Q&A at the Briefing of the Financial Results of the Fiscal Year Ended March 31, 2024

Questioner 1:

In the full-year forecasts for FY2024, revenue is forecast to increase at Staffing SBU as the mainstay, but adjusted EBITDA and operating profit are expected to decline. What is the background to this?

CEO Wada:

The key points are system investment and human resource investment.
First, we are intending to take the system that supports our core business to the cloud, and expenses for this initiative will be posted in FY2024.
In addition, we began to raise wages in FY2023 as an investment in human resource, and that initiative remains. Also in the background is an increase in expenses, which will result from a change in the proportion of expenses for employment of people with disabilities allocated to each SBU.
Because of these factors, the growth of Staffing SBU appears to be slowing. However, the important point is that the number of persons employed is increasing and their wages are continuing to rise. If these trends are maintained steadily, this business will surely continue to grow steadily. As a consequence, I don't see it as a cause for significant concern.

Questioner 1:

I would like to ask you about two additional points.
One is whether those investments will end in FY2024.
The second point is whether customers will definitely accept wage hikes at a time when the speed of wage increases has been rising markedly, partly reflecting the spring offensive.

CEO Wada:

As for the cost of the shift to cloud computing, it is not only FY2024 that will be incurred, but you can safely understand that it is a one-time cost for the next few years.
Regarding fee pass-through to customers and fee increases, we have achieved revisions at a rate of 3% year on year on average. In addition, from March to April this year, which is a short period, we revised fees at a rate of above 1%.

With the understanding that we need to continue this initiative, we will negotiate to revise fees every time a contract is renewed.

Questioner 1:
While I believe that you need to suggest and offer hourly wages and conditions which are attractive for temporary staffs and people who will be registered in the future, I feel that an increase of slightly more than 1% is not sufficient.
Do you have any thoughts on that?

CEO Wada:
From April last year to April this year, wages increased by around 3%, which is almost equivalent to the level of the overall wage increase.
What I told you is simply about March and April this year.
Please also understand that not all contract renewals are in March and April, that negotiations to revise fees will continue to be made every three months, in renewal periods other than March and April, and that the example I gave is about one month from among them.

Questioner 2:
I would like to ask you a question about shareholder returns.
You have announced the acquisition of treasury stock, and the forecast dividend payout ratio for the current fiscal year is around 50%, which gives me the impression that there has been no change to what you explained before. Do you have any particular policy to apply when you consider the acquisition of treasury shares or other initiatives in the future, such as that you will target a specific total payout ratio and that you will consider the share price? Please let me know if you have any.

CFO Tokunaga:
First of all, the point that dividends are the pillar of our shareholder return has remained unchanged. In other words, our basic policy is a dividend payout ratio of approx. 50% of adjusted EPS.
On the other hand, we would of course like to make decisions on the acquisition of treasury stock in a timely manner in light of our financial standing and share price.
Of course, we cannot give you the specific share price or amount of cash we

possess at which we will acquire treasury shares. This time, we judged that the acquisition of treasury stock worth 20.0 billion yen was appropriate in light of the current share price and an amount of cash we possess that exceeded 100.0 billion yen.
I believe that this is equivalent to 4% to 5% of all shares. We judged that this level of acquisition of treasury stock was good from the viewpoint of capital efficiency in the broad sense.

Questioner 2:
You seem to have been taking a cautious stance on the acquisition of treasury stock, under both the previous and the current Mid-term Management Plan. I think you made highly elaborate investment plans about M&A and dividend payment announced today. Am I correct in understanding that you intend to be a little more flexible hereafter?

CFO Tokunaga:
Our basic policy is to make judgments in a timely manner in light of our financial standing, the amount of cash we have on hand, and our share price.

Questioner 3:
As the forecast for revenue at Career SBU for the current fiscal year, you indicate YoY for 2H as a range of values, +3.2% to +21.7%, on page 38 of the earnings briefing material.
It may be a coincidence, but the median value between 3.2% and 21.7% is just around 12%, which is forecast of 1H. Please tell us how you determined the upper and lower limits of the range for 2H, such as that the range is based on 1H forecast.

CEO Wada:
In FY2023, Career SBU was strong in 1H and experienced a rapid change in the market environment, or a quick spread of stringent selections in recruitment, during 3Q and 4Q.
We also understand that if stringent selections in recruitment spread rapidly again in 2H of FY2024, for example -- that is, if one or two candidates per company do not readily result in confirmed contracts but a contract is signed only when we have introduced three or four candidates -- productivity will fall sharply, resulting

in a 3.2% level. On the other hand, we believe that if the market or our productivity returns to the 2021 level, we can enter the upper area of the range. This improvement in the productivity of the market depends on the extent to which companies' sensitivity to demand and the speed of their decision-making will increase. We therefore set this range in consideration of these background factors as well.

Questioner 3:
Does it mean that it is mainly in light of the stance of hiring companies, that is, their sensitivity to hiring demand, rather than economic conditions or similar, that you forecast that a value in the upper area of the range will be the 2021 level and one in the lower area will be the result if conditions get tougher than they are now?

CEO Wada:
Yes, it does.

Questioner 3:
I understand it well.
Please tell us what you assume about Career SBU if the revenue is divided into a group with a high annual income level and one in the middle layer, including stringent selection in recruitment? It could be qualitative information.

CEO Wada:
Regarding the FY2024 forecasts, the group in the middle layer is still the overwhelming majority of our business and is our strength. We therefore understand that it is highly influential.
In fact, we also assume that the range of fluctuations of the group with a high annual income level may be smaller than the one with the medium income level. However, the weight of the former to the total of our business is low, which is why we set our forecast values in a certain range like this.