Q&A at the Briefing of the Financial Results of the 1st Quarter Ended June 30, 2025

Questioner 1

Regarding the Career SBU, in Q1 revenue growth in the placement business was 4.2% year on year, and personally this seemed somewhat modest . In the volume zone which is PERSOL's strength, what kinds of initiatives did you pursue and what challenges did you perceive in Q1, under a business environment in which both corporate and individual customers are acting with caution? Also, what strategies will you pursue from Q2 onward in response to these conditions?
In addition, under your policy of raising productivity instead of hiring more personnel, you significantly improved productivity in Q1. What factors contributed to this? Can you provide any insights that would provide clues when considering the situation from Q2 onward, such as to what degree do you aim to raise productivity in the future, and to what degree would productivity have to improve for you to consider hiring more personnel?

CEO Wada:

Looking at current market conditions for the Career SBU, in the volume zone companies are continuing to be highly selective in hiring, and candidates remain cautious. We recognize that wage hikes and increases in base salaries are a major factor behind this. Within this market, we are looking to pursue two key initiatives, firstly to reliably secure candidates and increase matching probabilities in the volume zone where we have strengths, and second to properly address the high-income group with annual income of 6 million yen and higher as a growing market.
On the productivity front, I will refrain from disclosing specific figures, other than to say that even under future growth conditions, we are confident that we will be able to improve financial performance at our current staffing levels. We have boosted productivity with the utilization of technology, and since the placement business is a business model that is highly compatible with the use of AI, we want to accelerate those initiatives. Going forward a key theme will be to what extent we can promote the utilization of AI agents, and I believe there is still ample room for growth.

Questioner 1

You mentioned wanting to address the high-income group with annual income of at least 6 million yen, but it is difficult for investors to grasp the situation with the high-income group, including doda X. If possible, please comment on the high-income group including doda X, in terms of the current size of the business, and so on.

In addition, on the topic of productivity and headcount, if you propose to grow sales by improving productivity rather than hiring more people, doesn't that give the impression that sales will grow in a milder way?

CFO Tokunaga:

We do not disclose information on business size such as the constituent sales accounted for by doda X. However, our growth rate in this segment is on par with competing companies with strong performance with the high-income group. We continue to receive various requests about future disclosures, and we hope to make such disclosures when the time is right.

CEO Wada:

On the question of to what extent we will grow sales without hiring more personnel, at present the number of career consultations being conducted with candidates up until final offers are made has been on the rise, and this means that it takes more person-hours per placement. As we already have the capability to conduct career consultations, we recognize that we are in a position to properly grow depending on improvements to the market, and improvements in the market will be linked to the degree of sales growth. We expect that if market conditions rebound, we will be on track for a higher level of growth.

Questioner 1

In addition to the productivity improvements you are currently working on, if market conditions improve, will you be able to grow at a pace exceeding those productivity improvements through a combination of self-driven efforts and market factors?

CEO Wada:

I think you should think of it in terms of if the market improves, that will coincide with a sudden jump in productivity on a per-career consultant basis.

Questioner 2

Regarding the degree of progress toward your corporate plan, you explained that performance was going according to plan. However, if we look at past performance, operating profit in Q1 has often accounted for just under 30% of the full year. Even recognizing that in Q1 of the previous year, the progress of adjusted EBITDA was positive as profit in the placement business (in the Staffing SBU) was raised, it seems that Q1 tends to be more favorable for generating profit compared to Q2. In light of that, doesn't your performance in Q1 this year seem a little weak? If you catch up to your corporate plan in Q2, would that be due to some factors that differ from the seasonality seen in regular years, or were there some one-off investments or costs incurred in Q1? My question is whether your progress is truly in line with your corporate plans.

CFO Tokunaga:

As shown on page 7 of the explanatory materials, this year we plan to generate profit with a virtually even spread between quarters. In the plan disclosed in May, we also projected adjusted EBITDA of 43 billion yen in the first half, and 43.5 billion yen in the second half, almost equal. In addition, there were also some extraordinary factors at play in Q1. For example, in the Asia Pacific SBU the subsidies that applied in the previous fiscal year were gone this year, and in the Technology SBU, the number of new graduate hires has increased by around 100 compared with the previous year, leading to higher cost of sales and a decrease in profit. However, in the Technology SBU the number of engineers has increased, and our plan is for this to generate profits surpassing the previous year from Q2 onward. In the previous fiscal year, we generated greater profits from Q1 to Q3 while Q4 was a leaner period, but this fiscal year we want to steadily execute plan ensuring a roughly even distribution of profits to prevent the same thing from happening.

Questioner 2

In general, seasonal factors tend to make Q1 more favorable for profit generation than Q2, in both the Staffing SBU and Career SBU. Why are you able to say with certainty that those seasonal factors do not apply this fiscal year? Are you able to confidently say that steady growth in the BPO SBU and Technology SBU will offset these factors, or do you see some signs that productivity will improve in the Career SBU or other SBUs heading into the second half of the year?

CFO Tokunaga:
You are correct in identifying that in the Staffing SBU and Career SBU, there is a stronger profit tendency in Q1 compared with Q2. However, our assumption is that in the BPO SBU and Technology SBU, profit will increase on a quarter-by-quarter basis in Q2. That is one of the factors incorporated into our plan for even profit levels from quarter to quarter.

