is growing significantly in the market. At present, it is around 25% of the placement business. While we expect it to grow to around 30% or even higher toward 2030, we would like to have the domain of the high-end group grow in the placement business at a higher rate than market growth. This is our current policy.

### **Questioner 1: (About Career SBU)**

I think you said that you will improve productivity through DX in core domains. I understand that the Career SBU is in a phase of strategic investment now. When will you shift from an investment phase to a return phase? I also would like to know your estimate of future profitability and profit margin.

### **Career SBU Lead Senoo:**

In terms of product services, our understanding is that doda X is in an investment phase. We would like to make sure that it exceeds the break-even point, and we begin to get a return

during the next mid-term management plan. The Career SBU has multiple businesses, and we will of course continue to invest. We are progressing toward improving the OP margin and adjusted EBITDA margin steadily.

**Questioner 1: (About Technology SBU)**

You explained that the investment phase will end in 2024 and you will move to the reaping phase in 2025. Please explain your view on the results you will achieve from 2025 onwards as a result of the investments in and before 2024.

**Technology SBU Lead Masaki:**

We are focusing our efforts on recruitment. This simply means that, as a factor in sales, the number of people should be increased to increase sales. We also believe that improving treatment to reduce turnover will also help increase the number of engineers who are active.

**Questioner 1: (About Technology SBU)**

You explained that you will increase the top line by improving recruitment and retention. I understood that enhancement of contracting services will result in improved profitability and retention. Based on this, what initiatives will you take to increase the ratio of contracting services from 45% to 70%? You also explained earlier that you will begin to receive a return on investment in 2025. Do you expect a change in the direction of your measures or in the growth angle? Please tell me about the speed of growth.

**Technology SBU Lead Masaki:**

We are planning strategies by dividing the businesses into IT and engineering for electrical and mechanical embedded control.

Regarding IT business, we will first team up with Globe-ing Inc., a strategic consulting company, to provide end-to-end services. We will start with upstream processes, hoping to let more customers know that we can provide contracting services in addition to supplying human resources through temporary staffing. Further, the system solution team that joined us in this July will develop systems and work on contracting system engineering services and temporary staffing of regular employees as well. We will thus be able to implement upstream to downstream processes, hoping to increase the ratio of contracting services in the IT business to 70% by 2030. The point is how large the system solution team will grow. The larger it grows, the more orders for temporary staffing we will be able to accept. We are envisioning this grand design.

The ratio of contracting services in the engineering business is 34% at present. The ratio of

temporary staffing of employees is still higher. We plan to increase the ratio to 70% by 2030. We have developed a business plan for this fiscal year that will increase the ratio to 46%. Behind this background is the fact that there are customer needs for contracting services and many customers are facing problems with space. We believe that we will be able to achieve the plan steadily if we can convert the current contracts regarding the temporary staffing of employees into service contracts.

#### **Questioner 1: (About Technology SBU)**

I think that recruitment is very important. In the presentation you gave earlier, you said that you will increase the number of engineers to around 1.6 times the current number. I think, however, that in this domain there will probably be competition over human resources. In this environment, how will you differentiate PERSOL to improve your recruitment capabilities?

#### **Technology SBU Lead Masaki:**

At present, we are engaged in change management. We are trying to enable the idea of shifting from the temporary staffing business to the contracting and solution businesses to become entrenched within the SBU.

Previously, we attached importance to matching. We received orders from customers and responded to them by introducing registered people or regular employees.

As shown in the briefing materials, we start the flywheel by first considering the happiness of engineers and then enhancing training. Then, our reputation for doing this will enable engineers to develop their careers, which we believe will also lead to an increase in the number of recruits. Therefore, the current target year-on-year increase in recruits is 50%, compared to 15% in 2023. We are making very steady progress.

In 2023, new grad recruitment and mid-career hiring also exceeded the targets for the first time in four years. Of course, this is significantly due to doda, the placement business of the Career SBU.

#### **Questioner 1: (About R&D Function Unit)**

I have a big question about R&D.

You explained mainly about MIIDAS and Sharefull. What do you aim to achieve and how much do you aim to grow in the medium to long term? In the case of Sharefull, for example, do you aim to have the largest share of the market to compete with the top companies in the market, or if not, are you happy with a position where you can enjoy a certain level of growth and profit as a major company?

Also, I think that the MIIDAS market is not very competitive at present. How do you expect

to enable it to grow and transition from the investment phase to the return phase in the future?

**R&D Function Unit Lead Nagai:**

I will first answer regarding Sharefull.

Because the freelance gig-type job or one-time gig market has been growing large, we would like to be No. 1 in that market. However, we think that the market is not just a freelance gig-type job market. It is becoming a shortcut to work opportunities in the so-called light industry and teleworking businesses.

