Q&A at the Briefing of the Financial Results of the 2nd Quarter Ended September 30, 2023

Questioner 1:
Please tell me about the situation of Staffing SBU in the period up to the second quarter.
Page 19 of the presentation slides says that revenue increased 6% year on year. This gives the impression of being somewhat delayed because you are believed to assume year-on-year growth of around 9% in the full-year forecast of the company. I would like to ask you to tell us how you view the current revenue and how you will accelerate the progress toward the 2nd Half.
I would like to ask you about another point. Regarding the profit margin, the explanation about the increases in social insurance cost is quite understandable. However, I think that you actually wanted to go further with the price pass-through, or that the price pass-through is slightly delayed. Could you explain the current situation and your 2nd-Half initiatives about this?

CEO Wada:
As the slide shows, Staffing SBU is a little behind the forecast. Regarding the rate revision, we wanted to increase it by slightly more than 1 percentage point. Partly reflecting this, we will continue to pursue initiatives for this purpose toward the 2nd Half. In addition, we feel that additional orders from major companies and bulk orders declined more than we expected. We are taking steps to offset this, such as activities for finding new customers including small and medium enterprises. This inevitably increases man-hours per salesperson. We will therefore back these up by improving the productivity of the coordinator side.
The profit margin is attributed in part to increases in costs including social insurance cost as we explained. As you pointed out, however, we understand that taking one or two additional steps in rate revisions is an important point for the recovery.

Questioner 1:
You said that you wanted to revise the rate by another 1 percentage point. Could you tell me what factors made it impossible to do so and how the bottleneck will be eliminated reflecting the factors as you implement another rate revision in the 2nd Half?

CEO Wada:
Major companies were relatively less reluctant to accept the rate revision. There is also a manufacturer that began to apply the revised rates in October this year. There are cases like these.
On the other hand, there are relatively many small and medium-sized enterprises which have yet to increase the wages of their own employees. Continuing to approach such companies is an important point. We also understand that we should repeat the process of receiving approval for new rates by setting them when human resources are replaced.

Questioner 2:
Please tell me about Career SBU.
You said that you will pay close attention to business confidence. I think that you somewhat implied this point when you took time for the sell side the other day. Please tell me about the trends in top line, that is, whether the sign was already seen in the financial results for the second quarter or you will need to pay attention to it going forward.
In addition, I remember that the CFO told us earlier today that you will also control costs. On the other hand, I believe that you made up-front investments in this period of the Mid-term Management Plan for supporting career change for high-end workers. I therefore believe that there are costs that can be reduced and those that cannot.
In this respect, please also tell me to what extent you can reduce costs and, in addition, whether we can assume that there will basically be no major change in your direction under the current Mid-term Management Plan.

CEO Wada:
First, I will give an answer about the perceived market conditions of the placement business.
To tell you what the situation is like, we understand that the placement business market was somewhat overheated in a sense in the past year. In particular, companies that had stopped recruitment due to the COVID-19 pandemic resumed the activities all at once last year. The recruitment activities have been put to bed. In addition, recruitment by human resources companies, for example, and recruitment for outsourcing also seem to have come to a halt. Frankly, we feel that bulk orders for the same job type are at an end. However, there continue to be many job openings in the media part. Our position now is that we need to

keep a steady eye on the market to a certain extent, rather than that the market itself will contract significantly.
And regarding costs, as Mr. Tokunaga will tell you later, we have not at all changed strategies on doda, including dodaX. We are currently in a period of building the database for doda and dodaX. We aim to complete this fully.

CFO Tokunaga:
I would like to make some comments about cost control in the 2nd Half. As a matter of course, we have a KPI, or indicator, for cost control per one registered customer. While keeping our eye on this, we will also look at the strategy on long-term investment for dodaX, thus controlling the costs in a balanced manner.

Questioner 2:
Let me ask you a supplementary question. Do you have anything to tell us about what operating margin you would like to secure, for example, or something else from that perspective?

CFO Tokunaga:
As shown in the Mid-term Management Plan, we have a major goal of achieving 20% toward FY2025. We would therefore like to aim for this goal in the medium term while implementing short-term cost control. This is our policy.

Questioner 3:
Regarding the progress against the forecast for the overall company, you explained today that the progress rate of both revenue and profit is 48%, which is below the 50% of the forecast. Can I interpret that you are a little behind the forecast?
In relation to this, as you explained, the up-down balance of how profit is generated has been changing. You also told us that you will control the costs while making a profit in the 2nd Half. Please tell me how you intend to control the costs to achieve the full-year forecast for the overall consolidated financial results.

CFO Tokunaga:
Marketing investment constitutes a large part of our strategic investments. Therefore, in the 2nd Half, we plan to carefully check the effects of investments, one by one, with a focus on Career or Staffing.

Regarding the progress rate that you asked about, the figure for Staffing has already exceeded 50% slightly while BPO and Technology have a structure where profits increase in the 2nd Half, as I explained at the start.
On the other hand, regarding Career, we believe that a large part of it depends on the market and business confidence. We will therefore keep paying attention to the market conditions, and if the conditions become difficult, we will properly control the costs, aiming to achieve the full-year projections.

Questioner 3:
Regarding Career SBU, am I right in having the impression that the performance was slightly weak compared to the forecast in the 1st Half and that you will manage it in the 2nd Half while keeping an eye on future business confidence trends?

CFO Tokunaga: Yes However, we think that the rate of progress in the 2nd Half may be equivalent to that in the 1st Half depending on business confidence.

Questioner 3:
Does "equivalent" mean that progress may be slightly below the forecast?

CFO Tokunaga:
We think that it could be less than 50%.

CEO Wada:
As we explained, we would like to achieve major growth in Career SBU and made the forecast accordingly, and the result was 29% while the forecast value was 30% or higher. We would therefore like to properly deal with the market while maintaining this growth rate.
One point that we are not sure about with regard to the perceived market conditions is whether they have just been resolved or whether the market will slow a little more. We understand that we will have to determine this point.
We aim to properly deal with the market without being overly optimistic.