Questioner 3
Regarding prospects for the Career SBU for Q2 onward, after payments of first-half bonuses at various companies, how do you view the placement market trends in the volume zone that is as strength for PERSOL? If individuals regain their willingness to change jobs following bonus payments and the market rebounds, how do you intend to invest in marketing?

CFO Tokunaga:
In Q1, we increased investments in marketing for the Career SBU by a little over 10% compared with the same period of the previous year. In Q2, there are seasonal factors that make market trends somewhat weaker compared with Q1, but recently the registration situation for individuals has been comparatively better. Taking into consideration trends among individuals, we will increase marketing investment as needed and firmly seize opportunities to meet individuals' job change needs.

Questioner 3
Following the payment of first-half bonuses this year, is there a sense that individuals are starting to become more active?

CFO Tokunaga:
Bonus payments are on par with normal years. Our biggest focus is whether registrations from individuals are increasing year over year. On that point, compared with the previous year we have recognized a relatively favorable situation when it comes to registrations this year. Our next job is to properly align these registrations with the hiring needs of our corporate clients. As CEO Wada mentioned earlier, when the cautious approach of individuals shifts and favorable conditions return to the market, we want to further raise productivity through improvements to matching technologies, but something we are working on a

daily basis is how to improve our consultant framework and matching processes so that we can fully respond to the needs of individuals.

Questioner 3

In the Technology SBU, both operating profit and adjusted EBITDA showed slimmer margins in Q1 than the previous year. Would it be correct to say that this factor is explained by the increase in new graduate employees and the impact of the operating rate? In conjunction with this, it appears that growth in your unit prices are weaker than industry trends. Are the same factors at play here?

CEO Wada:

I find no issues with your understanding in that regard. The assignments of new graduate hires take place gradually during the first half of the year. The general process involves assigning these graduate hires to their new posts from around the end of Q1 to the end of Q2, and as the assignment rate increases, profitability improves. In addition, hiring a large number of new graduates is a factor that decreases unit prices, but we are also advancing efforts to boost the skills of engineers, and we are continuing to negotiate over price revisions in our regular sales activities. In particular, when there are changes to projects or personnel assignments it is a major opportunity to enter price negotiations, and this is an approach we are following without fail.

Questioner 3

Excluding new graduate hires, it appears that unit prices at competitors are growing at around 4-5% year over year. How is PERSOL doing compared with that level?

CEO Wada:

We have not improved to a point of exceeding that level, but we are catching up.

Questioner 4

Recently the industry has seen restructuring trends including takeover bids for some competitors. What is PERSOL's stance on these developments at this stage?

CEO Wada:

We are seeing and hearing reports about this in the press, and it seems that the market is undergoing significant changes. For us at PERSOL, above all we see it is critically important to achieve solid growth in our existing businesses and offer complete peace of mind to shareholders. We are also dealing with the media with the recognition that it will be necessary to focus on improving the profitability of our businesses in the future.

Questioner 4

There is an impression that in the past PERSOL has responded well on the acquisition side by riding the wave of domestic restructuring, such as the integration of Tempstaff and Intelligence, and in the consolidation of smaller clerical and administrative staffing companies in the Staffing SBU. I think there may be some expectations of similar developments. Could you provide any deeper insight considering these past circumstances?

CEO Wada:

M&A is one of the extremely critical strategies in the current Mid-term Management Plan. As part of that, we have acquired Fujitsu Communication Services (now PERSOL COMMUNICATION SERVICES), and although we are right in the middle of PMI, I believe it will go well. We are constantly on the lookout for opportunities. Since those activities involve other parties, we make efforts to exercise comprehensive judgment while establishing the best possible relationships to ensure that we are chosen when those opportunities arise.

Questioner 5

In the briefing materials, you state that revenue in the Staffing SBU's placement business has increased by 9.3%. How large are placement business revenue as a percentage of total revenue in the SBU?

CEO Wada:

The revenue only accounts for a small portion of total revenue, but the degree of contribution to profitability is high.

Questioner 5

Regarding the Technology SBU, does the impact on adjusted EBITDA due to the increase in new graduate hires in Q1 include training costs?

CEO Wada:

Training costs are included, but what increased is personnel expenses themselves. As they haven't been assigned posts yet and customers are not being billed for their work, personnel expenses for new graduate hires are treated purely as a cost of sales.

Questioner 5

Will the delays of intra-group projects in the Technology SBU be resolved in Q2?

CEO Wada:

I have heard reports that the delays will be cleared out in the first half. I think the situation will normalize after the first half.

Questioner 5

This relates to IR Day, but I would like to ask about expense reductions through the use of AI. How much impact will this have on SG&A expenses? Can you give an idea of the levels or figures involved?

CEO Wada:

What is essential is not simply adopting AI, but doing so in alignment with our targets for reducing SG&A expenses. Right now we are developing those plans to be incorporated in our next Mid-term Management Plan. We want to devise plans that will firmly align with system investment costs, personnel expenses and productivity improvements.