

## **Q&A at the Briefing of the Financial Results of the 2nd Quarter Ended September 30, 2024**

### **Questioner 1**

I would like to ask you about margins in the Staffing SBU. This time, you mentioned that the placement business in the Staffing SBU (placement of temporary staff) contributed to the profit increase. What are your views on the background to the performance of this business, which remained strong from Q1, and its continuity?

Could you also tell me what medium-term expectations you have about whether the business could be a factor for a structural increase in margins at the Staffing SBU?

### **CEO Wada:**

We are proactive in reaching out to both temporary staff and client companies, aiming to provide career options from the standpoint of temporary staff. Accordingly, we expect the placement of temporary staff to remain strong in the current fiscal year. In addition, the margins of placement of temporary staff are extremely high among other businesses of the Staffing SBU, and so we believe it will contribute to improving profitability. This is one of major pillars of our initiatives to create fans, so we will continue with it.

### **Questioner 1**

Regarding sales trends of the APAC SBU, it seems that the facility management business is compensating for the slump in the placement business, especially in China. What is the background to the strong showing of the facility management business? Is it simply because of manpower shortage felt in regions where you operate the business, or did your initiatives begin to produce results? Please provide a little more details.

### **CEO Wada:**

We operate the facility management business mainly in Australia. Our track record is evaluated extremely highly. Due to the nature of the contracts, extremely long-term services and high quality are required in this business, and we are certainly fulfilling expectations. This is the primary factor. We have earned high marks with the government and public institutions, and this has spread to

the private sector. We have continued to take this initiative, which we believe is a factor for the growth.

## **Questioner 2**

I would like to ask you about the latest revisions to the financial forecasts. In the 1st half, operating profit and adjusted EBITDA exceeded the initial forecasts by around mid-7.0 billion yen. On the other hand, revisions to the forecasts for the 2nd half were small. Further, in the earnings briefing for Q1, you mentioned that there was an upswing of around 6.0 billion yen from the forecast, but looking at Q2 only, the upswing seems to be small. Please provide the background to this. Were you just a little conservative in setting forecasts for Q1, or has the outlook for Q2 become somewhat poor? Or do you plan to make investments in the 2nd half because you have begun to see opportunities for the future? What are your ideas about the latest forecasts?

## **CFO Tokunaga:**

First, regarding the 1st half, gross profit was almost in line with the initial forecast. On the other hand, we reduced SG&A expenses by slightly more than 7.0 billion yen, reflecting the uncertainty about the 2nd half. This upswing in the 1st half is mostly due to the reduction of SG&A expenses. Regarding the 2nd half, we have revised down sales forecasts of Career and Shareful, which is included in Others, by slightly more than 10.0 billion yen compared to the initial forecasts. On the other hand, while we plan to reduce expenses in the 2nd half in line with the fall in the top line, expenses of around two dozen billion yen were moved from the 1st half to the 2nd half, and we are considering enhancing ads for increasing visibility in light of the competitive environment of the placement business. We therefore forecast adjusted EBITDA to be 33.2 billion yen in the 2nd half.

## **CEO Wada:**

As for the market, we are watching to see how long client companies will continue to be selective in their hiring practices in the placement business. We believe this is a key point because productivity is also affected by whether the selective hiring practices will continue or not. We will secure human resources who can be hired successfully by investing fully in marketing for the 2nd half and the next fiscal year. We believe this is also a key point.

**Questioner 3**

You explained that placement of temporary staff was extremely strong in Q1 and Q2 and will remain so in the 2nd half. Conversely, this also means that there is high demand for recruitment of regular employees for clerical work. Could this lead to shrinking of the clerical and administrative staffing market in the future? Please provide your views.

**CEO Wada:**

We believe that there are no such concerns. The market for placement of temporary staff of clerical and administrative staff is very small, and we have been able to approach it successfully. We understand that this is quite a new initiative. The business has a structure in which direct employment of only less than 1% (per month) of the slightly more than 130,000 temporary staff in service contributes greatly to revenue. We want you to recognize that the market for clerical and administrative staffing will not shrink due to the expansion of the market for placement of temporary staff.

**Questioner 3**

Am I correct in thinking that you have a policy of increasing placement of temporary staff proactively and strategically?

**CEO Wada:**

You are correct. That is our policy. At the base of the initiative is our intention to broadly expand career options for temporary staff to provide opportunities for them to get their desired jobs. Our policy and strategy have begun to produce results.

