# Q&A at the Briefing of the Financial Results of the 3rd Quarter Ended December 31, 2023

**Questioner 1:**

You explained the reason for the downward revision to the full-year forecasts earlier today. The reason was probably seen as an underlying condition at the time of the announcement of the Q2 financial results (November), wasn't it? While the top line was a little disappointing, you wanted to try hard to maintain profits through cost control. I remember this is what you communicated to us three months ago. What is the factor that led you to revise down the forecasts this time, or three months later?

Is it because revenue decreased to a lower level than expected? Do you want to incur a certain amount of costs for the next fiscal year and onward? What points changed from the judgment you made three months ago and led to the downward revision this time?

**CFO Tokunaga:**

Our answer is both. With the presentation slides, I explained year-on-year growth in revenue of Career SBU. While the value for Q3 was still as high as 18.9%, the growth rate was lower compared to Q1 and Q2. This top-line reason is one of the factors. The other factors is as follows. While we should of course ensure appropriate spending during the Jan-Mar quarter to achieve profit growth toward the next fiscal year, management judged that costs should not be reduced so far as to generate a negative impact in the next fiscal year and beyond. We therefore limited cost cutting to a certain degree, which resulted in the downward revision.

**CEO Wada:**

To add to this, while the market was slightly weaker than we forecast, we understand that it has in a sense reached a lull, rather than that actual demand for human resources as a whole is declining significantly.

We believe it important to anticipate the future circumstances reliably and build a structure that will enable us to reliably supply human resources when the market turns around.

**Questioner 1:**

You gave explanations with a focus on Career SBU, but you revised down adjusted EBITDA of Staffing SBU by almost the same amount as Career SBU. What is the background to this?

**CEO Wada:**
At present, Staffing SBU is seeing a certain decline in orders received from major clients but continues to enjoy brisk demand from small and medium enterprises. We understand that it is very important to make a steady shift so as to remain ready to supply human resources and maintain competitiveness in acquiring human resources.

**Questioner 2:**
I would like to ask you questions about the new forecasts by the company. Forecasts by SBU show that adjusted EBITDA were revised down in almost all SBUs. I think that the downward revision for Career SBU is somewhat unavoidable considering the perceived market conditions. However, given that forecast profit has also been lowered for Technology SBU, or that the value for Staffing SBU was also revised down, it seems to me that your initial forecasts were a little stretched. What do you think?
In addition, while I believe that you are drawing up a plan for the next fiscal year, please also tell me, to the extent you can, your view of the next fiscal year, such as whether you are not stretching in your forecasts about stable businesses, including staffing and Technology, and whether you desire to create positive forecasts by assuming an economic recovery.

**CFO Tokunaga:**
Regarding the first question, our answers about Staffing SBU and Career SBU are as I explained earlier today. I will give additional answers about Technology SBU. We understand that the top line of Technology SBU is firm. On the other hand, new graduate and mid-career recruitment is making greater progress than we expected, and in our case, it takes about two to three months before the start of operation. As a result, the cost rate rose, and the profit of Technology SBU declined slightly. However, as I explained with the presentation slides, operations have started smoothly every quarter, and we believe that there will be no major problem from the next fiscal year.
Regarding the profit forecast for the next fiscal year in your second question, we are preparing the budget right now, or in February and March. While we understand that the tightness of the human resources market of Japan itself will not change greatly in the short term, as Mr. Wada explained, hiring demand at some companies is fluctuating slightly. We would therefore like to analyze the current conditions carefully in making the profit forecast for the next fiscal year.

**Questioner 2:**

While you changed the full-year financial forecasts this time, you did not change the full-year dividend forecast.

Under the current Mid-term Management Plan, you show your shareholder return policy in great detail. I imagine that you are forecasting a profit increase in the next fiscal year. In so doing, do you plan shareholder returns with the intention of avoiding a decline in the dividend payout ratio or a reduction in the dividend from the figure for the current fiscal year as much as possible?

**CFO Tokunaga:**

As described in the part on forecast revisions, the top line and gross profit are firm. This fiscal year, we decided to invest in people in particular, steadily increasing the number of consultants at Career SBU and raising wages for current employees at Staffing SBU and others, which may apply to Japan as a whole. This resulted in an increase in personnel expenses as shown on Page 9 of the presentation, which had an impact in the short term. Let me reiterate that the top line and gross profit are very firm, and we will keep our dividend policy unchanged at approx. 50% of adjusted EPS.

