

## **Q&A at the Briefing of the Financial Results of the 3rd Quarter Ended December 31, 2024**

### **Questioner 1**

I have a question about the Career SBU. The revenue growth rate in Q3 was a little low for both the placement business and job recruitment media. What are your thoughts on the background to these results and what is your future perspective Was it affected only by the slow activities of job seekers, which is an external factor, or was it also impacted by the restraint on advertising spending? In addition, while I believe that productivity is hard to improve if the activities of job seekers are slow, how will you boost productivity?

### **CEO Wada:**

First, regarding the market, the major trends are that activities of job seekers are very slow and that client companies remain selective in their hiring practices. We were able to recruit and register job seekers as planned, so the decline is not attributed to reasons such as reduction in advertising outlays.

Regarding future measures to boost productivity, we will improve the matching accuracy further, introduce job seekers to corporate clients that are highly likely to hire them, and take this measure more quickly when the planned number of registrants have been secured. We will also increase the number of persons served by each career adviser. This is how we intend to improve productivity.

### **Questioner 1**

The reason for the somewhat low growth rate in Q3 is that, while the external environment itself has remained unchanged, the activities of those job seekers have become more unfavorable. Is this your view, or are there any other factors?

### **CEO Wada:**

Basically, we see it as attributable to external factors. We don't think it was caused by internal factors. We need to pay somewhat closer attention to future movements in the market.

### **Questioner 2**

How would you evaluate the financial results for Q3 alone?

I believe that revenue was almost as forecast in all businesses, although the

growth rate in the Career SBU declined slightly compared to the previous quarter. On the other hand, businesses were steady overall on the profit front, weren't they? I believe that, in the Staffing SBU, the number of operating days was a positive factor. The other businesses also achieved profit little by little, with the amount being quite large compared to revenue. Is that correct? In this case, what factors were positive for profit? Please explain with numbers if possible.

**CEO Wada:**

First, we believe that the results remained steady in Q3. We think that people on the front lines are working very hard. We feel this was evaluated by customers to a certain degree. The revenue was almost as forecast. The profit resulted from the initiatives we took with the intention of shifting to a management structure that enables us to control cost fully, although there were some delays in the execution of some costs.

**Questioner 2**

I would like to ask you about the way you spend money.

I have the impression that you have been using money in a fairly uneven manner, such as increasing costs rapidly when the economy begins to pick up while reducing cost agilely when the economy starts to decline. Are those adjustments necessary for generating earnings? It also seems to me that because you have announced the Mid-term Management Plan, you are striving to adhere to it. I think you should make investments from a somewhat longer-term perspective. What do you think about the way you use money from short- and long-term perspectives?

**CFO Tokunaga:**

We assume that, regarding the way we use money, you are asking us in which fields we will invest in growth over the medium to long terms. Broadly speaking, we make investments in three fields. One is marketing investment for acquiring customers. The next is investment in people for our mid- to long-term growth. And the other is system investment, such as investment to shift to cloud computing to reduce costs over the medium to long terms. It is important to invest in each one of these three fields at the right time. We did not force cost cutting to achieve mid- and long-term targets. We seek to invest in marketing, people and systems appropriately according to circumstances while effectively

implementing daily cost reductions for optimization. In particular, we made a small extra investment in systems this time, so as to reduce costs next year and beyond.

**CEO Wada:**

Let me give you a supplementary explanation. Regarding the initiative to enhance the productivity of career advisors in the Career SBU, we see our future key task as enhancing their capacity and capabilities more agilely by using AI and systems. In the Career SBU, we would like to shift to the digital platform business. As part of the measures for this purpose, we will deliberately advance initiatives to improve productivity, which will lead to the next step. This is the idea with which we are moving ahead.

**Questioner 2**

Especially for the Career SBU and the Technology SBU, I think that the turnover rate and recruitment have been hot topics in the overall industry. Could you please tell us not only your plan for the next fiscal year but also what you think from a mid- to long-term perspective, at the time of announcing the full-year financial results or on a similar occasion?

**CEO Wada:**

Thank you, we will take that into consideration.

**Questioner 3**

In your explanation about the profit growth rate of 10% in the next fiscal year, you said that revenue at the Staffing SBU will grow about 5% while the BPO SBU and the Technology SBU will achieve double-digit growth. How much growth do you expect the Career SBU to achieve?