Instead of only providing information about one-time gigs, we have expanded into other possibilities, such as agent services, and identified the potential of matching jobs with people. We are currently entering the one-time gig market, which is one segment. We would like to enter the part-time job listing market or areas around the zones divided based on annual income in temporary staffing and the placement of regular employees.

Next, regarding MIIDAS, our understanding is that competition in the market is not very fierce, as you pointed out. However, the number of competitors is small because covering local SMEs is not very profitable. We have taken advantage of this and for about five years continued to experiment and verify how we can cover customers in a group using unified operations at a center. Actually, this has begun to pay off.

As future initiatives to enhance value, we will first make sure to provide customers with recruiting services that will reliably attract applications. Then, we will enter the domain of what employees and customers use daily, or a kind of individual applications such as ones for engagement, learning, and attendance management. By having points of contact of MIIDAS with customers or of PERSOL with customers continue to be created throughout the year in this way, we will evolve the service into one with a low churn rate. The service is expected to be profitable in this case. This is why we are taking on challenges.

**Questioner 1: (About R&D Function Unit)**

Please explain what you feel are your current tasks for Sharefull and MIIDAS businesses.

**R&D Function Unit Lead Nagai:**

Regarding Sharefull, we expect the market to be very crowded. We need to acquire corporate clients with cooperation from PERSOL Group, thereby increasing corporate clients as assets. This is our task for Sharefull.

For MIIDAS, we have established a form of operations. The next task is to have the service used daily as I told you earlier. We are proceeding with product enhancement, or so-called multiproduct strategy, so that customers will use it even when there is no recruitment

demand, such as for learning and reskilling. We understand that our task is to do this surely.

**Questioner 2: (About Career SBU)**

Is there any business portfolio that you should aim for to increase the resilience of Career business to economic fluctuations? Or please tell us your idea, if any, such as that it is not necessary to increase the resilience of this business because you can try to take the upside in the period of economic growth.

**Career SBU Lead Senoo:**

As you pointed out, business of Career SBU is highly volatile. If we aim to double its sales, we do not double the number of personnel but increase it by 1.5 or 1.2 times, roughly. For this purpose, we are utilizing data and using technologies such as generative AI. Now we have entered the next phase. We are in a phase where we take on challenges to find how we should utilize our unique data to differentiate ourselves, change customer experience, improve productivity internally, and optimize operations. As the management, we would like to increase its resilience to economic fluctuations by improving productivity by one or two notches.

**Questioner 2: (About Career SBU and PERSOL Group synergies)**

While an increasing number of companies are expanding their services vertically, are you considering the multitiered expansion of the Career business? Further, I get the impression that the businesses are broken down in the SBUs. What are the current issues regarding the PERSOL Group demonstrating synergy?

**Career SBU Lead Senoo:**

Regarding PERSOL Group synergy, a good point of the PERSOL Group being a conglomerate is that we can endure the fluctuation of the economy as a Group. For example, if the Career SBU is affected by the fluctuation of the economy, businesses that are resistant to the fluctuation of the economy, such as the Technology SBU, temporarily bring the SBU's personnel on board, so that we can use the increased number of personnel to enable the Technology SBU to grow in such a period. Regarding the multitiered expansion of business, we believe that the greatest point is that our corporate clients are assets, as with PERSOL Group synergy. We understand that we can increase synergy within the PERSOL Group. However, there are some areas where we have yet to reach an ideal state. We would therefore like to take actions in those areas accordingly. Also, as the Group has many employees, transferring these human resources across SBUs will result in the instillation of

new values. We believe that it will have a significant positive impact.

**CFO Tokunaga:**

First, I would like to explain about the Group as a whole's resilience to the fluctuation of the economy. Two-thirds of the profits of the PERSOL Group are from workforce-related businesses. When the COVID-19 pandemic affected the economy, clerical and administrative staffing, engineer temporary staffing, contracting services, and other businesses, proved resilient to the fluctuation of the economy. We understand that it is important to steadily continue the placement business while taking advantage of this strength. The placement business is very strong in a V-shaped economic recovery. We would like to establish a firm system which enables us to effectively allocate resources within the Group while continuing businesses which are resilient to the fluctuation of the economy so that we can promptly respond to demand which recovers when the economy recovers. We are building such a system now. Regarding synergy within the PERSOL Group, we would like to ensure that we share client companies as common assets. Further, we would like to increase the appeal of the PERSOL brand and the brands under it, such as doda and Sharefull, to corporate clients and individuals, to enhance overall brand value.

Finally, we have made great progress in the use of technology for doda, which is a matching platform using AI, among services the Group provides. We would like to apply these achievements in the provision of other services such as Sharefull, increasing the platform's competitiveness.