**Questioner 3**

Regarding Career, you mentioned that you will step up measures including ads for increasing visibility because competition will be fierce in the 2nd half. Given that behind this are two factors, that is, the issue of the motivation to change job possessed by candidates looking for career changes and client companies' selective hiring practices, which factor is stronger? How will they change in the future, including not only the 2nd half but also the next fiscal year and beyond? Please explain your prospects, if any, including qualitative ones.

**CEO Wada:**

It is always the supply-demand balance that counts as a correlation. Our experience has told us that if client companies' hiring interest continues to grow, it will boost the activities of candidates who want to change jobs. At present, client companies' demand has been consistently high. Therefore, we will encourage individuals to introduce human resources who will surely fulfill the demand. This is what we will do in the 2nd half. To what extent and how long we will continue to take this initiative for the 2nd half from the 1st half of the next fiscal year onward is a matter of focus for us. We will certainly keep advancing this initiative until demand from client companies is boosted further. We will thus continue to expand and develop the business.

**Questioner 3**

While the trend in client companies' selective hiring practices is more important, is it difficult at the moment to clearly forecast how it will change in the future?

**CEO Wada:**

We have noted that it is extremely difficult to forecast it. Various problems, such as the exchange rate, stock prices, corporate performance, and in addition, the political situation, economic policy, and problems in other countries, are involved. We are trying to get a clear picture of them.

**Questioner 4**

I believe that the Asia Pacific SBU is the main factor for the upward revision of consolidated revenue in the full-year financial forecasts. Could you give a little more details about what you assume in the 2nd half? Is the latest forecast revenue based only on contracts and other elements that you already see or could there be further upward moves?

**CEO Wada:**

Regarding our performance of the Asia Pacific SBU in the 2nd half, we expect the facility management business to remain strong. However, we understand that revenue will not differ markedly from the forecast because, in the facility management business, it takes time between the signing of a contract and its actual closing of the deal. In the Staffing business (temporary staffing and placement business), we will continue aggressive sales activities. Because we are

focusing our efforts on the placement business, we would like to strengthen business building despite the tough environment. We believe that the forecast is appropriate in such circumstances.

#### **Questioner 4**

Please provide an update about Shareful. While the range of services offered, including ones from competitors, has been expanded to a certain extent, how has your position been changing since the launch? In particular, are there any changes in the situation recently, including users and actual contracts, compared to other services?

#### **CEO Wada:**

We are focusing heavily on Shareful at present. As described in one of the presentation slides, the cumulative total number of downloads of the app has exceeded 8 million. This means that we have supply capacity. Once we have supply capacity, advances in client acquisition will be followed by improvements in business results. Regarding client acquisition, we are currently identifying corporate demand. At the same time, they are considering whether they will use services from multiple companies, including us. We will surely keep up with industry-leading companies and differentiate ourselves by combining services that are not offered by other companies, such as the shift management service that we have introduced this time, in our effort to provide value.

#### **Questioner 4**

I believe that your competitors are already used by many companies, particularly major enterprises. What is the benefit of using Shareful in such circumstances? What sales strategy are you taking in approaching existing clients of your competitors?

#### **CEO Wada:**

We combine value-added services that are not available from our competitors. We not only assign human resources but provide greater added value to client companies. This is exactly why we have now changed Sync Up into Shareful Shift. We offer combinations of these services so that clients will find value in using our services, such as improved productivity for a company and customer attraction in the case of a sales outlet or a restaurant.

**Questioner 5**

On slide 29 among the presentation slides, you make three points about the placement market environment, that is "Job seekers will maintain a 'wait-and-see' attitude," "Client companies will continue to be selective in their hiring practices," and "Competition to acquire talent is continually intensifying." I personally think that the continuation of these trends will benefit doda X, which targets the high-end domain. Are there any other positive impacts on you?

**CEO Wada:**

If selective hiring practices intensify, the capabilities of consultants will be very important. We understand that if the level of consultants improves, doda, not to mention doda X, will be able to adapt to these moves to be selective in hiring practices, which we believe will be the critical point going forward.

**Questioner 5**

What is the state of doda X in the 1st half?

**CEO Wada:**

doda X continued to make progress as planned. We are often asked this question in comparison with Visional (BizReach), our competitor. I just want to tell you that we are still in a phase where we have to improve our capabilities further.

**Questioner 5**

You posted a large negative value in other in cash flows from operating activities. Slide 50 among the presentation slides says, "Due to holidays, other (operating receivables and payables) in operating cash flow fluctuated." Could you provide details?

**CFO Tokunaga:**

Net cash used in the current fiscal year increased because March 31, 2024 was a holiday and the payment took place in April, which is the current fiscal year.