**CEO Wada:**

The Career SBU is greatly affected by the market. We have taken one step further to identify market trends. Above all, the movements of client companies at the end of the fiscal year, such as hiring trends, have an impact at the beginning of the next fiscal year. We want to clarify this point before giving you our projection. Please wait a little while longer.

**Questioner 3**

Regarding the slight decline in the motivation to change jobs possessed by job seekers, I think one factor is the significant wage increase that was implemented in April last year. While another pay increase is planned in April this year, will it affect the motivation to change jobs again next fiscal year? This may be included in what you have yet to determine, but I would like you to explain your prospects or views, if any.

**CEO Wada:**

We believe it will have a certain level of impact. Having said that, while there are 10 million job seekers in Japan at present, there are 3 million people among them who actually go ahead and change jobs. The remaining 7 million people want to make a change but do not have good opportunities or come across good information. This is the situation. While the overall motivation to change jobs may not develop fully, there are a large number of potential job changers. It is extremely important to take ongoing initiatives to provide them with good information and growth opportunities and enable them to actually change jobs. Unless we give a greater driving force to the utilization of human resources in Japan, its national strength will not increase. We therefore hope to give support in a way that will increase mobility robustly in this sense.

**Questioner 4**

Due to the impact of the wage increase, the motivation to change jobs has remained sluggish for slightly more than a year. What could be used as leverage to boost their motivation a little more? Do you feel that it ultimately depends only on the environment and that is hard to address with the policies of just one company alone?

**CEO Wada:**

We have secured the number of registrants, and we have a sufficient number of job seekers. It is difficult to make the viewpoint of those people consistent with that of the client companies. We see this as a significant factor. How to make them consistent with each other is our next major issue. Specifically, one issue is how to fill in the gap, or the mismatch between client companies' hiring standards and the skills possessed by candidates. Going forward, it will be extremely important to align the performance actually needed with the

abilities and potential that are actually possessed by candidates. In short, we will have client companies understand that hiring the second-best match, if not the best match, will be valuable for them while encouraging job seekers to take on challenges. This is very important.

#### **Questioner 4**

I imagine that it is in light of these perceived issues that your career advisors are taking some steps to reduce the mismatch. Did you find it difficult to turn those initiatives into major achievements in the past year?

#### **CEO Wada:**

They have led to the signing of contracts to a certain extent, and our customers are satisfied. We believe that it is thanks to those initiatives that the growth rate has remained close to double digits, although the level is below the 20% to 30% growth that was achieved after the end of the COVID-19, for example.

#### **Questioner 4**

The Staffing SBU has also achieved growth in the placement business (placement of temporary staff) with the margin being improved gradually. This trend has continued for three quarters. What is your view about its sustainability? Is there a little more room for an improvement in the margin toward the next fiscal year?

#### **CEO Wada:**

Regarding the Staffing SBU, we will continue striving to improve the margin. This, of course, requires productivity improvements in the business itself, but it is also reflected in the prices we ask our customers to pay. We are working proactively on the placement of temporary staff as a measure. We will continue with this initiative. While securing human resources will be very important for client companies, they want excellent temporary staff to continue working for them. We are also proactive in supporting staff who seek direct employment. We will continue to take this initiative. In terms of the number, however, the percentage of temporary staff who get directly employed is still low among all temporary staff members, who number over one hundred thousand. Therefore, the overall temporary staff business will remain unaffected even if the number becomes a level or two higher. On the contrary, the increase will be very positive for profit. In addition, some data show that if a client

company hires staff directly, it becomes highly probable that the same client company will give us an order again six months later. We are sure that, in this sense as well, the initiative will contribute fully to the growth of the staffing business.

#### **Questioner 5**

Regarding the Staffing SBU, the growth rate of the charge price has remained around 2%. Are temporary staff members satisfied with wage increase of around 2% while the rate is between 4% and 5% in society as a whole?

CEO Wada:

Basically, we want to pay more to temporary staff and have them earn more income. From another perspective, however, in clerical and administrative staffing, staff members choose their workstyle itself, and there are a great many factors other than wages, including environmental factors. Accordingly, while continuing to respect staff members' intentions as much as possible, we will advance initiatives to reflect evaluations by client companies in wages, thus continuing to have staff members "Work and Smile."