**Questioner 2: (About PERSOL Group synergy)**

Have you just begun initiatives to demonstrate synergy within the PERSOL Group? Are there any issues which are a barrier within the structure of the company or are hampering information sharing between operating companies?

**CFO Tokunaga:**

We have been working to share client companies as assets. However, we understand that initiatives to share resources in the technology field and produce platform synergy were somewhat weak. Recently, we have changed our structure in the technology domain and are strengthening recruitment of engineers in a Group-wide manner. We also have a policy of flexibly distributing platform resources between companies. We began to work on this last fiscal year, the first year of the current mid-term management plan. Although it is expected that it will be several years before these efforts bear fruit, we would like to continue increasing our efforts in this area.

**Questioner 3: (About Career SBU)**

I think that your major competitors in the area of career change support services for the high-end group will be JAC Recruitment and Visional. Do you have any competitive advantages or messages?

**Career SBU Lead Senoo:**

We are now strengthening the doda X product service for the high-end group. We intend to build a multitiered business model for doda X as a product service. We believe that the placement business, our greatest strength, will be a point of differentiation. doda X provides a direct recruiting service where our clients send scout e-mails directly. This is an area where BizReach is very strong. We possess the doda database. Naturally, many people in the high-end group have been attracted to the doda database. Here, we are now operating businesses by combining the business model of the placement business which is an area where we are strong, the job recruitment media business model and direct recruiting. In other words, we will operate multitiered businesses with the doda database and doda X as one of the largest databases, with the placement business being our mainstay business. We believe this makes us different from other companies.

We are seeing the needs of the candidates who want to change jobs, the needs of client companies seeking workers, recruitment methods and methods for how people change jobs becoming more diverse. We believe that our services can meet these needs.

**Questioner 3: (About Technology SBU)**

We understand that your key policy is to expand contracting services for manufacturers. I would like to ask if you have any scenarios to follow in which the Japanese manufacturing industry stagnates. For example, will the stagnation correlate to a stagnation of your SBU, or will your SBU be all right because the contracting services ratio will increase?

**Technology SBU Lead Masaki:**

We have not simulated a significant stagnation of the manufacturing industry, which is approx. 125 trillion yen of the GDP of Japan. We believe, however, that if the Japanese manufacturing industry uses IT and DX to improve its productivity to the level of the German and US manufacturing industries, the Japanese economy will recover, and we will be able to grow significantly.

**Questioner 3: (About Technology SBU)**

I was asked about employees' work environment by a European investor. European investors

have a negative impression of temporary staffing. How do you manage the work environment of the dispatched engineers?

**Technology SBU Lead Masaki:**

I understand that your question is about whether temporary staff are treated worse than regular employees.

As far as I can recall right now, the average annual income of Japanese engineers who are regular employees is around 6.5 million yen and the average income of our SBU's regular employees is about 5.5 million yen. I think your question is probably about registered temporary staff. The income of engineers that are registered temporary staff is about 4.2 million yen. There is no doubt that there is a difference in their average annual income. However, many of our registered engineering staff and registered IT staff have higher annual incomes than regular employees. We are highly valued by customers, although this may be greatly due to the labor shortage. Regarding the latest wage inflation, we believe that customers have paid more in response to our sincere explanation that it was to improve the treatment of the staff.

**Questioner 3: (About R&D Function Unit)**

What is the source of information for the Sync Up system, such as the work hours desired by part-time workers?

**R&D Function Unit Lead Nagai:**

Please assume that there is one database per shop or restaurant in Sync Up. Therefore, in many cases, the shift leader or the shop or restaurant manager inputs the data. It is now linked to Sharefull, which has made it a unique service. For example, if a shift is not filled two days before, a job listing is automatically posted to begin soliciting applications. This is what we do.

In other words, the point which differentiates us from other companies is that we have Sync Up, which collects data on which shifts are vacant in the step before seeking workers.

I have gone a little farther than what you asked. My answer to your question is that restaurant and shop managers and shift leaders enter the data for their restaurant or shop. In the presentation, I explained the benefits of the databases linking to Sharefull. For other companies, the important part begins when a job listing has been posted. In our case, we obtain data about vacant shifts before posting a job listing. This point is unique and differentiates us.



**Questioner 3: (About R&D Function Unit)**

What are the advantages of Sharefull compared to Timee?

**R&D Function Unit Lead Nagai:**

Timee is the industry-leading company, and we have imitated their various services. However, I think that we have the same basic form. The point which differentiates us is, for example, number (1) on the slide that is displayed now (p. 17). This reward point service is highly compatible with users of freelance gig-type job apps like Sharefull. It is a reason to visit this site and browse the application services. This is what we call "two-story compensation." We give value back to the users and create points of contact with us using the compensation points given to users for their work, which is the first floor, and points earned in the reward point program as the second floor.