**Questioner 3:**

My question is about the factor for the downward revision for Staffing SBU that you explained earlier; that is, while demand from small and medium enterprises is firm, a decline is seen in orders from major clients. Please tell me your sense of why you are seeing a decline, or if you have made any further analysis, such as that demand for temporary staffing has been declining due to their shift to direct employment and that demand for human resources has been declining among major companies due to efficiency improvements achieved with AI.

**CEO Wada:**

We are conducting a detailed analysis. To give you our sense, we have the impression that major companies have suspended the use of human resources due to uncertainty about the future. This may include the use of AI that you mentioned, but the current decline is not a result of progress in the use of AI. We think that they are reducing the use of temporary staff toward the end of the fiscal year, reflecting various future uncertainties about the economy, such as exchange rates and the economies of the U.S. and China. Accordingly, we believe that there will be new policies on the use of human resources, among other areas, when the fiscal year has changed. We want to monitor the trends carefully.

**Questioner 3:**
Do you mean that they are not making a great shift to hiring regular employees in particular?

**CEO Wada:**
Yes. We are mostly not sensing any trend toward hiring regular employees.

**Questioner 3:**
Am I correct in understanding that the reason why the impact of uncertainty about the future, including the future of the economy, has been seen among major companies but not among small and medium enterprises is that while small and medium enterprises also have similar concerns, the labor shortages they are feeling is a greater problem and therefore the demand did not decline?

**CEO Wada:**
You are correct. Unsuccessful human resources recruitment activities of small and medium enterprises may also be linked to the increase in their use of temporary staff.

**Questioner 3:**
I have a question about growth in revenue at Career SBU. If the Q3 result is subtracted from the revised forecast, revenue for Q4 will increase 15% YoY. Under the Mid-term Management Plan, a 26% increase of CAGR is targeted, which means you expect fairly high growth. I think that since the beginning you have had the intention to make aggressive investments at Career SBU with a focus on doda X during the three-year period. Please tell me whether your approach to investment at Career SBU may change if circumstances do not permit 26% growth, although we are not sure how market conditions will change again in the future.

**CEO Wada:**
We understand that we can continue to expect significant growth in Career SBU. Regarding CAGR of slightly above 26% targeted under the current Mid-term Management Plan, the current figure leads it to be questioned to a certain degree, as you pointed out. However, the placement market will surely grow in the future from the viewpoint of the overall direction as well, and the number of times a person changes their job will increase. This is the major trend. In addition, it is true that demand for human resources in Japan is tight, and we want to make

sure we invest in this domain by positioning it as a growth market.
However, as you pointed out, we will work to ensure appropriate operation with a focus on appropriate growth in business performance and appropriate investments. This is our policy.

**Questioner 3:**
Regarding Career SBU, the president told us earlier today that moves toward stringent selection in recruitment are being seen among some companies, if I remember correctly. In this case, if the hiring demand is divided by the annual income level into the majority group and in the group with medium to high income levels, do you judge the high-end domain to be relatively good concerning stringent selection in recruitment? Please tell me how you view this.

**CEO Wada:**
We are very strong in the largest segment. We have overwhelming strength in the group with annual incomes of 4 million to 6 million yen. The domain which will grow in the future is the group above that, or the group with 6 million to 10 million yen. We understand that aggressive recruitment will continue at this level, and we enjoy demand from the market as well. However, stringent selection in recruitment is one of the current trends in both domains, and we guess that this trend has led to the overall lull. In addition, we understand that because people with annual income of 4 million yen to 6 million yen constitute the overwhelming majority in the largest segment, their impact on both ourselves and the placement market as a whole is definitely great.

**CEO Wada:**
Thank you very much again for your time today.
This time, we have revised down our full-year financial forecasts, and we are again strongly aware that we must be sure to adapt ourselves to market changes. In this market, however, we have continued to achieve double-digit growth in our businesses, including the placement business, and we aim to acquire a solid position in the market. We want to truly expand the world of "Work and Smile" as our goal by pursuing robust initiatives. We greatly appreciate your continued support.
Thank you very much.