The second advantage is the Sync Up in number (2) that I explained earlier. Data about unfilled shifts is automatically connected to job listings using DX. This way of utilizing data enables us to obtain the information ahead of other companies. The third advantage is using data in number (4). Individuals who use this Sharefull Agent are registered users of Sharefull, and companies use it to recruit regular employees. PERSOL Group handles many job listings in the placement business and other human resources services. Utilization and shared use of the job listings allow us to offer Sharefull Agent without a cost to the corporation. These are three things that differentiate us.

**Questioner 3: (About R&D Function Unit)**

Please share a message about your ideas and perspective on returns on investments in new businesses and the like in the R&D Function Unit.

**CFO Tokunaga:**

We position the R&D department including Sharefull as the R&D of PERSOL. Of course, we have internally set targets for each business regarding our targets for how many years before we become profitable. To explain how we will grow after becoming profitable, one method is to have individual businesses grow larger. Alternatively, if further growth can be achieved by integrating the businesses, we will consider integration with another SBU to achieve further growth. Anyway, we determine the total amount to be invested and then set targets for each business regarding when we reach the breakeven point and when we start profiting, and we make evaluations.

**Questioner 4: (About Career SBU)**

Regarding doda X in the Career SBU, it will take several years before the break-even point is reached. What are the reasons for this?

**Career SBU Lead Senoo:**

During the period of the current mid-term management plan, we are investing to increase its visibility and the number of registrants while controlling CPA. At the same time, we are also developing a business model for multitiered services. We are working on operations including systems, such as the development of the doda Direct business, that horizontally deploy the expertise we cultivated through doda. While the time frame is believed to be short due to the horizontal deployment, it is not that easy. We therefore want to invest in this during the period of the current mid-term management plan. We want to approach our goal and exceed the breakeven point in the period of the next mid-term management plan.

**Questioner 4: (About Career SBU)**

Please explain how the two initiatives in the doda placement business, matching AI and introducing IT in operations, lead to an increase in sales and the deduction of expenses.

**Career SBU Lead Senoo:**

This means improving productivity, that is, making customer experience better. Suppose that we intend to double sales in the future. To say that we will also double the number of personnel is difficult from the perspective of management. It is also very difficult from the viewpoint of resilience that I mentioned earlier. The accuracy of AI matching is improving considerably from the perspective of how we improve productivity and customer experience. The automation of operations including the introduction of generative AI is steadily progressing, and we would like to improve profitability one or two notches. This is what I said earlier.

**Questioner 4: (About Career SBU)**

Do you mean that you see the improvement of KPIs, such as the reduction of the number of days it takes before a match is made and the improvement of the close rate?

**Career SBU Lead Senoo:**

You are right. The total quantity will keep increasing. In addition, the most important point is the improvement of KPIs, such as increasing the hiring decision rate in the preceding process, not to mention the speed of the process.

Let's take the placement business for example. It has parts that are dependent on human skills in a way because career advisors intermediate. We utilize data there to automate processes and use AI, which enables matching that expands possibilities and leads to an increase in the total quantity. This is what we want you to understand. We believe that changes in the preceding processes, such as an increase in the hiring decision rate, will begin to be seen as changes in KPIs.

**Questioner 4: (About Career SBU)**

Of the five factors that constitute the market for career change support services, is it appropriate to think that the supply-demand balance or charge rate will remain at the current level in the period of the next mid-term management plan?

**Career SBU Lead Senoo:**

We believe that the rate itself will not decline. We believe that it will rise in the medium to long term.

**Questioner 5: (About R&D FU)**

What promising fields are PERSOL and R&D focusing on now?

What about the field of AI, for example? Also, what are you investing in at present?

**R&D Function Unit Lead Nagai:**

To comment qualitatively, the fields we are focusing on are the two companies that we introduced earlier. We believe that both the market size and room for growth are large. Please understand that we are focusing our greatest efforts on these.

Regarding AI, we use it because we need it. As I said earlier in the presentation, we are using AI to improve profitability by enhancing the productivity of MIIDAS, Sharefull, POS+ and other businesses as well.

For example, we use Sales Copilot to improve the productivity of sales activities, in an effort to boost the productivity of each salesperson. Another example is that with Sharefull Agent, which I explained earlier, something like an AI coach will be used to improve the quality of matching and to support matching, thereby improving productivity. This is the approach we will take.

How AI is used in businesses could be something to be discussed a little later. In the areas we are interested in, such as onboarding, we are developing a mechanism and a platform that will enable services creating detailed content for onboarding and education programs or the like to be released quickly, using something like a content-generating AI. We

are committed to expanding the potential of working people in these areas.